

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **September 11, 2008**

**EAGLE FINANCIAL SERVICES, INC.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction of  
incorporation)

**0-20146**  
(Commission File Number)

**54-1601306**  
(IRS Employer Identification No.)

**2 East Main Street**  
**P.O. Box 391**  
**Berryville, Virginia**  
(Address of principal executive offices)

**22611**  
(Zip Code)

Registrant's telephone number, including area code: **(540) 955-2510**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 8.01          Other Events**

On September 7, 2008, the United States Treasury Department announced a plan to place the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) in conservatorship under the authority of the Federal Housing Finance Agency (the “FHFA”). Bank of Clarke County (the “Bank”), the wholly-owned subsidiary of Eagle Financial Services, Inc. (the “Company”), holds preferred stocks issued by Fannie Mae and Freddie Mac at a cost of \$2.5 million. After the conservatorship was announced, the market value of the preferred stocks owned by the Bank decreased significantly and, based on recent trades, is less than \$250,000. As a result, the Company announced today that it expects to record a non-cash other-than-temporary impairment charge to earnings during the third quarter of 2008 related to its investments in preferred stocks issued by Fannie Mae and Freddie Mac. The Company will continue to evaluate this situation and expects to make a final determination of impairment relating to these securities in connection with the preparation of its financial statements for the third quarter of 2008. Neither the Bank nor the Company holds any common stock or other equity securities issued by Fannie Mae or Freddie Mac.

A copy of the press release is being furnished as an exhibit to this report and is incorporated by reference into this Item 8.01.

**Item 9.01          Financial Statements and Exhibits**

- (d) Exhibits. The following exhibit is being furnished pursuant to Item 8.01 above.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated September 11, 2008.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 11, 2008

Eagle Financial Services, Inc.

By: /s/ JAMES W. MCCARTY, JR.

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James W. McCarty, Jr.  
Vice President, Chief Financial Officer,  
and Secretary-Treasurer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated September 11, 2008.

## **EXHIBIT 99.1**

Contact: Jim McCarty  
Vice President and Chief Financial Officer  
540-955-2510  
[jmccarty@bankofclarke.com](mailto:jmccarty@bankofclarke.com)

# **EAGLE FINANCIAL SERVICES, INC. REPORTS HOLDINGS OF FANNIE MAE AND FREDDIE MAC PREFERRED STOCKS**

BERRYVILLE, Va., September 11 – Eagle Financial Services, Inc. (OTC BULLETIN BOARD: EFSI), the holding company for Bank of Clarke County, reported today that it anticipates a significant impairment charge to its third quarter earnings in connection with the bank’s holdings of Fannie Mae and Freddie Mac preferred stocks. These preferred shares are recorded at a cost of approximately \$2.5 million.

As a result of the Federal Housing Finance Agency’s (“FHFA”) conservatorship of Fannie Mae and Freddie Mac, which includes suspending the payment of dividends on their common and preferred stock, the Company estimates that the market value of its holdings has fallen to less than \$250,000. The exact amount of the decline in value is difficult to determine because of significant volatility in the trading price of the securities. Because these securities will remain outstanding, they may increase in value if the financial condition of Fannie Mae and Freddie Mac improves, the conservatorship ends, and they are allowed to resume paying dividends.

Given an expected long-term loss in the market value of these securities, the Company expects to record a non-cash other-than-temporary impairment charge to earnings during the third quarter of 2008. Management will consider trading data and other communications regarding these entities to determine the amount of loss that will be recognized on or before September 30, 2008.

Most importantly, the Company and the bank anticipate remaining “well-capitalized” under current regulatory capital guidelines subsequent to recording the impairment charge. John Milleson, President and Chief Executive Officer, stated “Although this loss was unexpected, consistently strong earnings allow us to absorb it without needing additional capital. With earnings of \$3.8 million during the first half of 2008, the Company expects to be profitable for the year at the end of the third quarter and anticipates a profitable fourth quarter.”

This press release may contain “forward-looking statements,” as defined by federal securities laws, which may involve significant risks and uncertainties. The statements are based on estimates and assumptions made by the Company in conjunction with other factors it believes are appropriate in the circumstances. Actual results could differ materially from those contained in or implied by such statements. Consequently, all forward-looking statements made herein are qualified by the risk factors and other cautionary language in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007 and other reports filed with and furnished to the Securities and Exchange Commission.