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Bank of Clarke’s CEO brings New Vision while Focusing on the Customer and Community



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“One of The Bank of Clarke’s key value propositions is our people and their focus on the customer experience. Our people have an unwavering commitment to our community and to the people that they serve. This commitment, coupled with our geographic location, provides great growth opportunities within the State of Virginia, Maryland, and the District of Columbia.” - Brandon C. Lorey

CEOCFO: *Mr. Lorey, would you introduce us to Eagle Financial Services and Bank of Clarke County? Give us some of the history of the bank and how it came to be?*

Mr. Lorey: The bank was founded in 1881 and has a very long history in the community. In the 1930’s, it merged with the one other community Bank in the county, The Boyce State Bank. In the early 1990’s, it expanded into the City of Winchester and Frederick County which are areas that have become a great markets for us along with Loudoun County, where the Bank expanded in the early 2000’s. Today, the Bank’s footprint stretches from Frederick County through Loudoun County with a loan production office scheduled to open later in the year in Fairfax County to the east.

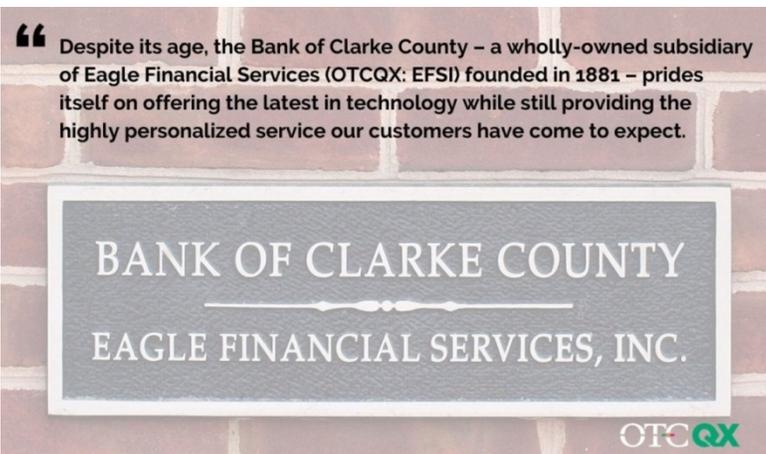
CEOCFO: *Mr. Lorey you were previously Executive Vice President, Head of Consumer and Business Banking for United Bank, a \$7.3 billion asset bank headquartered in Connecticut for about 7 years. Does that experience play a role in your shaping the future of Bank of Clarke County?*

Mr. Lorey: It absolutely does. I had close to five hundred employees and a relatively large span of control which included, among other things, retail, the call center, operations, business and consumer lending, loan servicing, marketing and financial advisory. Moving to a smaller organization made sense from a next step perspective so I could leverage my experience to help the organization grow. Much like the Bank of Clarke, United was a community bank and had deep roots in the

community as it had been founded in the late eighteen hundreds. I joined that bank when it was \$1.3 billion and left when it was over \$7 billion. This was accomplished through significant organic growth coupled with an acquisition, both of which are strategic options for The Bank of Clarke in the coming years.

CEO/CFO: *What is your management style? Are you more hands on? What is your relationship like with your branch directors?*

Mr. Lorey: First, I have been blessed with an exceptional executive management team who I can rely on as the experts in their individual fields. I am a big fan of empowerment throughout the organization, allowing our experts to do what they need to do to take care of our customers. Furthermore, and I know this gets overused these days, but I encourage an open door policy so that employees at all levels can feel free to speak their minds and provide feedback (both good and bad) without repercussions. I very much like and foster this type of interaction with my employees because frankly that is how we become better. Bottom line, if we focus on and take care of our employees, our employees take care of our customers and our customers therefore make our shareholders very happy. I think that is a winning combination and it has been a bedrock of my career.



CEO/CFO: *Is there much difference in developing a bank in Connecticut from developing a bank in Virginia? Would you tell us about the communities you serve? Are they more urban, more rural?*

Mr. Lorey: What is really interesting is we as bankers like to talk about how “my market is special” and “my market is different” but generally speaking we are all serving people with similar needs. The bank in Connecticut was a community bank and while there are certainly some minor differences in the markets, there are many more similarities. Both have mixes of urban and rural communities with businesses that need help, consumers that need financial support, and communities that need institutions they can rely on.

The key is making sure that you are offering the products and services that meet the needs of your constituents. I like to say that we want to offer the products of Wall Street with the service of Main Street. This pillar of success is a significant area of focus for my management team.

We all offer the same products nowadays and it is our service, it is customer service that can really differentiate us as an organization. This passion of helping our customers has been the success story of the Bank of Clarke County.

CEO CFO: *Would you tell us about the business you serve and what they look for in a banking relationship?*

Mr. Lorey: Outside of traditional retail deposit and loan products, we are a true community bank which means we do quite a bit of commercial real estate lending. Over the last couple of years however, and certainly a focus for me now, we have moved into the C&I (Commercial and Industrial) space, again with a focus on the community. As an example, we are banking doctors, lawyers, and veterinarians along with loans to private schools, churches and general small businesses. I look at the space that the community bank fills, that mom and pop business where the wife is the CEO and the husband is the accountant or vice versa, and they are trying to run a business. Well you know what? We as the trusted financial partner need to be there for them so they can focus on running their business and not on the things that don't help their business grow and succeed. We can help them with all of their financial needs, every step of the way. Our charge is to meet the needs of the small to midsize business, those that are oftentimes overlooked by the larger institutions; these tend to be in our sweet spot and we can give them that personalized service that the communities have come to know and expect from us.

CEO CFO: *What is your mix in customers? Are you more of a personal/consumer or more of a business bank today and do you see that changing in the future?*

Mr. Lorey: From a personal/consumer vs. business bank perspective we are probably half and half. That said, commercial loans hold a larger portion of our balance sheet compared to residential loans and I do not necessarily see that changing over time. As we continue our focus on the business banking and commercial entities, the doctors, lawyers, etc., consumer acquisition will come through those business relationships so as we help the business, we can also be very beneficial to their employees. That is not to say that we are not going after every retail customer that we can, as that is our bread and butter, but it is about making sure that we have the service and products that meet both their needs.

CEO CFO: *You have 13 or 14 branch locations throughout Frederick, Clarke and Loudoun Counties. What do you like about these counties? Will future growth come from within those counties or elsewhere?*

Mr. Lorey: I think future growth absolutely comes from within these counties, but expansion is definitely on our radar. We are uniquely positioned in Clarke County between two very strong geographies from an opportunity perspective. To the East, Loudoun County, which has the highest income per capita in the country and growing very rapidly, we expect continued market development. West of Clarke, the City of Winchester, located in Frederick County, has been one of the fastest growing cities in the state providing additional significant market growth opportunities.

From an expansion perspective, we are surrounded by the federal government and as I mentioned earlier, in 2020 we are opening a loan production office in Fairfax County as we look to grow our commercial and government contract lending business. There is probably no better place than ground zero, right outside the beltway for that kind of lending.

CEOCFO: *Do you add branches more through de novo or through acquisition?*

Mr. Lorey: Historically the bank has only done one acquisition. That was many years ago and it was one branch. Since then it has all been de novo. As we look into the future, it is about opportunistic acquisition. If a larger bank is divesting of a branch or two in an area where we would like to move into, we will certainly look at that opportunity. I am sure I am not alone here in my thinking, but the days of building the Taj Mahal branches that are three thousand square ft. plus are gone. The branch of the future will be a small financial hub with a focus on offering financial advice to our customers leveraging a commercial banker, a mortgage loan officer or financial advisor, and a universal banker. I believe that if a customer is getting up and going into a branch, it is because they want to talk to and see a person and I want to make sure we are available for customers in that vein. I think as opportunities come up for growth from a de novo or acquisition perspective, we will certainly look at that.

CEOCFO: *What are some of your strategies for customer acquisition and customer retention? Does having the latest and greatest in financial technologies play a role? Are you catering to the younger generations that seem to rely so heavily on them?*

Mr. Lorey: At a very high level, I look at our customers in two main segments. We have our high-tech, low-touch, customers where a customer interaction can go sideways very quickly if the tech goes wrong. Conversely, we have our low-tech, high-touch customers and those quite frankly have made the Bank what it is today. We must be able to meet the needs of both segments so partnering with Fintech companies and offering services that the high-tech customers have come to expect while maintaining a strong branch presence is key.

As a bank we have quite a bit of regulatory burden so it is more difficult for us to bolt on a piece of technology than it would be a company outside of the financial market. My head of technology is all about looking at us as an IT company that happens to run a bank which I believe is the correct approach in today's environment. We are competing against Fintech companies that are encroaching into the financial marketplace more so than we are against some of the larger Banking institutions. As a community bank, we must be very selective in how we approach partnerships to ensure we are protecting every bit of data we have while providing a best in class experience to our customers.

CEOCFO: *Is community involvement important to you?*

Mr. Lorey: Community involvement is very important to me. With each of the banks that I have been involved with in my past, I have made it a

priority to take an active role in the local community organizations and it will be no different here. The Bank of Clarke County has been a pillar in the community from a giving and active participant perspective. We have donated over a million dollars in the last 20 some years to hundreds of well deserving organizations. This month, the Bank made two of its largest donations in the bank's history as we continue to play a pivotal role in our community. Employees at every level of the organization are very involved in the communities in which they live and work and I feel it is our responsibility as an employer in the area to not just encourage involvement, but to do everything we can to help them in their desire to do so.

CEO/CFO: *What role does wealth management play in your strategy?*

Mr. Lorey: We have both a trust and a wealth management group and it is a very important part of our strategy. We talk about helping our customers every step of the way, whether that is the first checking account, car loan, equity investment purchase, small business startup, or the creation of a trust. We want to make sure we are there the whole time. Our trust and wealth professionals work very closely with our branches to make sure that we are taking care of our customers through their financial journey. Another important pillar of the bank's success is the collaboration that we have between our branch employees, our commercial bankers and our wealth management team who really work hand-in-hand to make sure that we are taking care of that customer from every aspect. When you are talking to a banker here at the Bank of Clarke, you are really talking to a team, which I think has been one of the things that separates us from the competition.

CEO/CFO: *How did your bank fair under TARP and all of the regulations that were placed on the banking community during that period?*

Mr. Lorey: The bank is very proud to say it did not take any money during the crisis. It certainly felt some of the impact from a loss perspective but never to the point where it needed any help. We have had a very prudent and conservative underwriting culture and that certainly is not going to change. As a result, today the bank is in a very strong position with an enviable cost of funds, low losses, and a healthy balance sheet and income statement.

With respect to the regulations put in place after the last recession, the burden has been unevenly felt in the community bank space. Unfortunately, that means that the dollars being spent to meet some of the more burdensome regulations could otherwise have been spent on affordable housing and small business lending, further helping the community. Instead, we are under many of the same constraints as the mega banks without the economies of scale that these other institutions enjoy. It was not the Bank of Clarke County that failed the system; however it is Bank's like ours that feel the most negative impact.

CEO/CFO: *Would you tell us about the current financial health of the bank? You are traded on the OTCQX. Are you currently reaching out to the investment community? Is attending conferences important?*

Mr. Lorey: Yes, we absolutely have been on a string of investor outreach, I think that is very important as we look to new investors, both retail and institutional. I am in an enviable position where my board owns over 23% of the bank so I have an exceptionally engaged board of directors who are very excited to see the interest outside of the Bank. I do attend some conferences but I am not a "I'm-going-to-go-to-this-conference-every-year type person." I am very selective as I want to make sure the value of the conference can support the cost. My out of area travel is more related to speaking with and meeting potential investors. From a financial health perspective, we are in an enviable position from a cost of funds, ROA, credit risk, and an earnings perspective. Our market cap is about \$108 million so we are in a great spot for continued growth.

CEOCFO: *In closing, what sets Eagle Financial Services and Bank of Clarke County apart from other local banks? What gives you an edge in such a competitive environment?*

Mr. Lorey: One of The Bank of Clarke's key value propositions is our people and their focus on the customer experience. Our people have an unwavering commitment to our community and to the people that they serve. This commitment, coupled with our geographic location, provides great growth opportunities within the State of Virginia, Maryland, and the District of Columbia.

My predecessor John Milleson did a phenomenal job of taking this bank from half a billion to \$850 million before he turned it over and I think a lot of our success was due to him and his commitment to the community and its people. Looking ahead, continuing our community focus and showing that we are putting our customer(s) in the center of everything we do will be a major strategic focus for me and my team. I believe this focus on the customer experience, allowing them to transact with us on their terms, be it in a branch, on the phone, or online, will be a true differentiator for us through the next decade.

