

PUBLIC DISCLOSURE

March 9, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Bank

619327

50 East Windsor Boulevard

Windsor, Virginia 23487

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable in relation to demand for credit in the assessment area.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans were originated within the bank's assessment area.
- Overall lending to borrowers of different income levels and businesses of different sizes is considered reasonable using various proxies for demand.
- The distribution of lending by income level of geography is considered excellent given area demographic and market aggregate data.
- The bank has participated in an adequate level of community development activities within its local market area.
- The bank has not received any complaints regarding its CRA performance since the previous evaluation.

DESCRIPTION OF INSTITUTION

Farmers Bank is headquartered in Windsor, Virginia, and operates a total of four branch offices within Isle of Wight County and the city of Suffolk. As of December 31, 2008, the bank had total assets of \$375.3 million, of which 76.3% were loans and 18.7% were securities. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The loan portfolio, as of December 31, 2008, was comprised of 65.3% commercial real estate and farm secured, 25.3% one- to four-family residential real estate, 7.2% commercial and agricultural, and 2.2% consumer loans. The institution's previous CRA rating, dated February 26, 2007, was rated Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area includes all of Isle of Wight County and the city of Suffolk, Virginia, which are part of the Virginia Beach-Norfolk-Newport News, Virginia-North Carolina Metropolitan Statistical Area (MSA). According to the 2000 census data, the assessment area has a population of 93,405 and a median housing value of \$107,664. The owner-occupancy rate for the market equals 70.6%, which is higher than the commonwealth's rate of 63.3% and the MSA's rate of 58.8%. The percentage of families living below the poverty level in the assessment area (9.4%) is higher than the Commonwealth of Virginia's level (7%) and MSA's level (8.4%). The 2007 median family income for the Virginia Beach-Norfolk-Newport News, VA-NC MSA is \$64,100.

The following table contains detailed demographic information for the assessment area based on the 2000 census. The table provides demographic data for the assessment area by the income level of families and households and distribution of local businesses.

COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES

Information from an individual knowledgeable of local economic conditions and needs as well as the review of CRA performance evaluations of financial institutions operating within the Farmers Bank's assessment area indicate that limited community development opportunities exist within the assessment area. It also appears that fewer opportunities exist in Isle of Wight County than in the city of Suffolk. Given the bank's size, financial condition, and business strategy, no constraints were noted regarding the bank's ability to participate in area community development activities.

Farmers Bank participated in the following qualified community development activities since the previous evaluation dated February 26, 2007:

- The bank originated one community development totaling \$110,000. The loan was extended to a non-profit organization to construct low- and moderate-income housing within the assessment area.
- The bank invested \$500,000 in the Senior Housing Crime Prevention Foundation. The funds are being used by the foundation to support the Senior Crimestoppers program for low- and moderate-income people residing in senior housing facilities within the bank's market area. This represents a new investment since the previous evaluation.
- Farmers Bank also donated \$14,800 to qualified community development organizations since the previous CRA evaluation.
- Obici Healthcare Foundation - A bank director serves as a board member of the foundation. The Obici Healthcare Foundation assists uninsured and medically indigent individual obtain healthcare.
- Western Tidewater Free Clinic - An executive officer serves as a board member for this organization that provides free healthcare for low-income individuals and families.
- Economic and Development Committee for the Town of Windsor - An executive officer provides financial expertise as a board member. The committee promotes economic development within Isle of Wight County by promoting the establishment of new small businesses.
- Suffolk 60 Care - A bank employee is a board member of this organization that seeks to improve the Suffolk community by poverty intervention.

Overall, the bank has an adequate level of responsiveness to local community development needs through its lending, and support of area organizations that facilitate community development.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.