

To The Stockholders
Romney Bankshares, Inc.
Romney, WV 26757

To say that the year 2020 was challenging or unusual would be an extreme understatement. The ongoing pandemic has disrupted our personal, business, and operating lives in more ways than can be expressed in one shareholder letter. Despite all the disruptions, hurdles, and changes in 2020, the financial performance of Romney Bankshares, Inc. and its subsidiary, The Bank of Romney, has been historically positive in a year that has been historically negative. Record high income, asset size, deposit growth, and share price are a few of the historical milestones.

Financial Results

Record setting net income occurred during 2020 by a substantial margin over the prior year. The net income recorded was \$3,876,085 or 17.1% over the \$3,309,111 for 2019. The growth in net income can be attributed to a significant increase in net interest income of \$1,047,870 over 2019. This increase was created by record loan closings boosting interest income and fees. Loans closed during 2020 totaled over \$106 million from a wide variety of loan products representing an over \$38 million increase from 2019. Moderate decreases in interest expense also occurred from lower funding costs despite large deposit growth.

The amounts on our balance sheet at year-end 2020 saw record levels in assets, loans, and deposits. Ending net loan balances grew by over \$15 million, or 6.9% to \$233,496,554 at the end of 2020 compared to the 2019 balance of \$218,490,000. Increases in loan balances can be attributed to a high volume of loan closings during the year as the public took advantage of significantly lower interest rates.

Deposit balances grew unlike any time in recent history, fueled by stimulus check deposits, conservative spending habits of our customers, and the safety and security of funds placed at The Bank of Romney. Deposits totaled \$238,735,786 at the end of 2020, compared to \$206,147,265 the prior year for a total increase of \$32,588,521 or 15.8%

The growth in deposits triggered an all-time high of asset levels at the end of 2020. Total consolidated asset balances reached \$337,336,659 at year end and were even higher during parts of 2020. The asset totals increased \$42,194,047 or 14.3% compared to the \$295,142,612 balance in 2019.

Returns to shareholders was equally impressive during the year 2020. We continued to raise our dividend payout, providing \$1.42 per share compared to \$1.40 per share in 2019. The dividend included payments on shares obtained in last year's 5% stock dividend, creating an equivalent nine cents per share increase. The stock price was also raised to keep up with the year's positive financial performance. The price was increased five times to \$63.00 per share from the 2019 year-end price of \$58.00 per share. Stock price increases plus dividend payouts yielded an over 11% return for our shareholders during the year.

Operational and Product Improvements

For the first time in decades, The Bank of Romney changed check vendors and entered into a new check order vendor agreement with Main Street, Inc. The new structure has drastically reduced check supply costs which have been passed on to our customers and cut their costs in half in most cases.

The loan and collection departments were on the proactive side to help borrowers who had or would have issues with the Coronavirus. Help was provided through millions of dollars in Payroll Protection Program (PPP) loans granted to help our small business customers. The Bank of Romney provided individual borrowers with loan modifications, interest only and skip a payment and developed a new program during the 2nd quarter of 2020 known as the Forgive a Payment Program. In the Forgive a Payment Program, \$100,000 was set aside to help our consumer loan customers who were having difficulty making payments. After certain criteria was met, the Bank forgave and paid a payment for our consumer loan customers.

Late in 2020 a contract was signed to enhance the current Bank of Romney website. The website will be refreshed and updated during the first half of 2021. The previous upgrade took place in 2015, and it is time for a new look and modified process.

Community and Social Engagement

The 2020 year has been our best financially, but it has also been one of the most unusually challenging in our history. Our social and business events such as community parades, customer appreciation day, bank conventions, employee Christmas parties, and even our shareholders' social meeting time were all cancelled during 2020. Despite these disruptions and our lobbies even being closed during the Spring of the year, our customers, employees, and shareholders have adapted to some of the new social changes.

Our online banking and drive thru lanes have gotten much busier, and we increased the Apple Express phone line connection by 33% to cover the high volume of incoming customer telephone calls.

We continued to support the extensive renovation to the football field and track at Hampshire High School. Online activities to support local fairs, FFA and other nonprofit organizations have been different but continued during 2020.

Human Resource Changes

After an extensive search for the position of Controller, The Bank of Romney has hired an ideal candidate for the job. Brad Ryan was brought on board at the end of August 2020. Brad is originally from Keyser, WV and, after graduating with a master's degree from West Virginia University, had spent six years with a regional accounting firm. As a CPA in West Virginia, Brad's experience was geared toward managing community bank audits, loan reviews, and financial statement preparation. We feel the experience and quality Brad brings was worth our wait.

In addition, we were able to bring on board Damara Wampler in the role of Audit/Accounting Manager. Damara is another local talent, originally from Ridgeley, WV. She is coming home after 12 years in various financial institution roles. Her experience and competency have allowed many duties to be given to her which have enabled Executive Management to concentrate on other operating needs of the Bank. Damara has been a great addition, contributing from day one.

For much of the year The Bank of Romney, like many in our community, was forced to face the grief and stress of those we lost. Several employees suffered losses of close family members due to the Coronavirus and combinations of other illnesses during 2020. The Bank of Romney unfortunately lost five retirees during 2020, and we grieve along with their families. Their contributions to our reputation over the past decades are more than can be described.

Outlook Perspective

The upcoming 2021 year carries many uncertainties. Issues such as presidential and political changes and the impact they will have on financial issues and regulatory burdens are unclear. Vaccine success and confidence may provide some comfort while allowing spending to improve, but deposit balances to lower. Stimulus payments, however, could increase the deposit balances. Continued lower interest rates will have a negative effect on our net interest margin, and we will be challenged to find methods to replace the lost income. We will continue to stand with our communities during 2021 and plan to be a continuous source of financial support during any difficult time. We are thankful and appreciate all the support and confidence placed on us during the past year and beyond.

Thomas L. Williams, Jr., Chairman of the Board
Romney Bankshares, Inc.

Dean K. Young, President
Romney Bankshares, Inc.