THE FARMERS BANK OF APPOMATTOX

CORPORATE GOVERNANCE GUIDELINES

Introduction

The business and affairs of The Farmers Bank of Appomattox (the "Bank") are subject to the general oversight and authority of the Board of Directors (the "Board"). The Board has adopted these Corporate Governance Guidelines upon the recommendation of the Nominating and Governance Committee. Together with its Articles of Incorporation, Bylaws and charters of Board committees, these guidelines provide the authority and practices for governance of The Farmers Bank of Appomattox.

Recognizing that ethical behavior is essential to our success, the Board also has adopted a Code of Ethics for all employees and Directors. The Code incorporates our statement of principles and provides the framework for maintaining the highest standards of professional conduct for our Bank. By adhering to the Corporate Governance Guidelines and the Code of Ethics, we ensure that the long-term interests of our shareholders are best served.

The Bank will publish its Corporate Governance Guidelines, key Board committee charters, and Code of Ethics on the Bank's website, and will make these documents available in writing upon request.

I. **The Board of Directors**

A. **Director Selection and Board Composition**

The Nominating and Governance Committee of the Bank is responsible for identifying and considering individuals qualified to become members of the Board. In determining whether to recommend an individual to the Board for nomination as a director, consideration is given to each individual's personal qualities and abilities, the collective Board members' skills and aptitudes for conducting oversight of the Bank and its management, and duties imposed by law and regulation. Important factors include:

- Each Director must, as determined by the Board, be qualified to perform the duties of a Director in accordance with appropriate regulations as evidenced by the Director's experience, accomplishments, skills and integrity;
- Directors must be persons possessing the highest personal values and integrity;
- Directors must be able to perform their duties in the best interests of the Bank and its shareholders, without conflicts of interest;

- The majority of Directors will be independent in accordance with the standards for determining independence of directors as may be adopted by the Board and in compliance with applicable laws and regulations;
- The Bank will comply fully with all legal and regulatory requirements concerning the composition of the Audit, Nominating and Governance, and other committees of the Board;
- Collectively, Board members will bring to the Bank a broad range of complementary skills, expertise, industry and regulatory knowledge, and diversity of perspectives to build a capable, responsive, and effective Board; and
- Directors should have experience in policy-making levels of business and must have an aptitude for evaluating business matters and making practical and mature judgments.

B. **Determination of Directors' Independence**

A majority of the Board of Directors will be independent in accordance with NASDAQ Stock Market standards. A Director will be considered independent only if the Board has affirmatively determined that the Director has no material relationship with the Bank that would impair his or her independent judgment. The following standards will be applied in determining the independence of a Director:

- A Director will be deemed not to be independent by the Board of Directors if the Board finds that:
    a. a Director is employed by the Bank or a member of a Director's immediate family is employed as an executive officer of the Bank;
    b. a Director (or a Director's immediate family member) has accepted payments (including political contributions) from the Bank in excess of $60,000 during any period of 12 consecutive months. The following payments are excluded for this purpose: (i) director or committee fees; (ii) payments arising solely from investments in the Bank's securities; (iii) compensation paid to a family member who is not an executive employee of the Bank; (iv) benefits received under tax-qualified retirement plans or non-discretionary compensation; and (v) permitted loans;
    c. a Director (or a Director's immediate family member) is a current partner of the Bank's outside auditor, or a partner or employee of the Bank's outside auditor who worked on the Bank's audit;
    d. a Director (or a Director's immediate family member) is employed as an executive officer by another entity whose compensation committee includes an executive officer of the Bank;
    e. a Director (or a Director's immediate family member) is a partner, controlling shareholder or executive officer of any organization (including a charitable organization) to which the Bank made, or from which the Bank received, payments for property or services that exceed the greater of $200,000 or 5% of the recipient's consolidated gross revenues during the fiscal year in which the

payment was made. The following payments are excluded for this purpose: (i) payments arising solely from investments in the Bank's securities; (ii) payments under non-discretionary charitable contribution matching programs;

f. Any of the situations described in (a), (b), (c), (d) or (e) above existed within the past three years.

Directors who are deemed not independent also make valuable contributions to the Board of the Bank by reason of their experience and knowledge.

C. **Term for Directorship**

- Directors are elected annually to serve one-year terms.
- Vacancies on the Board occurring during terms of office may be filled for the remainder of the term by an individual selected by a majority of the Board.
- A shareholder of the Bank who intends to nominate a Director for election at an annual meeting of shareholders must give written notice to the Corporate Secretary of the Bank by December 31 of the year preceding the annual meeting.
- The Board has determined that a Director must retire from the Board on December 31 of the year in which said Director reaches the age of 70.

D. **Meetings of the Board**

The Board will convene the second Tuesday of each month, with special meetings called at the discretion of the Chairperson, Chief Executive Officer or by a majority of the Board. The agenda for each meeting will be prepared by the Corporate Secretary and distributed to Board members in advance, whenever possible. Board members will make every effort to prepare for and attend all Board meetings.

Non-management Directors also will meet at least annually in executive sessions without management participation. Non-management directors understand that they may meet in executive session at any time if matters warrant it. The Board will be given the opportunity at least quarterly to meet in executive session following a regular board meeting if needed.

To foster open discussions, the proceedings and deliberations of the Board are confidential. Each Director shall maintain the confidentiality of information received in connection with his or her service as a Director of the Bank. A standard confidentiality waiver will be signed by all Directors.

II. **Committees of the Board**

The Board shall approve all committee appointments including appointments to the Audit Committee and the Nominating and Governance Committee in addition to other committees that the Board may determine are necessary or convenient to the conduct of its responsibilities. Independent Directors may be expected to serve on one or more

committees of the Board and to prepare for and attend committee meetings. The Chairman of the Board recommends Directors to serve on committees and seeks to match the Directors' competencies with the different committees.

Directors serving on certain Board committees may also be required to have other qualifications as specified in the relevant committee charter. The Audit Committee and the Nominating and Governance Committee shall be composed of at least three members who are all independent Directors.

III. Director Duties and Responsibilities

A. Duties and Responsibilities

The Board of Directors is elected by the shareholders, and its primary responsibility is to oversee the management of the Bank to ensure that the interests of the Bank and its shareholders are served. Directors will provide guidance to management and exercise their business judgment in what they believe to be the best interests of the Bank and its shareholders. Directors will perform their duties in good faith and with that degree of care that an ordinary prudent person in a similar position would use under similar circumstances.

Directors must comply with the Code of Ethics of the Bank.

Directors will consider concerns raised to them by shareholders, employees and interested parties. Shareholders, employees or interested parties who have a concern about the Bank's conduct or about the Bank's accounting, internal accounting controls or auditing matters may communicate that concern by telephoning or writing to the Chairman of the Bank's Audit Committee or the Corporate Secretary of the Bank at the number or address noted on the Bank's website or by use of the anonymous notification process.

Directors' duties and responsibilities, through their oversight and direction of management of the Bank, include:

- Reviewing the Bank's business strategies and financial performance;
- Selecting, evaluating and determining the compensation of the Chief Executive Officer and reviewing management succession plans and the selection, evaluation, compensation and development of other key officers;
- Reviewing and approving major transactions, such as the offering of securities of the Bank and major acquisitions;
- Ensuring processes are in place for promoting integrity in the conduct of management and other employees;
- Ensuring processes are in place for mandating integrity in financial reporting;
- Ensuring processes are in place for compliance with all applicable laws and regulations; and
- Ensuring processes are in place for protecting the assets of the Bank, including its property and its reputation.

B. **Resources**

In performing their duties, Directors are entitled to rely upon such information and reports as permitted by law including, without limitation, information, reports, financial statements and other documents prepared by:

- Officers or employees of the Bank or a subsidiary whom the Directors believe to be reliable and competent in the matter presented:
- Outside counsel, public accountants and other experts; and
- Committees of the Board on which the Director does not serve so long as in so relying the Director is acting in good faith.

IV. **Director Access to Management and Independent Advisors**

Directors will meet regularly with management and may consult with other employees and independent advisors, such as independent auditors, the internal audit firm and outside counsel, as the Board or its committees deem appropriate.

V. **Director Compensation**

The Nominating and Governance Committee will periodically review non-employee Director compensation and make appropriate recommendations to the Board. Director compensation should be consistent with market practices and align Directors' interests with those of long-term shareholders while not calling into question Directors' objectivity.

VI. **Director Stock Ownership and Trading**

All Directors are required to hold at least the minimum amount of Bank stock required by Section 6.1-47 of the Code of Virginia while serving as a Director.

The Board strongly affirms that Directors are required to comply with all laws, rules and regulations set forth in the Bank's Code of Ethics when trading in the Bank's securities. Directors are prohibited from trading in the Bank's securities while in possession of material, nonpublic ("inside") information.

VII. **Director Orientation and Continuing Education**

Each newly elected Director will participate in an appropriate orientation program. All Directors will receive presentations from time to time, which will include a review of the Bank's financial condition and business practices, audit program, Code of Ethics and business plan (focused on key businesses and business objectives) as presented collectively by the appropriate officers of the Bank.

The Directors will receive additional information about these subjects through their regular meetings, meeting materials, periodic presentations and copies of corporate organizational documents, periodic filings and significant presentations made to investors.

VIII. Management Succession

Management will provide periodic reviews of management succession plans to the Board and to relevant committees of the Board.

IX. Annual Performance Evaluation of the Board

The Board will review its performance annually taking into consideration the Board's duties and responsibilities and the matters covered under the charters of its committees. The Chairperson of the Nominating and Governance Committee will take the lead in the preparation of the evaluation and will be assisted by the Corporate Secretary.

As adopted by the Board of Directors: December 8, 2009.