



FARMERS BANKSHARES, INC.

www.farmersbankva.com

Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

To Our Shareholders:

NOTICE IS HEREBY GIVEN THAT the 2018 Annual Meeting of Shareholders of Farmers Bankshares, Inc. (the “Company”), will be held on Thursday, May 10, 2018, at the Suffolk Center for Cultural Arts, 110 Finney Avenue, Suffolk, Virginia 23434, at 4:00 p.m. Eastern Daylight Savings Time (the “Annual Meeting”). The following matters will be considered:

1. The election to the Board of Directors of two “Class III” directors to serve three-year terms until the 2021 Annual Meeting of Shareholders.
2. The approval of the Farmers Bankshares, Inc. 2018 Stock Incentive Plan summarized in the Executive Summary of Plan Provisions attached to the Proxy Statement.
3. Any other business that properly comes before the meeting.

The Board of Directors of the Company has established the close of business on March 15, 2018, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

In order that the Annual Meeting can be held and a maximum number of shares can be voted, **please complete, date, sign and promptly return the enclosed Proxy** in the return envelope provided for your use, whether or not you plan to be present at the meeting. If for any reason you desire to revoke your Proxy before it is voted, you may do so. If you hold shares of common stock through a broker or other nominee, your broker or other nominee will vote your shares for you if you provide instructions on how to vote your shares. In the absence of instructions, your broker can only vote your shares on certain limited matters, but will not be able to vote your shares on other matters (including the election of directors and the proposed approval of the Farmers Bankshares, Inc 2018 Stock Incentive Plan).

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement regarding the matters proposed to be acted upon at the meeting. **The Board of Directors unanimously recommends that shareholders vote “FOR” approval of the above items.** The Proxy Statement and the 2017 Annual Report to Shareholders are available at <http://invest.farmersbankva.com>.

You are cordially invited to attend the Annual Meeting, and we hope to see you there.

BY ORDER OF THE BOARD OF DIRECTORS

Susan F. Boone
Corporate Secretary

April 5, 2018

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**PROXY STATEMENT OF
FARMERS BANKSHARES, INC.
50 East Windsor Boulevard
Post Office Box 285
Windsor, Virginia 23487**

**FOR 2018 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD THURSDAY, MAY 10, 2018**

This Proxy Statement is being furnished to our shareholders by the Board of Directors of Farmers Bankshares, Inc. (the “Company”) in connection with our soliciting the appointments of proxy in the form of the enclosed Proxy Card for use at the 2018 Annual Meeting of Shareholders of the Company to be held on Thursday, May 10, 2018 (the “Annual Meeting”), at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. The approximate mailing date of this Proxy Statement and accompanying Proxy Card is April 5, 2018.

In this Proxy Statement, the terms “you,” “your” and similar terms refer to the shareholder receiving it. The terms “the Company,” “we”, “us”, “our” and similar terms refer to Farmers Bankshares, Inc. Our wholly-owned banking subsidiary, Farmers Bank, is referred to as the “Bank.”

Proposals to be Voted on at the Annual Meeting

At the Annual Meeting, holders of our common stock on the Record Date for the meeting, identified below, will consider and vote on the following proposals to:

- **Proposal One:** Elect to the Board of Directors of the Company two “Class III” directors to serve three-year terms until the 2021 Annual Meeting of Shareholders.
- **Proposal Two:** The approval of the Farmers Bankshares, Inc. 2018 Stock Incentive Plan summarized in the Executive Summary of Plan Provisions attached to the Proxy Statement.
- Transact any other business properly presented for action at the Annual Meeting.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” EACH OF THE ABOVE PROPOSALS.

GENERAL INFORMATION

Record Date and Voting Rights

The Board of Directors has established the close of business on March 15, 2018 as the “Record Date” to determine which of our shareholders are entitled to receive notice of and to vote at the Annual Meeting and how many shares they are entitled to vote. A total of 3,066,709 shares of our common stock were outstanding on the Record Date, and each outstanding share of common stock is entitled to one vote on each matter to be voted on at the Annual Meeting. Only shareholders of record of our common stock at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting.

Please note that, under Virginia law, shareholders are not entitled to appraisal rights with respect to any of the proposals presented in this Proxy Statement.

Expenses and Method of Solicitation

We will pay all costs of soliciting proxies for the Annual Meeting, including costs of preparing and mailing this Proxy Statement and related materials. We are requesting that brokers, banks and other nominees forward copies of our proxy solicitation materials to their customers and request their voting instructions, and if requested we will reimburse those persons for their reasonable out-of-pocket expenses in doing so. In addition to solicitation by mailing these materials, our directors, officers and employees may solicit proxies, either personally, by telephone or by other methods of communication, but they will not receive any additional compensation for doing so.

How You Can Vote at the Annual Meeting

Individual Voting. If your shares of the Company's common stock are held of record in your name, you can vote at the Annual Meeting in any of the following ways:

- You can attend the Annual Meeting and vote in person.
- You can sign and return the Proxy Card enclosed with this Proxy Statement and appoint the "proxies" named therein to vote your shares for you at the Annual Meeting.
- You can vote via the Internet at <http://www.investorvote.com/FBVA> by following the instructions provided.
- You can vote by calling toll-free at 1-800-652-VOTE (8683), within the USA, U.S. territories and Canada, on a touch-tone telephone and following the instructions.

Broker Voting. If your shares of the Company's common stock are held for you in "street name" by a broker or other nominee, your broker or nominee is the record holder of your shares and is required to vote your shares for you even though you are the beneficial owner of your shares. Brokers, as the record holders of shares, are permitted to vote on "routine" matters without instructions from the beneficial owner of the shares; however, brokers may not vote on "non-routine" matters unless they have been provided with instructions by the beneficial owners. **Important Note: Proposal One and Proposal Two to be considered at our Annual Meeting are considered "non-routine" matters; therefore, brokers will not be permitted to cast votes on any of Proposal One or Proposal Two without instructions from you, as the beneficial owner of the Company's shares.**

If you hold your shares of the Company's common stock in "street name" with a broker or other nominee, you will receive instructions from the broker or nominee that you must follow for your shares to be voted. Please follow those instructions carefully to ensure that your shares are voted in accordance with your wishes on the matters presented in this Proxy Statement.

Revocation of Proxy; How You Can Change Your Vote

If you execute and deliver a Proxy Card, you have the power to subsequently revoke the proxy appointed therein and change your vote by (i) executing a Proxy Card dated as of a later date and delivering it to our Secretary prior to the Annual Meeting, (ii) providing our Secretary with written notice prior to the Annual Meeting of your desire to revoke your proxy or change your vote or (iii) attending the Annual Meeting, notifying our Secretary that you wish to revoke your proxy, and voting your shares in person. *Simply attending the Annual Meeting will not revoke your proxy.*

Quorum and Voting Procedures and Requirements

Quorum. A quorum must be present for business to be conducted at the Annual Meeting. For all matters to be voted on at the Annual Meeting, the holders of a majority of the outstanding shares of our common stock entitled to vote shall constitute a quorum.

Shares represented in person or by proxy at the meeting will be counted for the purpose of determining whether a quorum exists; accordingly, if you return a valid proxy or attend the Annual Meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting on any given matter(s). Once a share is represented for any purpose at the Annual Meeting, it will be treated as present for quorum purposes for all purposes for the remainder of the meeting and for any adjournments thereof.

Voting Procedure. When you execute and deliver a Proxy Card you appoint Richard J. Holland, Jr. and William A. Gwaltney, Jr. as your representatives (“proxies”) at the Annual Meeting. Messrs. Holland and Gwaltney will vote your proxy as you have instructed them on the Proxy Card. If you submit a valid proxy but do not specify how you would like to be voted, Messrs. Holland and Gwaltney will vote your proxy **for** (i) the election to the Board of Directors of all of the nominees listed below under “Proposal One” and (ii) the approval of the Farmers Bankshares, Inc. 2018 Stock Incentive Plan under “Proposal Two”. We are not aware of any other matters to be considered at the Annual Meeting; however, if any other matters do properly come before the Annual Meeting, Messrs. Holland and Gwaltney will vote your proxy on such matters in accordance with their judgement.

Please see “How You Can Vote at the Annual Meeting – Broker Voting” above for additional information regarding the voting procedure for shares for our common stock held in “street name”.

Abstentions and “Broker Non-Votes”. Abstentions and “broker non-votes” are counted for purposes of determining the presence or absence of a quorum, but are not counted as votes cast at the Annual Meeting. Therefore, valid proxies that are marked “Abstain” or “Withhold” or as to which no vote is marked, including proxies submitted by brokers who are the record owners of shares but who lack the power to vote such shares because they have not been provided with voting instructions on a given matter (so-called “broker non-votes”), will be included in determining the number of votes present or represented at the meeting.

Approval Requirements.

- With respect to Proposal One, the election of directors, assuming that a quorum is present, the directors will be elected by a plurality of the votes of shares of the Company’s common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors. This means that the individuals who receive the highest number of votes will be elected as directors up to the maximum number of directors to be elected at the meeting. **Neither abstentions nor “broker non-votes” will be considered to be participating in the voting and therefore will have no effect on the election of directors.**
- With respect to Proposal Two, assuming that a quorum is present, the Farmers Bankshares, Inc. 2018 Stock Incentive Plan will be approved if the votes cast approving the Plan exceed the votes cast against approving the Plan. **Neither abstentions nor “broker non-votes” will be considered to be participating in the voting and therefore will have no effect on the approval of the Plan.**

There is no cumulative voting for the election of directors. A shareholder who desires to withhold voting of the proxy for one or more of the nominees may so indicate on his or her proxy card in accordance with the instructions provided.

**PROPOSAL ONE
ELECTION OF DIRECTORS**

The Amended and Restated Articles of Incorporation and Bylaws of the Company currently provide that the Board of Directors shall consist of seven persons. The Board is divided into three classes, Class I, Class II and Class III. At the Annual Meeting, two directors comprising “Class III” directors will be elected to serve until 2021 and until their successors have been duly elected and qualified.

Director Nominees

The Corporate Governance Committee nominated all of the director nominees named below for election to the Board of Directors at the Annual Meeting, and all of the nominees have consented to be named and have indicated their intent to service if elected.

It is the intention of the persons named in the proxy to vote for the election of the nominees named below. If for any reason any of the persons named below should become unavailable to serve, then the proxies will be voted for such substitute nominees as the Board of Directors may designate. Management has no reason to believe any of the nominees named below will be unavailable.

The following table sets forth certain information as of the Record Date with respect to each director nominee, including age, the year he or she first became a director and the Board committees on which each such director nominee currently sits. More detailed information regarding the individual nominees is included below under “*Director Nominee Background and Qualifications*”.

Board Members	Age	Director Since	Board Committees	Number of Shares Beneficially Owned as of January 31, 2018 (1)	
William H. Riddick, III	58	2007	Audit and Risk Oversight Committee Corporate Governance	1,075	(2)
Kent B. Spain	64	2005	Corporate Governance, Chair Loan Committee	4,504	(3)

(1) For purposes of this table, a person is deemed to be the beneficial owner of shares of the Company's common stock if he or she has or shares the power to vote or to direct the voting of the security or the power to dispose of or to direct the disposition of the security, or if he has the right to acquire beneficial ownership of the security within 60 days. This table is based upon information supplied by the directors. Unless indicated in the footnotes to this table, and subject to community property laws where applicable (if at all), the Company believes that each of the directors named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned.

(2) Includes 500 shares held in an IRA for the benefit of Mr. Riddick

(3) Includes 1,460 shares held in a broker account for the benefit of Mr. Spain

Director Nominee Background and Qualifications

The particular experience, qualifications, attributes or skills that led the Board to conclude that each nominee for election as a director is qualified to serve on the Board of Directors are described in detail below:

William H. Riddick, III. Mr. Riddick has been an attorney at law in private practice in Smithfield, Virginia since 1984. He has also held the roles of the Town of Smithfield’s attorney and the Commissioner of Accounts for Isle of Wight County since 1993. He was the Assistant Commonwealth’s Attorney from 1984-1997. Mr. Riddick’s practice concentrates in real estate matters, estate planning and administration, land use and development, civil litigation and commercial transactions, including corporate and business matters.

Mr. Riddick is a member of the Virginia State Bar and the Isle of Wight County Bar Association. The Company believes that Mr. Riddick’s qualifications to sit on the Board of Directors include his professional experience in the oversight of corporate legal matters that affect small businesses, his knowledge of the local real estate market and his civic affiliations within the community.

Kent B. Spain. Mr. Spain is an owner and producer at Suffolk Insurance Corporation, which specializes in all types of insurance for business or consumer clientele. He has over forty-two (42) years of experience as an independent agent and is a certified insurance counselor. Mr. Spain also serves as a member of the Board of Directors for the Birdsong Trust and is an active member of the Suffolk Rotary Club. He was a past Chairman of the Main Street America National Agents Council and the City of Suffolk’s Board of Equalization. The Company believes that Mr. Spain’s qualifications to sit on the Board of Directors include his experiences as a successful insurance executive, his contacts within the business community and his active role in professional civic and charitable organizations.

Incumbent Directors

The following table sets forth certain information as of the Record Date with respect to each incumbent director of the Company that is not subject to election at the upcoming Annual Meeting, including age, the year he or she first became a director and the Board committees on which each such director currently sits. More detailed information regarding the individual nominees is included below under “*Incumbent Director Background and Qualifications*”.

Board Members	Age	Director Since	Board Committees	Number of Shares Beneficially Owned as of January 31, 2018 (1)	
G. Thomas Alphin, Jr.	60	2007	Audit and Risk Oversight Committee Loan Committee	28,480	(2)
William A. Gwaltney, Jr.	62	1993	Corporate Governance Committee Loan Committee, Chair	66,860	(3)
Richard J. Holland, Jr.	65	1982		203,978	(4)
David T. Owen	56	2013	Audit and Risk Oversight Committee	36,338	(5)
Vernon M. Towler	57	2016		8,163	(6)

(1) For purposes of this table, a person is deemed to be the beneficial owner of shares of the Company's common stock if he or she has or shares the power to vote or to direct the voting of the security or the power to dispose of or to direct the disposition of the security, or if he has the right to acquire beneficial ownership of the security within 60 days. This table is based upon information supplied by the directors. Unless indicated in the footnotes to this table, and subject to community property laws where applicable (if at all), the Company believes that each of the directors named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned.

(2) Includes 1,250 shares held in the name of Betty J Alphin Trust UA Dated 09/29/2014 FBO G. Thomas Alphin, Jr. and 16, 250 shares held in the name of George T Alphin Trust UA Dated 12/11/14 FBO G. Thomas Alphin, Jr.

(3) Includes 26,500 shares held in the name of Indika Farms, Inc. and 2,000 shares held in the name of Indika Farms, Inc. Profit Sharing Plan.

(4) Includes 170,615 shares owned jointly with Mr. Holland's wife and 1,363 shares that are restricted stock holdings. The shares are subject to a vesting schedule, forfeiture risk and other restrictions.

(5) Includes 20,500 shares held in the name of Wakefield Farm Service Holding Company and 8,400 shares held in the name of Wakefield Farm Service, Inc.

(6) Includes 1,363 shares that are restricted stock holdings. The shares are subject to a vesting schedule, forfeiture risk and other restrictions.

Incumbent Director Background and Qualifications

G. Thomas Alphin, Jr. Mr. Alphin is the co-owner of Commonwealth Gin and Commonwealth/Southampton Gin. Mr. Alphin has been involved in agri-business for thirty-nine (39) years and has extensive knowledge in merchandizing agricultural commodities in both domestic and international markets. During this time, he has been a delegate to the National Cotton Council, as well as a director of the Southeastern Cotton Ginners Association and the Virginia Agri-Business Council. Mr. Alphin has served on the board of the Isle of Wight Chamber of Commerce as well as chairing the Isle of Wight campaign for the United Way of South Hampton Roads. The Company believes that Mr. Alphin's qualifications to sit on the Board of Directors include his general background and success in the agri-business sector, his contacts within the business community and his active role in professional, civic and charitable organizations.

William A. Gwaltney, Jr. Mr. Gwaltney is the President of Indika Farms, Inc., a local agri-business that specializes in farming operations and peanut buying, shelling, processing and storage. His professional affiliations include serving on the Board of Directors of the Virginia Crop Improvement Association and the Peanut, Soil and Water Conservation District. He is also a current board member of the Isle of Wight County Farm Bureau. Mr. Gwaltney has also been an active participant on the Paul D. Camp Community College Foundation Board and the Virginia Tech Student Aid Board. The Company believes that Mr. Gwaltney's qualifications to sit on the Board of Directors include his experience in the agri-business sector, his active role in professional, civic and charitable organizations within our community and his many years of service to the Company.

Richard J. Holland, Jr. Mr. Holland is the Chief Executive Officer of the Company and the Bank, a position he has held since 1993. Mr. Holland has been with the Company since 1977 and has held several roles during that time. He also serves on the Virginia Bankers Association's Management Services Committee and the Isle of Wight County Industrial Development Board. Mr. Holland also participates as a board member of the Western Tidewater Free Clinic and the Suffolk YMCA. The Company believes Mr. Holland's qualifications to sit on the Board of Directors include his prior experience and success in leading and growing the Company, his extensive service in the banking industry in general and his presence within the community.

David T. Owen. Mr. Owen has been the President of Wakefield Farm Service, Inc. since 1998. This agri-business specializes in grain merchandising, brokering and wholesale fertilizer and chemical products. Mr. Owen is an active supporter of the Virginia Cooperative Extension Service, Cotton Growers Association and the Virginia Corn, Soybean and Small Grains Board. He is a member and finance chairman of the Southeast 4-H Center and a past member and finance chairman of Tidewater Academy's Board of Directors. The Company believes that Mr. Owen's qualifications to sit on the Board of Directors include his substantial experience in the operation, financing and management of a small business and his relationships within the business and civic community.

Vernon M. Towler. Mr. Towler is the President of the Company and of the Bank. He has been with the Company for eleven (11) years and in the last five (5) years has served as the Bank's President, focusing on strategic planning and all facets of lending, loan operations, and non-interest income endeavors. He has over thirty (30) years of banking experience, primarily in the commercial and corporate lending functions, and commercial credit administration. He holds the designation of Certified Public Accountant. Mr. Towler serves on the Board of Directors of Catholic Charities of Eastern Virginia, as a member of the loan committee for the Tidewater Business Financing Corporation, and as Treasurer for Troop One, Colonial Virginia Council, Boy Scouts of America. The Company believes that Mr. Towler's qualifications to sit on the Board of Directors include his extensive experience in the financial services industry, his participation in civic and charitable organizations within our community and his tenure with the Company.

Corporate Governance and the Board of Directors

General - The business and affairs of the Company are managed under the direction of the Board of Directors in accordance with the Virginia Stock Corporation Act and the Company's Amended and Restated Articles of Incorporation and Bylaws. Members of the Board are kept informed of the Company's business through discussions with the President and the Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees.

Committees of the Board – The Company maintains an Audit and Risk Oversight Committee and a Corporate Governance Committee.

- *Audit and Risk Oversight Committee* - The Company's Audit and Risk Oversight Committee assists the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the integrity of the Company's financial statements, compliance with legal and regulatory requirements and the qualifications, independence and the performance of the internal audit function. The Audit and Risk Oversight Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company. The Board of Directors has adopted a written charter for the Audit and Risk Oversight Committee. The committee consists of six independent Board members of the Company and/or the Bank and met four times in 2017.
- *Corporate Governance Committee* – The Company's Corporate Governance Committee acts as a nominating committee of the Board and, in that capacity, identifies and makes recommendations to the Board regarding candidates for service as directors of the Company and the Bank, its community advisory board and members of the committees of the Board. The committee also acts as a compensation committee of the Board and, in that capacity, provides overall guidance for executive compensation and benefit programs of the Company and the Bank including directors, community advisory board members and committees. This committee has five independent members of the boards of the Company and/or the Bank that are recommended by the Chairman of the Board and appointed annually by the Board of Directors. The Corporate Governance Committee met six times in 2017.

Required Vote and Recommendation

The election of each nominee to the Board of Directors requires the affirmative vote of a plurality of the votes cast by the shares entitled to vote; this means that the nominees receiving the greatest number of votes cast will be elected. There is no cumulative voting for the election of directors. A shareholder who desires to withhold voting of the proxy for one or more of the nominees may so indicate on his or her proxy card in accordance with the instructions provided.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR PROPOSAL ONE TO ELECT THE TWO NOMINEES LISTED ABOVE AS "CLASS III" DIRECTORS.

PROPOSAL TWO
FARMERS BANKSHARES, INC. 2018 STOCK INCENTIVE PLAN

The Board of Directors has adopted, subject to approval by the Company's shareholders, the Farmers Bankshares, Inc. 2018 Stock Incentive Plan (the "Plan"). The Board of Directors has determined that it is in the best interests of the Company and its subsidiaries including Farmers Bank, Windsor, Virginia, to adopt the Plan to further the long term stability and financial success of the Company by attracting and retaining personnel, including both employees and consultants, through the use of stock incentives. If approved by the shareholders at the Annual Meeting, the Plan will terminate on January 1, 2018, unless sooner terminated by the Board of Directors. Please see the attached Executive Summary of Plan Provisions for more detailed information regarding the proposed Plan.

A complete copy of the proposed Plan may be obtained without charge by writing to our Chief Financial Officer, whose address is 50 East Windsor Boulevard, Windsor, Virginia, or by accessing and viewing the Plan at <http://invest.farmersbankva.com>.

Required Vote and Recommendation

Assuming that a quorum is present at the Annual Meeting, the Plan will be approved if the votes cast approving the Plan exceed the votes cast against approving the Plan. Neither abstentions nor "broker non-votes" will be considered participating in the voting and therefore will have no effect on the approval of the Plan.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE FARMERS BANKSHARES, INC. 2018 STOCK INCENTIVE PLAN.

GENERAL ITEMS

Submission of Proposals for 2019 Annual Meeting

Any shareholder who wishes to submit a proposal for consideration at the 2019 Annual Meeting of Shareholders, and who wishes to have such proposal included in the Company's Proxy Statement for such meeting, must comply in all respects with the applicable procedures and share ownership requirement contained in the Company's Amended Articles of Incorporation and Bylaws and must have submitted the proposal in writing no later February 10, 2019. All such proposals or notifications shall be delivered to the Company's executive offices at 50 East Windsor Boulevard, Windsor, Virginia 23487, Attn: Richard J. Holland, Jr., Chief Executive Officer.

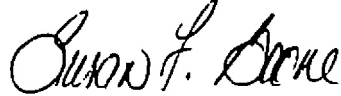
Audited Financial Statements

A copy of our audited financial statements for the fiscal year ended December 31, 2017 and our Annual Report of the Company have been mailed to shareholders with this Proxy Statement; however, such materials are not intended to be a part of the solicitation materials included within this Proxy Statement. Additional copies of our audited financial statements for the fiscal year ended December 31, 2017 and Annual Report of the Company may be obtained without charge by writing to our Chief Financial Officer, whose address is 50 East Windsor Boulevard, Windsor, Virginia 23487. In addition, complete copies of our Proxy Statement, our audited financial statements for 2017 and our Annual Report of the Company are available and can be accessed and viewed at <http://invest.farmersbankva.com>.

Other Matters

As of the date of this Proxy Statement, the management of the Company has no knowledge of any matters to be presented for consideration at the Annual Meeting other than those referred to above. If any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy intend to vote such proxy, to the extent entitled, in accordance with the recommendation of the Board of Directors.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Susan F. Boone". The signature is written in a cursive style with a large initial 'S'.

Susan Boone
Corporate Secretary

Farmers Bankshares, Inc. 2018 Stock Incentive Plan

Executive Summary of Plan Provisions

Title of the Plan	Farmers Bankshares, Inc. 2018 Stock Incentive Plan (the “Plan”)
Effective Date of the Plan	January 1, 2018
Purpose of the Plan	The purpose of the Plan is to further the long term stability and financial success of Farmers Bankshares, Inc. (“Bankshares”) and its subsidiaries including Farmers Bank, Windsor, Virginia (collectively, the “Company”) by attracting and retaining personnel, including employees and consultants, through the use of stock incentives.
Term of the Plan	The Plan authorizes grants of awards (“Awards”) of stock options (“Options”) and restricted stock for a period of ten years. After that ten-year period expires, the Plan will continue to govern unexercised and unexpired Awards.
Plan Administrator	The Plan is administered by a committee (the “Committee”) of the Bankshares Board of Directors consisting of two or more non-employee members of the Bankshares Board of Directors.
Eligibility to Participate in the Plan	Any employee of, or consultant to, the Company who, in the judgment of the Committee, has contributed or

can be expected to contribute to the profits or growth of the Company is eligible to become a participant in an Award under the Plan (a “Participant”). The Committee has complete discretion to select each Participant and to determine for each such Participant the terms, conditions and nature of any Award under the Plan.

Authorized Shares

The number of shares of Bankshares common stock (“Company Stock”) authorized for issuance under the Plan is 150,000 shares plus the reissuance under the Plan of (a) shares of Company Stock allocable to Awards that expire, terminate, or are forfeited and (b) shares of Company Stock used to pay exercise prices for Options or applicable withholding taxes as determined by the Company to be due from the Participants for Awards under the Plan.

Types of Awards under the Plan

Three types of Awards may be granted under the Plan: incentive stock Options (“ISOs”), nonstatutory stock Options (“NSOs”), and restricted stock.

Description of Options

Any Option granted under the Plan is subject to the following conditions: (1) the maximum term for any Option is ten years from the date of grant (five years in the case of an ISO granted to a holder of more than 10% of the outstanding Company Stock); and (2) the exercise price for any Option cannot be less than

100% of the fair market value of Company Stock as defined in the Plan (the “Fair Market Value”) on the date of grant (110% of the Fair Market Value of Company Stock on the date of grant in the case of an ISO granted to a holder of more than 10% of the outstanding Company Stock). Options shall be subject to such restrictions and conditions as the Committee deems appropriate including restrictions relating to continued employment and financial performance goals and acceleration of vesting on a change in control of the Company.

Payment of Exercise Price

Company Stock purchased pursuant to the exercise of an Option granted under the Plan can be paid for in cash or in Company Stock or a combination of cash and Company Stock.

Description of Restricted Stock

Restricted stock consists of Awards of shares of Company Stock. Restricted stock shall be subject to such restrictions and conditions as the Committee deems appropriate, including restrictions relating to continued employment and financial performance goals and acceleration of vesting on a change in control of the Company. Restricted stock may not be sold, assigned, transferred, disposed of pledged, hypothecated or otherwise encumbered until the restrictions on such shares have lapsed or been removed by the Committee.

Share Adjustments

In the event of a change in the outstanding shares of Company Stock by reason of any recapitalization, reclassification, stock split, reverse stock split, combination of shares, exchange of shares, stock dividend, or other distribution payable in capital stock, or if some other increase or decrease in the Company Stock occurs without the Company receiving consideration, the number of shares subject to the Plan and the number of shares underlying previous Awards may be adjusted appropriately by the Committee.

Ratification of Prior Awards

The Plan provides that the Committee may ratify any Award made to any Participant prior to the approval of the Plan by the Company's shareholders and/or prior to the effective date of the Plan and thereby make any such Award subject to the terms of the Plan.
