



Audit Committee Charter

PURPOSE:

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Eagle Financial Services, Inc. and subsidiaries (the “Company”) to assist the Board in fulfilling its oversight responsibilities for the Company’s accounting and financial reporting processes and audits of the financial statements of the Company. In that regard, the Committee assists the Board in monitoring:

- the integrity of the Company’s financial statements,
- the independence and qualifications of its external auditor,
- the Company’s system of internal controls,
- the performance of the Company’s internal audit process and external auditor, and
- the Company’s compliance with applicable legal and regulatory requirements.

In addition, the Committee will prepare the audit committee report required by the rules of the Securities and Exchange Commission (the “Commission”) to be included in the Company’s annual proxy statement.

COMMITTEE MEMBERSHIP:

The Committee will consist of at least three members of the Board. The members of the Committee are appointed annually by the Chairman of the Board of Directors of the Company. The members shall serve until their successors are duly elected and qualified by the Board. The Chairman will appoint one of the members of the Committee to serve as Committee Chair. The Committee may also appoint a Secretary, who need not be a Director.

Each member of the Committee must fully satisfy independence and experience requirements as prescribed by the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations of the Commission. At least one member shall satisfy the definition of, and be designated as, an “audit committee financial expert”, as defined by the Commission; provided, however, that if no member of the Committee satisfies such definition, the Committee shall direct the Company to include appropriate disclosures in Commission filings as required by the Commission rules and regulations then in effect. The Committee also shall direct the Company to include appropriate disclosures in Commission filings with regard to service by Audit Committee members on the audit committees of other public companies as required by Commission rules and regulations then in effect.

No member of the Committee may be an “affiliated person” of the Company or any of its subsidiaries (as defined in the Exchange Act) nor may any member of the Committee simultaneously serve on the audit committee of more than two other public companies or on the audit committee of any financial institution not affiliated with the Company.

MEETINGS:

The Committee will meet as often as it determines is appropriate, but not less frequently than quarterly. A quorum of the Committee shall be declared when a majority of the appointed members of the Committee are in attendance. The Committee will meet periodically in separate executive sessions with management, the internal auditor, and the external auditor, and have such other direct and independent interaction with such persons from time to time as the Committee deems appropriate. The Committee may request any officer or employee of the Company, the Company's outside counsel or external auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Meeting agendas will be provided in advance to Committee members, along with appropriate briefing materials. Minutes, that provide an accurate record of the proceedings including all actions taken by the Committee, shall be prepared for all meetings of the Committee. The Committee shall approve the minutes of each meeting.

AUTHORITY AND RESPONSIBILITY:

The Committee will have the sole authority to appoint, determine funding for, and oversee the external auditor, with the appointment being subject to shareholder ratification. The Committee will be directly responsible for the compensation and oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external auditor will report directly to the Committee. The Committee will also have the authority for the appointment, compensation, and oversight of the Company's internal audit function.

The Committee will pre-approve all auditing services, internal control related services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its external auditor.

The Committee will have the authority, to conduct or authorize investigations into any matter within its scope of responsibilities and, to the extent it deems necessary or appropriate, to engage and determine funding for independent legal, accounting or other advisors. The Committee will also have the authority, to the extent it deems necessary or appropriate, to ask the Company to provide the Committee with the support of one or more Company employees to assist it in carrying out its duties. The Company will provide for appropriate funding, as determined solely by the Committee, for payment of the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties, as well as compensation to the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and compensation to independent counsel or any other advisors employed by the Committee.

The Committee, to the extent it deems necessary or appropriate, will carry out the following responsibilities:

Charter Review

- Review and reassess the adequacy of this charter at least annually and recommend to the Board any proposed changes to this charter.
- Publicly disclose the charter and any such amendments at the times and in the manner as required by the Commission and/or any other regulatory body or stock exchange having

authority over the Company, and in all events post such charter and amendments to the Company's website.

Financial Reporting and Internal Controls

- Review and discuss with the internal auditors and the external auditors their respective annual audit plans, reports and the results of their respective audits.
- Review and discuss with management and the external auditors the Company's annual audited financial statements and its Form 10-K (prior to filing the same as required by the Exchange Act), including disclosures made in the section regarding management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- Review and discuss with management and the external auditors the Company's quarterly financial statements and its Form 10-Q (prior to filing the same as required by the Exchange Act), including disclosures made in the section regarding management's discussion and analysis, the results of the external auditors' reviews of the quarterly financial statements, and determine whether the quarterly financial statements should be included in the Company's Form 10-Q.
- At least annually prior to the filing of the audit report with the Commission (and more frequently if appropriate), review and discuss reports from the external auditor on (1) all critical accounting policies and practices to be used, (2) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor, and (3) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with management and the external auditors the effect of regulatory and accounting initiatives and off-balance sheet transactions on the Company's financial statements, conditions or results and any necessary disclosures related thereto.
- Discuss with management and the external auditor all matters required to be communicated to the Committee under the standards of the Public Company Accounting Oversight Board (PCAOB) including matters required to be discussed by PCAOB Auditing Standard 1301, as applicable.
- Review and discuss with the Company's Chief Executive Officer and Chief Financial Officer all matters such officers are required to certify in connection with the Company's Form 10-Q and 10-K or other filings or reports.
- Review and discuss with management and, where appropriate, the external auditors, the Company's financial disclosures in its registration statements, press releases, earnings releases, current reports, real time disclosures, call reports or other public disclosures before the same are filed, posted, disseminated or released (including the use of "pro forma" or "adjusted" non-GAAP information and all related reconciliations to GAAP information) and

any earnings guidance, as well as all financial information provided to rating agencies and/or securities analysts including presentations at industry, investor or other conferences.

- Discuss with the Company's external auditors, internal auditors, and management their assessments of the adequacy of the Company's internal controls and disclosure controls and procedures.
- Discuss with the Company's external auditors, internal auditors and management, as appropriate, any significant weaknesses or deficiencies that any of the foregoing have identified relating to financial reporting, internal controls or other related matters and their proposals for rectifying such weaknesses or deficiencies.
- Monitor the Company's progress in promptly addressing and correcting any significant identified weaknesses or deficiencies in financial reporting, internal controls or related matters.
- Receive periodic reports from the external auditors and appropriate officers of the Company on significant accounting or reporting developments proposed by the Financial Accounting Standards Board or the Commission that may impact the Company.
- Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

Oversight of the Company's Trust Department

- Direct and oversee the annual fiduciary audit of the Company's Trust Department.
- Perform any other duties required to be performed by an audit committee for the Company's Trust Department in the manner required by applicable laws and regulations.

Oversight of the Company's External Audit Function

- Hire, terminate, compensate, review and oversee the work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting).
- Review the experience, rotation and qualifications of the senior members of the external auditors' team.
- Monitor the independence, qualifications and performance of the external auditors by, among other things:
 - Obtaining and reviewing a report from the external auditors at least annually regarding (1) the external auditors' internal quality-control procedures, (2) any material issues raised by the most recent quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more

- external audits carried out by the same, (3) any steps taken to deal with any such issues, and (4) all relationships between the external auditors and the Company;
- Evaluating the qualifications, performance and independence of the external auditors, including considering whether the auditors' quality controls are adequate and whether the provision of any non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management and the internal auditors;
 - Establishing and overseeing restrictions on the actions of directors, officers, or employees of the Company in illegally influencing, coercing, manipulating or misleading the Company's external auditors including violations of Rule 13b2-2 promulgated under the Exchange Act; and
 - If so determined by the Committee, taking additional action to satisfy itself of the qualifications, performance and independence of the external auditors.
- Meet with the external auditors prior to each annual audit to discuss the planning and staffing of the audit.
 - Pre-approve all audit services, audit-related services and permitted non-audit services to be performed for the Company by the external auditors. In no event shall the external auditors perform any non-audit services for the Company which are prohibited by Section 10A(g) of the Exchange Act or the rules of the Commission or the PCAOB (or other similar body as may be established from time to time). The Committee shall establish general guidelines for the permissible scope and nature of any permitted non-audit services in connection with its annual review of the external auditors' audit plan and shall review such guidelines with the Board. Pre-approval may be granted by action of the full Committee or, in the absence of such Committee action, by the Committee Chair whose action shall be considered to be that of the entire Committee. Approvals of a non-audit service to be performed by the auditors and, if applicable, the guidelines pursuant to which such services were approved, shall be disclosed when required as promptly as practicable in the Company's quarterly or annual reports required by the Exchange Act.
 - Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
 - Recommend to the Board policies for the Company's hiring of employees or former employees of the external auditors who participated in any capacity in an audit of the Company, including in particular the prohibition on employment under Section 10A(1) of the Exchange Act as chief executive officer, controller, chief financial officer, chief accounting officer, or any person serving in an equivalent position for the Company, during the preceding one-year period.
 - Ensure that the external auditors have access to all necessary Company personnel, records or other resources.

Oversight of the Company's Internal Audit Function

- Act as the direct reporting entity for the Company's internal auditors from a functional perspective.
- Be responsible for the appointment, evaluation (including compensation), and replacement of the Internal Audit Manager.
- Discuss with Company management and the Internal Audit Manager the charter, plans, scope, processes, procedures, staffing and organizational structure of the internal audit function.
- Review and approve all outsourced internal audit engagements.
- Review and approve the internal audit charter, as well as any material changes thereto annually.
- Review and approve the annual risk assessment, as well as material changes thereto quarterly.
- Review and approve the internal annual audit plan, as well as any material changes to the internal audit plan quarterly.
- Review the effectiveness of the internal audit function and the internal audit staff qualifications and recommend any changes thereto.
- Receive and review internal audit reports regarding:
 - execution of the internal audit plan quarterly,
 - achievement of annual audit plan,
 - issues that result in a less than satisfactory audit rating, along with management's proposed corrective actions and the status of that corrective action at each meeting, until the issue is closed by the internal audit department,
 - outstanding audit findings and/or issues by rating, as well as those which are past-due or have been re-aged, systemic issues which are pervasive or persistent across audits and over time, as well as trends in issues (volume, ratings, by line of business, etc.),
 - significant trends of risk exposures and control matters,
 - significant governance issues that arise in the course of performing audits,
 - any unwarranted restriction on access by internal auditors to all Company activities, records, property, and personnel,
 - any potential fraud involving management or employees who are significantly involved in the internal controls of the Company as necessary, and
 - materials relative to significant industry, accounting, risk management or internal control matters that impact audit scope or emphasis.
- Ensure that the internal auditors have access to all necessary Company personnel, records or other resources.

Oversight of the Company's Compliance

- Review the effectiveness of the Company's compliance programs that may have a material impact on the financial reporting process.
- Discuss with management and the internal auditors the Company's compliance with applicable laws and regulations and from time to time advise the Board with respect to the same.
- Review procedures designed to identify related party transactions that are material to the financial statements or otherwise require disclosure.
- Review procedures and require the Company to obtain or provide the necessary resources and mechanisms for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Discuss with management and the external auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
- Discuss legal matters that may have a material impact on the financial statements and that may have an impact on the Company's compliance policies with the Company's attorney.

General Responsibilities

- Report to the Board on the Committee's activities at each Board meeting.
- Review and assess the quality and clarity of the information provided to the Committee and make recommendations to management, the internal auditors and the external auditors as the Committee deems appropriate from time to time for improving such materials.
- Form and delegate authority to subcommittees or members when appropriate.
- Periodically review the performance of the Committee.
- Prepare the audit committee report to be included in the Company's proxy statement when and as required by the rules of the Commission.

In performing their duties and responsibilities, the Committee is entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- One or more officers or employees of the Company whom the Committee reasonably believes to be reliable and competent in the matters presented.

- Counsel, external auditors, or other persons as to matters which the Committee reasonably believes to be within the professional or expert competence of such person.
- Another committee of the Board as to matters within its designated authority which the Committee reasonably believes to merit confidence.

LIMITATION OF AUDIT COMMITTEE'S ROLE:

The Committee's job is one of oversight as set forth in this charter. It is not the duty of the Committee to prepare the Company's financial statements, to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP"). The Company's management are responsible for preparing such financial statements and for maintaining internal controls, and the external auditors are responsible for auditing the financial statements.