

# ANNUAL 2018 REPORT

EAGLE FINANCIAL  
SERVICES, INC.





# Eagle Financial Services, Inc.

## Letter to the Shareholders

April 2019

*It is my distinct pleasure to address you, our shareholders, one final time as your President and CEO. It seems like yesterday when I was given the honor of presiding over what I have always considered an exceptional financial institution with exceptional people. In reality, it's been 20 years!*

*My career at the Company started in 1984. Over the years, I have seen an industry change in ways heretofore unimaginable. When I began, we were excited to bring in the first computers to the bank, causing account numbers to be assigned for the first time in the Bank's long history. Fax machines were still a wonder. Assets in 1984 were \$47.0 million and there were a handful of employees.*

*Fast forward to 2019. The Company is now the 5th oldest banking institution in the Commonwealth of Virginia and is now the 23rd largest institution in Virginia. We are also currently honored to be the BEST BANK in Frederick County and Loudoun County. And, if these accolades weren't enough, American Banker magazine currently ranks us at #170, one of only 11 banks in Virginia who are listed in the Top 200 of that prestigious publication's ranking. A lot of which to be proud.*

*The Company's net income reached a record*

*\$9.0 million, surpassing last year's record net income of \$7.8 million, up 15.4%. Earnings per share (EPS) increased to \$2.60 per common share from last year's EPS of \$2.24.*



*Loan growth was strong which increased our loan portfolio by \$38.0 million (or 6.7%) while net deposits increased similarly by \$39.7 million (or 6.0%). While experiencing increased loan business, our non-performing loans dropped from .84% of total assets at December 31, 2017 to .37% of total assets at December 31, 2018. Just a few years ago, our non-performing assets were at 2.03% (year end 2014), an incredible improvement in four years.*

*Despite the year's stock repurchases, our capital grew \$3.8 million (or 4.5%) during 2018. Our commitment to increased dividends each year resulted in total dividends of \$0.94 per share (or 6.8%)*

*and added another year to our uninterrupted yearly dividend increase record which started in 1986, one of the longest records in the U.S.A.*

*We watch the annual FDIC market share report which reports the number of deposits per financial institution in our trade area. In 2018, the Company had the #1 market share in Clarke County, the #1 market share in Frederick County and the #3 market share in Winchester. Ultimately, we measure the total market share in the communities we serve (which includes the above markets and the county*



of Loudoun). In that overall market, there are currently 30 financial institutions operating and competing for customer deposits. Your Company currently has the 7th largest market share in that market – a significant position, particularly for a community bank.

Eagle Investment Group continued to grow in 2018. Our investments representatives, Janice Kuhn and Tammy Cunningham, are consistently recognized as top investment representative performers.

As the world continues to evolve, the way our customers prefer to bank evolves with it. We are seeing an increase in the need for digital marketing and meeting the needs of customers who prefer to receive information through uncommon channels such as streaming and online video tutorials. Our social media presence continues to grow as a valuable part of our overall strategy to reach all groups of customers, no matter their preferred methods of information gathering. If you have not liked us on facebook, followed us on Twitter or subscribed to our YouTube channel, I ask you to take a few moments and do just that. The information you receive is extremely valuable and you may even appreciate and enjoy our Throwback Thursday segments.

Our cash management services are helping more and more business customers. Designed for businesses, it allows a company to focus on running their business while we assist in managing their day-to-day funding needs for maximum benefit.

As I close I would like to thank you, our shareholders, for your support to me over the past 20 years. It has been my honor to be the President and CEO of this proud institution. As I go into retirement, I look forward to following the continued success of the Company. My time as the chief executive officer has flown by (except maybe for the Great Recession of 2008!) and I look forward to spending more leisure time with my wife Bette, the boys and family.

All the best,

  
President & CEO

## EXECUTIVE OFFICERS

Eagle Financial Services & Bank of Clarke County



**KATE CHAPPELL**  
Senior Vice President/  
Chief Financial Officer



**KALEY CROSEN**  
Senior Vice President/  
Director, Human Resources



**CARL ESTERHAY**  
Senior Vice President/  
Senior Trust Officer



**JOHN HUDSON**  
Senior Vice President/  
Director, Marketing



**JAMES MCCARTY JR**  
Executive Vice President/  
Chief Administrative Officer



**JOHN MILLESON**  
President/  
Chief Executive Officer



**JOE ZMITROVICH**  
Senior Vice President/  
Chief Lending Officer



# BOARD OF DIRECTORS

Eagle Financial Services, Inc. and Bank of Clarke County



THOMAS T. GILPIN  
Chair



ROBERT W. SMALLEY JR.  
Vice Chair



THOMAS T. BYRD



CARY R. CLAYTOR



MARY BRUCE GLAIZE



SCOTT M. HAMBERGER



JOHN R. MILLESON



DOUGLAS C. RINKER



ROBERT E. SEVILA



JOHN D. STOKELY JR.



RANDALL G. VINSON



JAMES R. WILKINS JR.

## EAGLE FINANCIAL SERVICES, INC. ANNUAL MEETING

The annual Shareholders' meeting will be held at John H Enders Fire & Rescue Company, 9 South Buckmarsh Street Berryville, Virginia on Tuesday, May 14, 2019 at 5:30 PM.

**CORPORATE HEADQUARTERS**  
2 East Main Street, Berryville VA 22611

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

## TRANSFER AGENT



6201 15th Avenue  
Brooklyn, NY 11219  
800.937.5449

## WEBSITE

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

## FORM 10K

A copy of the Company's 2018 Form 10K annual report to the Securities and Exchange Commission may be obtained without charge on the investor relations page of our website ([www.bankofclarke.bank](http://www.bankofclarke.bank)) or upon written request.

## EAGLE FINANCIAL SERVICES, INC. DIVIDEND REINVESTMENT PLAN

Shareholders of record can acquire additional common stock through automatic reinvestment of quarterly dividends. For more information or to sign up, contact the Transfer Agent.

## JOIN OUR CONVERSATION!

