



“BUILDING LIFE-LONG
RELATIONSHIPS”

LETTER TO THE SHAREHOLDERS

Dear Eagle Financial Services, Inc. Shareholders:

I sit here humbled by my first opportunity to speak to you as your President and CEO. First and foremost, I would like to thank Johnny Milleson for his leadership of this phenomenal organization over the past 20 years and for his guidance during my first months at the Bank.

2019 marked a year of firsts for the Company: the first time we achieved \$9.8MM in net income, the first time the dividends per share reached \$1.00, the first time the earnings per share eclipsed \$2.84, and the first time that an outsider was brought in to run this historic institution.

This past year, our Company again experienced strong financial growth and success against the backdrop of a challenging yield curve – despite the strong economy –

which placed stress on the institution’s net interest margin. The success was driven by a continued and disciplined credit focus, attention to expense management, and a dedication to our customers.

That dedication garnered several awards from our markets including, but not limited to, being named as Loudoun Now’s favorite in the banking category, as well as receiving the Winchester Star’s award for being the Best Bank. A few of our Bankers were also recognized as top Bankers in Loudoun County, further delineating the commitment to our customer and community.

Although we are certainly pleased with the results of the year, we are more encouraged by the underlying growth that continues to provide strength to the Company.

Matched core deposit and loan growth have been a cornerstone of the organization's success for some time, and 2019 was no different. This success is, in large part, due to the Bank's unwavering dedication to our customers and commitment to ensuring that we meet their financial needs at all levels while maintaining our focus on centering the customer in everything we do.

RESULTS

Despite a challenging interest rate environment that saw significant changes throughout the year, the Company's 2019 results were quite robust across multiple categories. Loan and deposit compound annual growth rates were 6.54% and 8.9%, respectively, reflecting \$38 million in loans and \$68 million in new deposits. Ending the year at \$877MM in total assets, the Company is poised for continued measured growth over time.

Compound Annual Growth Rate



In 2019, returns on average assets and returns on equity were 1.18% and 10.60%, respectively. The Company increased its annual dividend by \$.06 to \$1.00 per share, reflecting 34 consecutive years of increases. Earnings per share topped \$2.84, reflecting the highest ratio in the Company's history.



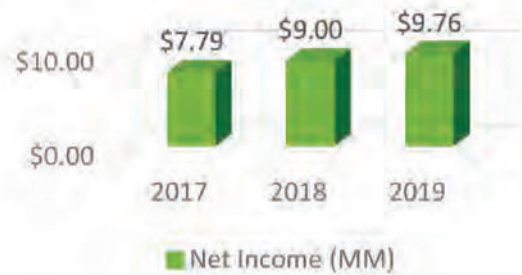
As a result of the continued growth, strong credit metrics, and expense management, the Company realized the highest net income in its 138-year history at \$9.759 million, despite a number of one-time costs associated with a national CEO search and onboarding as well as the departure of a key executive.

BUSINESS SEGMENTS

Commercial and Retail

Our commercial lending group experienced their largest growth rates in the history of the Bank – a key factor in

Net Income (MM)



the institution's strong deposit performance. The Company continued to focus on its online and mobile capabilities, rolling out Apple/Android/Samsung pay as well as several other digital offerings, allowing our customers to bank on their terms with their preferred method of interaction. As a result, 2019 saw an 8.5% increase in bill pay subscribers, a 12.2% increase in mobile banking users, and a 23% increase in the number of our customers using our mobile deposit process in lieu of visiting a branch.

TRUST AND INVESTMENTS

Our Trust and Investment services continue to play a pivotal role in the organization's success, offering financial planning and trust services throughout our customer's financial life. Eagle Investment Group, which consists of our Trust and Investment departments, continued to grow and had a very successful 2019. Trust assets grew to over \$148 million in investment management and trust administration. Our Eagle Investment Services representatives remained in the top 10% of all bank investment representatives utilizing the support services of Infinex, providing incremental retention opportunities for Eagle.

2020 AND BEYOND

We have much to be proud of and thankful for as we move into 2020, especially our employees and the communities in which we serve. In the fall of 2019, the Company's Executive team, in conjunction with our Board of Directors, set in motion a long-term plan that focuses on centering the customer in everything we do. Functionally, this means allowing customers to bank on their terms by leveraging technology that allows them to bank through the channel that they prefer, whether that's online, over the phone, or in a branch.

At the end of the day, what differentiates us is our tradition of building lifelong relationships with our customers and our communities. By leveraging the power of every connection we have at our disposal, we aim to become the foremost trusted partner and preferred provider of

financial solutions for the communities we serve.

Our focus is based on four key initiatives that will take us through 2020 and beyond:

- Enhance efficiency and productivity
- Enhance revenue drivers
- Achieve maximum ROA and ROE targets
- Reinvest in employees and technology

Regardless of the macro- or micro-economic issues we may be facing, these four strategic themes will ensure the Company continues to make sound decisions in an unpredictable economic environment.

Finally, 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 wonderful communities, customers, and employees while providing shareholders with ever stronger returns on their investments.

All the best,



Brandon C Lorey
President & CEO



The readers of Loudoun Now voted us Loudoun County's "Favorite Financial Institution" as part of their 2019 Loudoun's Favorites Awards.



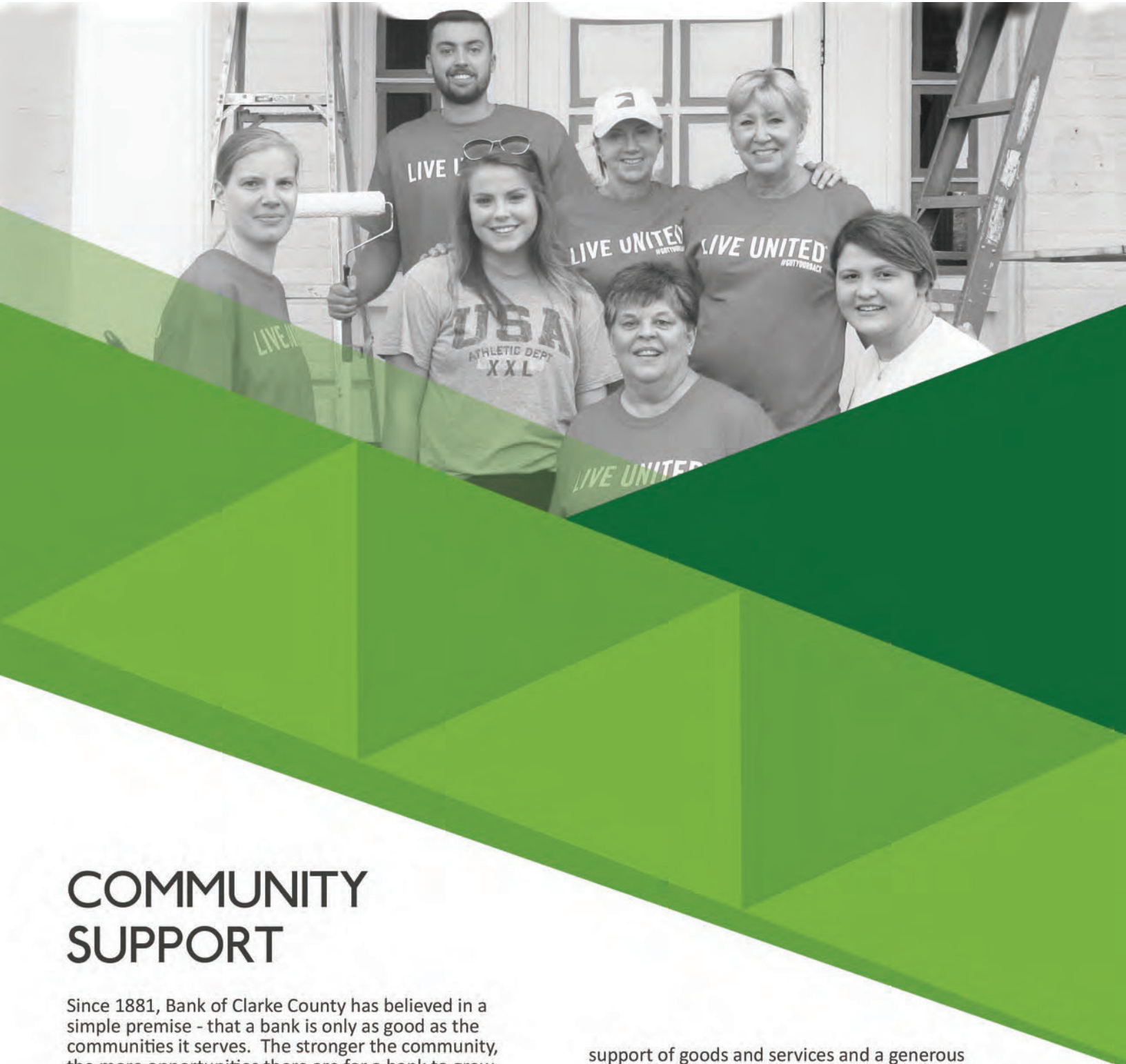
The readers of The Winchester Star voted us "Best Financial Institution", "Best Customer Service" and "Best Financial Planning" as part of their 2019 Star Awards.



The readers of The Loudoun Times Mirror voted us the "BEST OF" in Loudoun County in the "Financial Institutions" category for the 3rd straight year!



The readers of The Winchester Star voted our mortgage lenders runners-up award winners as part of their 2019 Star Awards.



COMMUNITY SUPPORT

Since 1881, Bank of Clarke County has believed in a simple premise - that a bank is only as good as the communities it serves. The stronger the community, the more opportunities there are for a bank to grow.

In 2020, the philosophy remains the same - give back to the communities in ways that lift everyone up. 2019 saw a milestone in the Bank's rich history - the surpassing of over a million dollars in community support between the years 1992 and 2019. That's a significant amount of support in our market areas of Winchester and the Virginia counties of Clarke, Frederick and Loudoun. So many great organizations operate in this footprint that affect the lives of all of us and allow our communities to thrive. This past year, Bank of Clarke County supported over 300 charities and non-profits through monetary support,

support of goods and services and a generous allotment of volunteer time given to our employees. These employees all know the benefits of community service and willingly give of their time and talents all year long.

Two years ago, we started what has proven to be a wildly successful fourth quarter focus - featuring a different charity in each of our twelve branch locations. The response has been overwhelming and has raised the visibility of these deserving organizations in a productive way.

(Above picture, left to right: Holly Vano, Amanda Stonesifer, Brennan Lloyd, Kay Anderson, Peggy Gaudette, Joyce Stabile and Alex Lanzetta participate in the United Way's Day of Caring by sprucing up the exterior of a charity that gives people struggling with addiction a helping hand.

In 2019 Bank of Clarke initiated a plan of giving that allowed each employee to pick a charity of his or her choice with the Bank sending \$25 in their honor. 37 organizations benefited from this new initiative.

In May 2020 Bank of Clarke County will hold its 34th annual charity golf tournament to benefit local charities. This event has raised over \$100,000 on its own and is supported by many great businesses and vendors as well as dedicated golfers. The impact on our communities is felt every day.

Our philosophy remains unwavering in our support of the markets we serve and the great people in them. To us, that's what a great community bank is all about.

PICTURES, TOP TO BOTTOM:

John Hudson, Joanne Lloyd, Winchester Sheriff Lenny Milholland, Serena Bowen and Kay Anderson enjoy another successful Easter fundraiser for the Easter Bunny Foundation. Bunnies were distributed to children at Loudoun Inova and Winchester Medical Center who were going to be hospitalized during the Easter holidays.

A young customer proudly shows us his new t-shirt which he received at one of the many camps we sponsor.

Market Street staff members Wendy Dunn, Donna Schooley and Debbi Shelton pose in front of the branch with members of the Leesburg Volunteer Fire Company. They came by to show their appreciation for Bank of Clarke's support of their organization which traces its history back to 1803 in Leesburg.



BOARD OF DIRECTORS

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Bank of Clarke County



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ROBERT W SMALLEY JR
Vice Chair



DEBORAH E ADDO



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CARY C NELSON



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ROBERT E SEVILA



JOHN D STOKELY JR



RANDALL G VINSON



JAMES R WILKINS JR

EXECUTIVE OFFICERS

Eagle Financial Services, Inc. (EFSI)
and Bank of Clarke County (BOCC)



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President/CEO
EFSI and BOCC



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EVP/Chief Financial
Officer - EFSI and BOCC



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



CARL A ESTERHAY
EVP/Chief Fiduciary
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