



**Eagle Financial  
Services, Inc.**

**2022 Annual Report**

# Building on our legacy of service



2022 had some exciting things in store for us!

Significantly, we opened our first branch in Fauquier County, at 530 Blackwell Road in Warrenton, VA. Our Senseny Road, Purcellville, Pleasant Valley Road, and Berryville branches all hit major growth milestones this past year as well.

In addition, we made important hires in the small business and government lending areas, while our commercial lending and wealth management businesses grew impressively. All of this shows our commitment to our traditional footprint, as well as our ambition to expand beyond it, which is the only way we can remain the independent community bank you know and trust.

Throughout 2022, we continued to support local businesses and organizations, whether that was old friends like the Clarke County Fair or the Apple Blossom Festival as well as new ones such as the Purcellville Music and Arts Festival and St. John's Oktoberfest in Warrenton. Our "Give with BoCC" campaign was a success as we raised over \$32K for local organizations.

We also laid the groundwork for our rebrand and launch of our new name, Bank of Clarke. Since we have expanded well outside Clarke County it made sense to drop the County from our name. We also changed our logo as well as our slogan to "We're the bank for that" since we offer banking, lending services, and wealth management capabilities, for retail and business customers.

Dear Eagle Financial Services, Inc. Shareholders:

In 2022, the Bank of Clarke and its employees delivered a number of records for Eagle Financial Services, Inc., including loan growth, earnings, earnings per share (EPS), and revenue, despite a significantly higher interest rate environment driving increased competition for core deposits. For the year, our commercial and residential lending team, along with our niche marine division, LV Finance, delivered loan growth of \$338.0 million, or a 34.3% increase over 2021. The Company also reached a new after-tax earnings record of \$14.5 million, translating to a record EPS of \$4.17 per share and total revenue of \$68.0. In addition, our Trust and Wealth Management division approached the \$500 million threshold in Assets Under Management (AUM) over the year and contributed over \$1 million in after tax-revenue to the company.

The Bank continued to grow from other perspectives as well, increasing staff levels, despite an ongoing labor shortage, and adding important hires in the small business and government lending areas. Significantly, we opened our first branch in Fauquier County, at 530 Blackwell Road in Warrenton, VA, in April 2022. This marked our first branch opening in over ten years, bringing our total bank branches to 14, in addition to our Loan Production Offices in Frederick, MD and Tyson's Corner, VA.

As in previous years, the Bank was awarded several accolades from our community. We were named Best Bank from Loudoun Times-Mirror and the Frederick News-Post and received Best Bank/Credit Union, Best Mortgage Lending, Best Customer Service, and Best Financial Planning Firm from the Winchester Star. We earned two new acknowledgements: Associate of the Year by the Top of Virginia Builder's Association and Top Lender by Business Finance Group. In addition, several employees were recognized as leading

professionals in our Loudoun and Shenandoah markets, and even in national publications. The Bank also graduated another long list of employees from the 2022 VBA School of Bank Management.

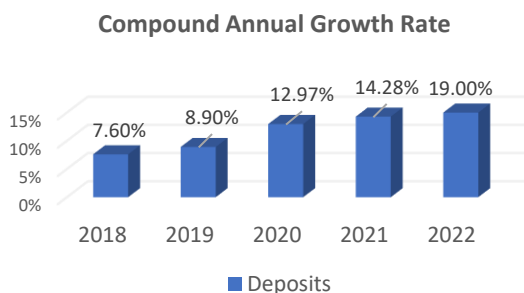
Banks are only as strong as the communities they serve and as such, we continued our long-standing tradition of giving back to the region. In 2022, through the Bank's branch-based #GiveWithBoC initiative and the Bank of Clarke Foundation, we donated over \$264,000 to charities throughout our footprint, a 14% increase over 2021. Additionally, countless personal hours were donated by our employees to support a multitude of local organizations.

In 2022, we also laid the groundwork to introduce a new brand and a new name, Bank of Clarke. As the Bank expanded from its original area of service in Clarke and Frederick Counties into Loudoun and Fauquier Counties and added loan production offices in Tyson's Corner and Frederick, MD, the decision was made to eliminate the word "County." This will ensure inclusivity in all of the communities in our footprint. We also took this as an opportunity to change its logo and other branding to reflect this strategy.

We continue to remain focused on our customers, community, and shareholders by providing the customer service of Main Street with the product set of Wall Street. Thanks to our phenomenal staff for their continued and tireless work in putting our customers in the center of everything we do, as we work to earn the moniker of being the trusted financial partners for all we serve in the Shenandoah Valley and Northern Virginia. In addition, the Company remains well-capitalized and diversified, with strong credit quality and a conservative lending foundation, and is therefore well-poised to face the challenges that 2023 will certainly bring.

## Results

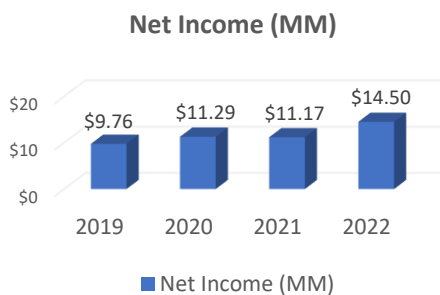
The Bank saw success across multiple categories in 2022. As of December 31, 2022, the Company had total assets of \$1.62 billion, net loans of \$1.31 billion, total deposits of \$1.26 billion, and shareholders' equity of \$101.7 million.



In 2022, returns on average assets and returns on equity were 1.02% and 14.16% respectively, up from .90% and 10.28% respectively in 2021. The Company's annual dividend was \$1.15, an increase from \$1.10 per share in 2021. Earnings per share set another record at \$4.17, up from \$3.20 in 2021.



As a result of our continued growth, strong credit metrics, and expense management -- and despite significant wage pressure due to the continued competitiveness of the job market -- the Company increased its level of net income to \$14.5 million, up from \$11.17 million in 2021.



## Business Segments

### *Commercial and Retail*

Like in both 2020 and 2021, our commercial lending group realized the highest growth rates in the history of the organization -- a key factor in the institution's strong loan and deposit performance. Commercial and industrial loans were \$247.7 million or 18.71% and \$143.4 million or 14.55% of total loans as of December 31, 2022 and December 31, 2021, respectively. This represents an increase of \$104.3 million or 72.73% for 2022. Through a CD and money market account promotion, we were able to secure over \$50 million in deposits, 79% of which was new money to the Bank. Continued improvements in technology allowed the Bank to grow the online channel, with a 5% increase in mobile banking users and an 8% increase in the number of customers using our mobile deposit process in lieu of visiting a branch. In addition, great strides were made in streamlining the online deposit, mortgage, and home equity account opening processes.

### *Trust and Investments*

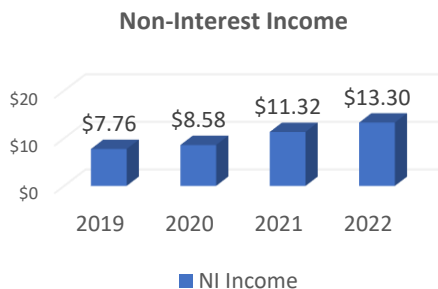
The Bank's Trust and Financial Advisory division, now called Bank of Clarke Wealth Management, saw a significant growth in 2022, with total assets under management climbing from \$400 million at year end 2021 to \$489 million in December 2022. Wealth Management contributed over \$1 million in after tax-revenue to the company, more than three times its historical contribution. We continued to refine procedures in this area and add appropriate staff, and we have expanded marketing these services through branch referrals and advertisements. Our representatives remained in the top 10% of all bank investment representatives utilizing the support services of Infinex Investments, providing incremental retention opportunities for us.

## Marine – LV Finance

LV Finance, which became fully operational in 2021, offers floor plan and retail lending to super-prime borrowers which provides loan yields to the Bank above its traditional lending programs. This business has historical losses below 20 basis points and yields generally 75-100 basis points above similar credit quality assets. In 2021, the Bank originated over \$220 million in marine assets and sold over \$120 million providing fee income to the Bank well over \$1.2 million; in 2022, the Bank originated over \$300 million in marine assets and sold over \$154 million providing fee income to the Bank well over \$1.4 million. The remaining assets on the Bank's balance sheet are now providing interest income at higher levels than many of the other assets on the balance sheet.

## Non-Interest Income

In addition to strong loan growth, the combination of efforts to expand fee income opportunities and leverage existing technologies has led to significant year-over-year increases in non-interest income. Just as 2021 saw record levels with total other income at \$11.3 million, this trend continued in 2022, with non-interest income of \$13.3 million.



## The Year Ahead

The Bank continues its 141-year-legacy of addressing the financial needs of our markets. We believe that better communities make better banks, and this is embedded in our

values, which spell out LOCAL – Leadership, Outstanding Service, Community, Adaptability, and Loyalty. What differentiates us is our tradition of building lifelong relationships with our customers and communities. By leveraging the power of every connection, we will remain the foremost trusted partner and preferred provider of financial solutions for the communities we serve.

What lies ahead in 2023 and beyond? The Bank has the unique position of being in high-growth markets. That, coupled with the past high performance, allows the bank to grow by investing in the product and service enhancements our customers want, as well as through market expansion and rebranding to drive a broader market acceptance. As a result, Bank of Clarke will achieve its goals by attracting new customers, as well as retaining and growing existing relationships, with a seamless customer experience, fueled by continued investment in technology, regardless of the macro- or micro-economic issues we face. We will focus on the following key areas:

- **High Performance and Growth.** We will create value for our shareholders, customers, and employees while remaining a well-capitalized bank.
- **Employer of Choice.** We will be the employer of choice in the communities we serve by attracting, retaining, and developing diverse high-quality talent.
- **Digital Capabilities.** We will provide a premier digital experience across all products and services.
- **Commercial and Small Business Bank of Choice.** We will be a market leader for commercial and small businesses in our footprint.

I would like to thank our shareholders for their confidence in the Company, its Board of Directors, the management team, and our

employees. Your continued support of this organization ensures we are able to serve our communities, customers, and employees while providing shareholders with even stronger returns on their investments.

A handwritten signature in blue ink, appearing to read "B. Lorey", with a checkmark-like flourish at the end.

Brandon Lorey  
President & CEO

# BOARD OF DIRECTORS – Eagle Financial Services, Inc. & Bank of Clarke



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Chair



ROBERT W SMALLEY JR  
Vice Chair



TANYA C MATTHEWS



THOMAS T BYRD



MARY BRUCE GLAIZE



SCOTT M HAMBERGER



BRANDON C LOREY



JOHN R MILLESON



CARY C NELSON



DOUGLAS C RINKER



JOHN D STOKELY JR



DR. EDWARD HILL

# EXECUTIVE OFFICERS – Eagle Financial Services, Inc. (EFSI) & Bank of Clarke (BOC)



BRANDON C LOREY  
President/CEO  
EFSI and BOC



KATHLEEN J CHAPPELL  
EVP/Chief Financial Officer  
EFSI and BOC



KALEY P CROSEN  
Secretary- EFSI  
EVP/Chief Human Resources  
Officer BOC



DEBRA L PURRINGTON  
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JOSEPH T ZMITROVICH  
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EVP/Chief Technology Officer  
BOC



JAMES S GEORGE II  
EVP/Chief Credit Officer  
BOC



AARON M POFFINBERGER  
EVP/Chief Risk Officer  
BOC



MARIANNE SCHMIDT  
SVP/Marketing Officer  
BOC



KATHLEEN CROSON  
EVP/ Head of Community  
Banking BOC

**EAGLE FINANCIAL SERVICES, INC  
ANNUAL MEETING**

The annual Shareholders' meeting will be held at Barns of Rose Hill on May 16, 2023 at 10:00 AM.

**CORPORATE HEADQUARTERS**  
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**CORPORATE MAILING ADDRESS**  
PO Box 391, Berryville VA 22611

**TRANSFER AGENT**



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**FORM 10K**

A copy of the Company's 2022 Form 10K annual report to the Securities and Exchange Commission may be obtained without charge on the investor relations page of our website <https://investors.bankofclarke.bank/overview/default.aspx> or upon written request.

**WEBSITE**

[www.bankofclarke.bank](http://www.bankofclarke.bank)

