

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 001-38162

EAGLE FINANCIAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

82-1340349

(I.R.S. Employer
Identification Number)

6415 Bridgetown Road, Cincinnati, Ohio

(Address of principal executive offices)

45248

(Zip Code)

Registrant's telephone number, including area code: (513) 574-0700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of the last business day of the Registrant's last completed second fiscal quarter was \$20,859,068.

As of March 26, 2020, there were issued and outstanding 1,594,658 shares of the Registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders for 2020 are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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PART I

ITEM 1. Business

Eagle Financial Bancorp, Inc.

Eagle Financial Bancorp, Inc. is a Maryland corporation and owns 100% of the common stock of Eagle Savings Bank (the “Bank”). On July 20, 2017, the Company completed its public offering of common stock in connection with the mutual-to-stock conversion of the Bank, selling 1,572,808 shares of common stock at \$10.00 per share and raising \$15.7 million of gross proceeds. Since the completion of the stock offering, the Company has not engaged in any significant business activity other than owning the common stock of and having deposits in the Bank.

The Company’s only significant asset is its investment in Eagle Savings Bank. At December 31, 2019, Eagle Financial Bancorp, Inc. had consolidated assets of \$142.8 million, total deposits of \$112.0 million, and stockholders’ equity of \$27.9 million. Our executive office is located at 6415 Bridgetown Road, Cincinnati, Ohio 45248, and our telephone number at this address is (513) 574-0700.

Eagle Savings Bank

Eagle Savings Bank is an Ohio chartered stock savings and loan association that was originally organized in 1882 under the name The Price Hill Eagle Loan and Building Company No. 1 in the community of East Price Hill for the purposes of promoting savings and home ownership. The Bank changed its name to Eagle Savings Bank in 1996. We conduct our business from our main office and two branch offices. All of our offices are located in Hamilton County, Ohio. Our primary deposit-taking market includes the local communities surrounding our bank offices. Our primary lending market is Hamilton County, Ohio, and the adjoining counties of Butler, Warren and Clermont Counties in Ohio, Boone, Kenton and Campbell Counties in Kentucky, and Dearborn County in Indiana.

Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential real estate loans, commercial real estate and land loans, construction loans and home equity loans and lines of credit. To a lesser extent, we also make commercial business loans, multi-family real estate loans and other consumer loans. We also emphasize our mortgage banking operations.

We offer a variety of deposit accounts, including checking accounts, savings accounts, money market demand accounts and certificate of deposit accounts. We utilize advances from the Federal Home Loan Bank of Cincinnati (the “FHLB-Cincinnati”) for asset/liability management purposes and, from time to time, for additional funding for our operations.

Eagle Savings Bank is subject to comprehensive regulation and examination by its primary federal regulator, the Federal Deposit Insurance Corporation (the “FDIC”), and by its state regulator, the Ohio Division of Financial Institutions (the “ODFI”).

Our executive office is located at 6415 Bridgetown Road, Cincinnati, Ohio 45248, and our telephone number at this address is (513) 574-0700.

Available Information

The Securities and Exchange Commission (“SEC”) maintains an internet site at www.sec.gov that contains reports, proxy and other information that the company files electronically with the SEC. These documents are also available to the public on the Company website at www.eaglesavings.com. Information on our website is not incorporated into this Annual Report and should not be considered part of this Annual Report.

Market Area

We conduct our operations from our three full-service offices in Cincinnati, Ohio. Our main office is located in the Bridgetown area of Cincinnati, Ohio, and our two branch offices are in Delhi Township and

the Hyde Park neighborhood of Cincinnati. Our primary deposit-taking market includes the local communities surrounding our bank offices. Our primary lending market is Hamilton County, Ohio, and the adjoining counties of Butler, Warren and Clermont Counties in Ohio, Boone, Kenton and Campbell Counties in Kentucky, and Dearborn County in Indiana.

Our primary market area is a part of the Cincinnati metropolitan statistical area (“MSA”) and is both urban and suburban in nature. According to Gale Business — Demographics Now, the Cincinnati MSA population in 2010 was 2.32 million (Census) which increased to 2.40 million by 2019 (estimates). Our primary market area economy is comprised of a number of employment sectors including business and professional services, healthcare, wholesale/retail, government, and finance/insurance/real estate. Based on data from the U.S. Bureau of Labor Statistics, for 2019, unemployment rates were 3.8%, 4.1% and 3.7% in Hamilton County, the State of Ohio and the United States as a whole, respectively.

According to Demographics Now by Gale Business, the number of households in Hamilton County, the Cincinnati MSA, Ohio and the United States increased by 0.9%, 3.6%, 1.4% and 7.2%, respectively, from 2010 to 2019. Between 2019 and 2024, the number of households in Hamilton County, the Cincinnati MSA, Ohio and the United States are projected to increase/(decrease) by (.01%), 2.0%, 0.9% and 4.1%, respectively.

Competition

We face competition within our market area both in making loans and attracting deposits. Our market area has a concentration of financial institutions that include large money center and regional banks, community banks and credit unions. We also face competition from commercial banks, savings institutions, mortgage banking firms, consumer finance companies and credit unions and, with respect to deposits, from money market funds, brokerage firms, mutual funds and insurance companies. As of June 30, 2019, based on the most recent available FDIC data, our market share of deposits represented 0.10% of FDIC-insured deposits in Hamilton County, ranking us 17th in market share of deposits.

Strong competition within our market area may limit our growth and profitability. The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued industry consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures than we do. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we can as well as better pricing for those products and services.

Lending Activities

General. Our principal lending activity is originating one- to four-family residential real estate loans, commercial real estate loans, construction loans, and home equity loans and lines of credit. To a lesser extent, we also originate commercial business loans, multi-family real estate loans and other consumer loans. We plan to grow and diversify our loan portfolio by increasing our commercial business lending, our commercial real estate lending, and our home equity loans and lines of credit.

Commercial real estate loans generally carry greater credit risk than loans secured by owner occupied one- to four-family real estate, and these risks will increase if we succeed in our plan to increase this type of lending. Given their larger balances and the complexity of the underlying collateral, commercial real estate loans generally expose a lender to greater credit risk than loans secured by owner occupied one- to four-family real estate. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential real estate loan.

Increasing our portfolio of home equity loans and lines of credit will increase our credit risk. Most of our home equity loans and lines of credit are secured by real estate in Hamilton County, Ohio and contiguous

counties. We generally originate home equity loans and lines of credit with loan-to-value ratios of up to 90% when combined with the principal balance of the existing first mortgage loan. Declines in real estate values could cause some of our home equity loans to be adequately collateralized, which would expose us to greater risk of loss in the event that we seek to recover on defaulted loans by selling the real estate collateral.

Beginning in 2001, we began to increase the number of loans that we originate for sale to the secondary market. We currently originate most of our fixed-rate one- to four-family residential real estate loans for sale to the FHLB-Cincinnati through the MPP. During 2019 we originated \$91.0 million one- to four-family residential real estate loans, and sold \$82.4 million of such loans to the FHLB-Cincinnati through the MPP and other correspondent investors. See “— Loan Originations, Participations, Purchases and Sales” below for more information regarding our sale of loans through the MPP. We currently employ four residential mortgage loan originators, and we intend to hire up to six new commission-based mortgage lenders over the next three years, as well as additional support staff as needed. Our mortgage banking infrastructure and risk management systems will allow us to safely manage a significantly larger volume of loans.

Our mortgage banking business is subject to risks that could negatively affect our non-interest income. In a rising or higher interest rate environment, our originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage banking revenues. Under the terms of the MPP, we are required to maintain a Lender Risk Account (“LRA”). The LRA consists of amounts withheld from the loan sale proceeds by the FHLB-Cincinnati for absorbing potential losses on the loans we sell. These withheld funds are an asset to the Company as they are scheduled to be paid to the Company in future years, net of any credit losses on the loans sold. If there are higher than expected losses on the loans we have sold to the FHLB-Cincinnati through the MPP, the amount of the LRA would be reduced through a charge to earnings, which would reduce our earnings.

In addition, our loans sold in the secondary market have agreements that contain representations and warranties related to, among other things, the origination and characteristics of the mortgage loans. We may be required to repurchase mortgage loans that we have sold in cases of borrower default or breaches of these representations and warranties. If we are required to repurchase mortgage loans or provide indemnification or other recourse, this could significantly increase our costs and thereby affect our future earnings.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio, by type of loan at the dates indicated.

	At December 31,			
	2019		2018	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
One- to four-family residential:				
Owner occupied	\$ 59,859	52.26%	\$ 67,169	54.18%
Non-owner occupied	5,522	4.82	6,464	5.21
Commercial real estate and land	20,800	18.16	17,587	14.19
Home equity and other consumer ⁽¹⁾	9,690	8.46	13,773	11.11
Residential construction	11,684	10.20	11,756	9.48
Multi-family real estate	1,065	0.93	1,185	0.96
Commercial	5,921	5.17	6,041	4.87
Total gross loans receivable	<u>114,541</u>	<u>100.00%</u>	<u>123,975</u>	<u>100.00%</u>
Deferred loan costs	4		14	
Loans in process	(6,811)		(9,485)	
Allowance for loan losses	<u>(1,166)</u>		<u>(1,187)</u>	
Total loans receivable, net	<u>\$106,568</u>		<u>\$113,317</u>	

(1) At December 31, 2019 and 2018, other consumer loans totaled \$8,000 and \$9,000, respectively.

Contractual Maturities. The following table summarizes the scheduled repayments, based on scheduled principal amortization, of our loan portfolio at December 31, 2019. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in the year ending December 31, 2020. Maturities do not reflect the impact of prepayments.

	<u>One- to four-family residential, owner occupied</u>	<u>One- to four family residential, non-owner occupied</u>	<u>Commercial real estate and land</u>	<u>Home equity and other consumer</u>	<u>Residential construction</u>	<u>Multi- family real estate</u>	<u>Commercial</u>	<u>Total</u>
	(In thousands)							
Due During the Years Ending December 31,								
2020	\$ 1,184	\$ 101	\$ 1,164	\$ 596	\$11,684	\$ 35	\$ 861	\$ 15,625
2021	1,233	106	1,223	628	—	36	908	4,134
2022	1,283	112	1,286	662	—	38	957	4,338
2023 to 2024	2,725	243	2,775	1,432	—	82	2,073	9,330
2025 to 2029	7,844	734	8,286	4,308	—	245	1,122	22,539
2030 to 2034	9,578	958	6,066	2,064	—	315	—	18,981
2035 and beyond	36,012	3,268	—	—	—	314	—	39,594
Total	<u>\$59,859</u>	<u>\$5,522</u>	<u>\$20,800</u>	<u>\$9,690</u>	<u>\$11,684</u>	<u>\$1,065</u>	<u>\$5,921</u>	<u>\$114,541</u>

Fixed- and Adjustable-Rate Loan Schedule. The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2019 that are contractually due after December 31, 2020.

	<u>Due After December 31, 2020</u>		
	<u>Fixed</u>	<u>Adjustable</u>	<u>Total</u>
	(In thousands)		
One- to four-family residential:			
Owner occupied	\$41,439	\$17,236	\$58,675
Non-owner occupied	2,975	2,446	5,421
Commercial real estate and land	11,314	8,322	19,636
Home equity and other consumer	348	8,746	9,094
Residential construction	—	—	—
Multi-family real estate	61	969	1,030
Commercial	2,866	2,194	5,060
Total	<u>\$59,003</u>	<u>\$39,913</u>	<u>\$98,916</u>

Loan Approval Procedures and Authority. Pursuant to applicable law, the aggregate amount of loans that we are permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of Eagle Savings Bank's unimpaired capital and surplus. We may lend an additional amount to one person up to 10% of unimpaired capital and unimpaired surplus, to the extent that such amount is secured by readily marketable collateral, which is defined to include certain financial instruments and bullion, but generally does not include real estate. At December 31, 2019, our largest credit relationship totaled \$3.21 million and was secured by commercial real estate, residential real estate. Our second largest relationship at December 31, 2019 totaled \$3.16 million and is secured by business assets. At December 31, 2019, all of these loans were performing in accordance with their terms.

Our lending is subject to written underwriting standards and origination procedures. Decisions on loan applications are made on the basis of detailed applications submitted by the prospective borrower and property valuations (consistent with our appraisal policy) prepared by outside independent licensed appraisers approved by our board of directors as well as internal evaluations, where permitted by regulations. The

loan applications are designed primarily to determine the borrower's ability to repay the requested loan, and the more significant items on the application are verified through use of credit reports, financial statements and tax returns.

Generally, we require title insurance on our mortgage loans as well as fire and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan. We also require flood insurance if the property is determined to be in a flood zone area.

Our President and Chief Executive Officer, Residential Lending Operations Manager, and Residential Lending Processing Manager and Underwriter each have approval authority for up to \$510,400 for residential mortgage loans. They may combine their authority such that together they can approve residential loans of up to \$1,020,800. Our President and Chief Executive Officer and our Vice President of Commercial Lending each have approval authority for up to \$510,400 for all secured commercial loans. They may combine their authority such that together they can approve commercial loans of up to \$1,020,800. For unsecured credit, the President and Chief Executive Officer has an authority of \$50,000 and the Vice President of Commercial Lending has an authority of \$150,000. They may combine their authority such that together they may approve unsecured loans up to \$200,000. Any loans in excess of these prescribed limits require the approval of the board of directors. All loans to one borrower will be aggregated for determining the limits as described above.

One- to Four-Family Residential Real Estate Lending. The focus of our lending program has historically been the origination of one- to four-family residential real estate loans. At December 31, 2019, we had \$65.4 million of loans secured by one- to four-family real estate, representing 57.1% of our total loan portfolio. We originate both fixed-rate and adjustable-rate residential mortgage loans. At December 31, 2019, the one- to four-family residential mortgage loans held in our portfolio were comprised of 69.3% fixed-rate loans, and 30.7% adjustable-rate loans.

Our one- to four-family residential real estate loans are generally underwritten according to Fannie Mae and Freddie Mac guidelines, and we refer to loans that conform to such guidelines as "conforming loans." We generally originate both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency for Fannie Mae, which is currently \$510,400 for single-family homes in our market area. We also originate loans above the lending limit for conforming loans, which are referred to as "jumbo loans." We also offer FHA loans, which we originate for sale on a servicing-released, non-recourse basis in accordance with FHA guidelines. Although we are an approved Title II Direct Endorsement Mortgagee with the FHA, we currently use a third-party underwriter with expertise in this type of lending. Currently, our Loan Processing Manager/UW is in the process of training to become a Direct Endorsement Underwriter. Virtually all of our one- to four-family residential real estate loans are secured by properties located in our market area.

We generally limit the loan-to-value ratios of our one- to four-family residential mortgage loans to 80% of the purchase price or appraised value, whichever is lower. In addition, we may make one- to four-family residential mortgage loans with loan-to-value ratios between 80% and 95% of the purchase price or appraised value, whichever is less, where the borrower obtains private mortgage insurance. FHA loans may be made with loan-to-value ratios up to 96.5% of the purchase price or appraised value, whichever is less.

Our one- to four-family residential real estate loans typically have terms of 15 or 30 years. Our adjustable-rate one- to four-family residential real estate loans generally have fixed rates for initial terms of five, seven or ten years, and adjust annually thereafter at a margin. In recent years, this margin has been 2.75% over the weekly average yield on U.S. treasury securities adjusted to a constant maturity of one year. The maximum amount by which the interest rate may be increased or decreased is generally 2% per adjustment period and the lifetime interest rate cap is generally 4% or 6% over the initial interest rate of the loan. Adjustable-rate one- to four-family residential real estate loans are originated on a servicing released basis.

In the past we originated loans on non-owner occupied one- to four-family properties. At December 31, 2019, we had \$5.5 million of loans secured by non-owner occupied one- to four-family residential real estate, representing 4.8% of our total loan portfolio and 8.4% of our total one- to four-family real estate portfolio. We do not intend to make such loans in the future.

Since 2001, we have originated an increasing amount of our one- to four-family residential real estate loans for sale to the secondary market. During 2019, we sold approximately 90.5% of the one- to four-family residential real estate loans we originated to the secondary market. These sales were primarily through the FHLB-Cincinnati's MPP. See “— Loan Originations, Participations, Purchases and Sales” below for additional information regarding our sale of loans through the MPP. We intend to continue to grow our mortgage banking operations in the coming year.

The one- to four-family residential real estate loans that we retain for our portfolio include shorter-term fixed-rate loans, adjustable-rate loans, jumbo loans and other non-conforming loans that have mitigating strengths that make the loan an appropriate risk.

We do not offer “interest only” mortgage loans on permanent one- to four-family residential real estate loans (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as “Option ARM” loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not currently offer “subprime loans” on one- to four-family residential real estate loans (*i.e.*, generally loans with credit scores less than 660). In addition, we do not intend to offer interest only, Option ARM or subprime loans in the future.

We also originate home equity lines of credit. See “— Home Equity Loans and Lines of Credit, and Other Consumer Lending”, below.

Commercial Real Estate, Land and Multi-Family Residential Lending. In recent years, we have sought to increase our commercial real estate loans. Our commercial real estate loans are secured primarily by office buildings, retail and mixed-use properties, and light industrial properties located in our primary market area. To a lesser extent, we also make multi-family loans secured primarily by residential apartment buildings and land loans primarily secured by land located in our primary market area. At December 31, 2019, we had \$20.8 million in commercial real estate and land loans and \$1.1 million in multi-family real estate loans, representing 18.2% and 1.0% of our total loan portfolio, respectively.

Most of our commercial and multi-family real estate loans have a maximum term of up to 30 years. The new originations of commercial real estate and multi-family loans are generally fixed for an initial period of five years and adjust every five years thereafter based on market rates. The maximum loan-to-value ratio of our commercial real estate and multi-family real estate loans is generally 80% or less. For properties on which there will be a third party junior lien, the maximum loan-to-value ratio is 70%. All loan-to-value ratios are subject to our underwriting procedures and guidelines. At December 31, 2019, our largest commercial real estate loan totaled \$3.2 million and was secured by commercial real estate and residential real estate. At that date, our largest multi-family real estate loan totaled \$409,000 and was secured by a multiuse building. At December 31, 2019, both of these loans were performing in accordance with their terms.

Set forth below is information regarding our commercial real estate total loans at December 31, 2019.

Type of Loan	Number of Loans	Total Loan Balances
		(Dollars in thousands)
Apartment Buildings	1	\$ 225
Land	7	429
Storage	2	1,026
Office	8	1,572
Owner occupied commercial real estate	29	10,578
Restaurant	1	581
Retail/Wholesale	<u>12</u>	<u>6,389</u>
Total	<u>60</u>	<u>\$20,800</u>

We consider a number of factors in originating commercial and multi-family real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability

and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). All commercial real estate and multi-family loans are appraised by outside independent appraisers approved by the board of directors. Personal guarantees are generally obtained from the principals of commercial and multi-family real estate borrowers.

Raw land loans have terms of not more than 25 years. The maximum loan-to-value of these loans is 60% of the lesser of the appraised value or the purchase price of the property.

At December 31, 2019, we had 429,000 of total land loans outstanding. Our largest land loan totaled \$90,000 and was performing in accordance with its terms at December 31, 2019.

Loans secured by commercial real estate, raw land and multi-family real estate generally involve greater credit risk. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income-producing properties and the increased difficulty of evaluating and monitoring these types of loans. Repayment of commercial real estate loans depends to a large degree on the results of operations and management of the properties securing the loans or the businesses conducted on such properties, and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Furthermore, the repayment of loans secured by multi-family residential real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed), the borrower's ability to repay the loan may be impaired. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

Commercial Business Lending. At December 31, 2019, we had \$5.9 million of commercial business loans, representing 5.2% of our total loan portfolio. In the coming year we intend to increase our emphasis on commercial business lending. We offer regular lines of credit and revolving lines of credit with terms of up to 12 months to small businesses in our market area to finance short-term working capital needs such as accounts receivable and inventory. Our commercial lines of credit are typically adjustable-rate generally based on the prime rate, as published in *The Wall Street Journal*, plus a margin. We generally obtain personal guarantees with respect to all commercial business lines of credit. We also offer term loans of five to seven years.

We typically originate commercial business loans on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, the experience and stability of the borrower's management team, earnings projections and the underlying assumptions, and the value and marketability of any collateral securing the loan. Commercial business loans are generally secured by a variety of collateral, primarily accounts receivable, inventory and equipment. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself and the general economic environment in our market area. Therefore, commercial business loans that we originate have greater credit risk than one- to four-family residential real estate loans or, generally, consumer loans. In addition, commercial business loans often result in larger outstanding balances to single borrowers, or related groups of borrowers, and also generally require substantially greater evaluation and oversight efforts.

Home Equity Lines of Credit, and Other Consumer Lending. At December 31, 2019, we had \$9.7 million, or 8.5% of our loan portfolio, in home equity loan lines of credit. We intend to increase our portfolio of home equity loan lines of credit in proportion to the increase in our total loan portfolio in 2020.

Our home equity line of credit loans are secured by owner occupied residential property. Home equity lines of credit are variable rate, and are approved with a maximum maturity of up to 25 years. The 25 year term is a 10 draw period followed by a 15 year amortization period. We extend home equity lines of credit on owner occupied property regardless of whether we hold the first mortgage. We do not extend home equity lines of credit unless the combined loan-to-value ratio of the first mortgage and the home equity line of credit is 90% or less.

Home equity line of credit loans have greater risk than one- to four-family residential real estate loans secured by first mortgages. Our interest is generally subordinated to the interest of the institution holding the first mortgage. Even where we hold the first mortgage, we face the risk that the value of the collateral may not be sufficient to compensate us for the amount of the unpaid loan and costs of foreclosure. As a result, consumer loan collections are dependent on the borrower's continuing financial stability and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

Home equity loans and lines of credit and other consumer loans generally have shorter terms to maturity, which reduces our exposure to changes in interest rates. In addition, management believes that offering these loan products helps to expand and create stronger ties to our existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities.

From time to time we may make consumer loans other than home equity loans and lines of credit, generally as an accommodation to existing customers. At December 31, 2019, we had \$8,000 in other consumer loans.

Construction Lending. We originate construction loans, primarily for one- to four-family residential properties. At December 31, 2019, \$11.7 million, or 10.2%, of our total loan portfolio, consisted of construction loans, all of which were secured by one- to four-family residential real estate. At December 31, 2019, the un-advanced portion of one- to four-family residential construction loans totaled \$6.8 million. In the coming year, we intend to continue expanding our construction lending for one- to four-family residential properties. From time to time we may also consider making construction loans for commercial real estate properties, including multi-family properties, if attractive opportunities arise.

Construction loans for one- to four-family residential properties are originated with a maximum loan to value ratio of 80% and are generally "interest-only" loans during the construction period which typically does not exceed 12 months. After this time period, the loan converts to permanent, amortizing financing following the completion of construction. We generally require that a commitment for permanent financing be in place prior to closing the construction loan.

Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, we may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project is inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. Construction loans also expose us to the risk that improvements will not be completed on time in accordance with specifications and projected costs or that we may take possession of a partially completed project. In addition, the ultimate sale or rental of the property may not occur as anticipated.

At December 31, 2019, our largest construction loan had a principal balance of \$584,000. This loan was performing in accordance with its terms at December 31, 2019.

Loan Originations, Participations, Purchases and Sales.

Most of our loan originations are generated by our loan personnel and from referrals from existing customers and real estate brokers. All loans we originate are underwritten pursuant to our policies and procedures. While we originate both fixed- and adjustable-rate loans, our ability to generate each type of loan depends upon relative borrower demand and pricing levels established by competing banks, thrifts, credit unions, and mortgage banking companies. Our volume of loan originations is influenced significantly by market interest rates, and, accordingly, the volume of our loan originations can vary from period to period.

Since 2001, and consistent with our interest rate risk strategy in the low interest rate environment, we have sold on a servicing-released basis most of the fixed-rate conforming one- to four-family residential mortgage loans that we have originated. We currently sell most of these loans to the FHLB-Cincinnati through the MPP. During 2019 we originated \$91.0 million fixed-rate and adjustable rate one- to four-family residential real estate loans, and sold \$82.4 million of such loans to several secondary market investors as

well as the FHLB-Cincinnati through the MPP. As part of our business strategy, we intend to expand our mortgage banking activity by adding up to six new commission-based mortgage lenders over the next three years. We believe that our mortgage banking infrastructure and risk management systems will allow us to safely manage a significantly larger volume of loans.

Under the terms of the MPP, we are required to maintain a Lender Risk Account (“LRA”). The LRA consists of amounts withheld from the loan sale proceeds by the FHLB-Cincinnati for absorbing inherent losses that are probable on the loans we sell. These withheld funds are an asset to the Company as they are scheduled to be paid to the Company in future years, net of any credit losses on the loans sold. The funds withheld to settle these potential losses totaled \$6.2 million at December 31, 2019; however, these receivables are recorded at fair value, which includes consideration of inherent losses that are probable and net present value discounts. The carrying value of the LRA totaled \$3.6 million at December 31, 2019.

We have developed certain processes and procedures to monitor and mitigate the risks associated with our mortgage banking activities, including:

- independent daily pricing to establish profitability targets;
- a central rate lock desk to mitigate risk of pair off fees;
- selling loans pursuant to mandatory delivery contracts to eliminate warehouse and pipeline risk;
- selling loans on a best-effort flow basis to eliminate pair-off fees;
- underwriting review of each file to avoid loan repurchases for non-compliance with underwriting requirements; and
- quality control performed by an independent third party vendor.

From time to time, we may purchase loan participations secured by properties within and outside of our primary lending market area in which we are not the lead lender. In these circumstances, we follow our customary loan underwriting and approval policies. At December 31, 2019, we had five participation loans totaling \$2.2 million in which we were not the lead lender. We also have sold portions of loans from time to time that exceeded our loans-to-one borrower legal lending limit and for risk diversification. At December 31, 2019 we had two participations totaling \$1.5 million, \$901,000 of which is sold.

The following table sets forth our loan origination, purchase, sale and principal repayment activity during the years indicated.

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Total gross loans, including loans held for sale, at beginning of year	\$125,802	\$108,391
Loans originated:		
One- to four-family residential:		
Owner occupied	91,005	69,306
Non-owner occupied	—	—
Multifamily real estate	—	241
Residential construction	11,779	14,838
Commercial real estate and land	5,706	3,339
Commercial	5,778	11,041
Home equity and other consumer	4,808	9,308
Total loans originated	<u>119,076</u>	<u>108,073</u>
Loans purchased:		
One- to four-family residential:		
Owner occupied	—	—
Non-owner occupied	—	—
Multifamily real estate	—	—
Residential construction	—	—
Commercial real estate and land	—	—
Commercial	—	67
Home equity and other consumer	—	—
Total loans purchased	<u>—</u>	<u>67</u>
Loans sold:		
One- to four-family residential:		
Owner occupied	(82,369)	(52,126)
Non-owner occupied	—	—
Multifamily real estate	—	—
Residential construction	—	—
Commercial real estate and land	—	—
Commercial	—	—
Home equity and other consumer	—	—
Total loans sold	<u>(82,369)</u>	<u>(52,126)</u>
Other:		
Principal repayments	<u>(41,578)</u>	<u>(38,603)</u>
Net loan activity	<u>(4,871)</u>	<u>17,411</u>
Total gross loans, including loans held for sale, at end of year	<u>\$120,931</u>	<u>\$125,802</u>

Delinquencies, Classified Assets and Non-Performing Assets

Delinquency Procedures. When a borrower fails to make a required monthly payment by the due date, a late notice is generated stating the payment and late charges due. Our policies provide that a late notice be sent when a loan is 15 days past due. In addition, we may call the borrower when the loan is 30 days past due, and we attempt to cooperate with the borrower to determine the reason for nonpayment and to work with the borrower to establish a repayment schedule that will cure the delinquency. Once the loan is considered in default, generally at 90 days past due, a certified letter is generally sent to the borrower explaining that the entire balance of the loan is due and payable, the loan is placed on non-accrual status, and additional efforts are made to contact the borrower. If the borrower does not respond, we generally consider initiating foreclosure proceedings when the loan is 90 to 120 days past due. If the loan is reinstated, foreclosure proceedings will be discontinued and the borrower will be permitted to continue to make payments. In certain instances, we may modify the loan or grant a limited exemption from loan payments to allow the borrower to reorganize his or her financial affairs.

When we acquire real estate as a result of foreclosure or by deed in lieu of foreclosure, the real estate is classified as foreclosed real estate until it is sold. The real estate is recorded at estimated fair value at the date of acquisition less estimated costs to sell, and any write-down resulting from the acquisition is charged to the allowance for loan losses. Subsequent decreases in the value of the property are charged to operations through the creation of a valuation allowance. After acquisition, all costs in maintaining the property are expensed as incurred. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell.

Troubled Debt Restructurings. We occasionally modify loans to help a borrower stay current on his or her loan and to avoid foreclosure. We consider modifications only after analyzing the borrower's current repayment capacity, evaluating the strength of any guarantors based on documented current financial information, and assessing the current value of any collateral pledged. We generally do not forgive principal or interest on loans, but may do so if it is in our best interest and increases the likelihood that we can collect the remaining principal balance. We may modify the terms of loans to lower interest rates (which may be at below market rates), to provide for fixed interest rates on loans where fixed rates are otherwise not available, or to provide for interest-only terms. These modifications are made only when there is a reasonable and attainable workout plan that has been agreed to by the borrower and that is in our best interests. At December 31, 2019, we had seven loans totaling \$292,000 that were classified as troubled debt restructurings. Troubled debt restructurings may also be included in non-accrual loans if they are not performing in accordance with their modified terms or had been performing in accordance with their modified terms for less than six months since the date of restructuring.

At December 31, 2019 and during the twelve months then ended, there were no non-accruing troubled debt restructurings. For the year ended December 31, 2019, we recognized \$18,000 of interest income on such loans, the same amount that would have been recorded on the loans under their original terms.

Delinquent Loans. The following table sets forth our loan delinquencies by type and amount at the dates indicated.

	Loans Delinquent For				Total	
	30 – 89 Days		90 Days and Over		Number	Amount
	Number	Amount	Number	Amount		
	(Dollars in thousands)					
<u>At December 31, 2019</u>						
One- to four-family residential:						
Owner occupied	1	\$ 75	7	\$364	8	\$ 439
Non-owner occupied	—	—	1	489	1	489
Commercial real estate and land	—	—	—	—	—	—
Home equity and other consumer	2	24	—	—	2	24
Residential construction	—	—	—	—	—	—
Multi-family real estate	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Total	<u>3</u>	<u>\$ 99</u>	<u>8</u>	<u>\$853</u>	<u>11</u>	<u>\$ 952</u>
<u>At December 31, 2018</u>						
One- to four-family residential:						
Owner occupied	2	\$ 86	5	\$362	7	\$ 448
Non-owner occupied	1	493	—	—	1	493
Commercial real estate and land	—	—	—	—	—	—
Home equity and other consumer	4	55	2	71	6	126
Residential construction	—	—	—	—	—	—
Multi-family real estate	—	—	—	—	—	—
Commercial	<u>1</u>	<u>125</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>125</u>
Total	<u>8</u>	<u>\$759</u>	<u>7</u>	<u>\$433</u>	<u>15</u>	<u>\$1,192</u>

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the FDIC to be of lesser quality, as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific allowance for loan losses is not warranted. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as “special mention” by management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover losses that were both probable and reasonable to estimate. General allowances represent allowances which have been established to cover accrued losses associated with lending activities that were both probable and reasonable to estimate, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as “loss,” it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific allowances.

In connection with the filing of our periodic regulatory reports and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations. Loans are listed on the “watch list” initially because of emerging financial weaknesses even though the loan is currently performing as agreed, or delinquency status, or if the loan possesses weaknesses although currently performing. Management reviews the status of each loan on our watch list on a quarterly basis with the board of directors. If a loan deteriorates in asset quality, the classification is changed to “special mention,” “substandard,” “doubtful” or “loss” depending on the circumstances and the evaluation. Generally, loans 90 days or more past due are placed on nonaccrual status and classified “substandard.”

On the basis of this review of our assets, our classified loans, special mention loans, and foreclosed real estate held for sale at the dates indicated were as follows:

	<u>At December 31,</u>	
	<u>2019</u>	<u>2018</u>
Classified loans:		
Substandard	\$1,414	\$1,708
Doubtful assets	—	—
Loss assets	—	—
Total classified assets	<u>\$1,414</u>	<u>\$1,708</u>
Special mention loans	<u>\$ —</u>	<u>\$ —</u>
Foreclosed real estate held for sale	<u>\$ —</u>	<u>\$ 217</u>

Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated.

	<u>At December 31,</u>	
	<u>2019</u>	<u>2018</u>
	(Dollars in thousands)	
Non-accrual loans:		
One- to four-family residential:		
Owner occupied	\$ 364	\$ 362
Non-owner occupied	489	—
Commercial real estate and land	—	—
Home equity and other consumer	—	71
Residential construction	—	—
Multi-family real estate	—	—
Commercial	—	—
Total	<u>853</u>	<u>433</u>
Accruing loans 90 days or more past due:		
One- to four-family residential:		
Owner occupied	\$ —	\$ —
Non-owner occupied	—	—
Commercial real estate and land	—	—
Home equity and other consumer	—	—
Residential construction	—	—
Multi-family real estate	—	—
Commercial	—	—
Total loans 90 days or more past due	<u>—</u>	<u>—</u>
Accruing troubled debt restructurings:		
One- to four-family residential:		
Owner occupied	\$ 71	\$ 74
Non-owner occupied	182	190
Commercial real estate and land	—	—
Home equity and other consumer	39	43
Residential construction	—	—
Multi-family real estate	—	—
Commercial	—	—
Total	<u>\$ 292</u>	<u>\$ 307</u>
Total non-performing loans	\$1,145	\$ 740
Foreclosed real estate	—	217
Total non-performing assets	<u>\$1,145</u>	<u>\$ 957</u>
Ratios:		
Total non-performing loans to total loans	1.00%	0.60%
Total non-performing assets to total assets	0.80%	0.70%
Non-performing assets excluding accruing troubled debt restructurings to total assets	0.60%	0.47%
Non-performing loans excluding accruing troubled debt restructurings to total loans	0.74%	0.35%

For the year ended December 31, 2019, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was \$26,000. Interest income recognized on such loans for the year ended December 31, 2019 was \$13,000.

Other Loans of Concern. There were no other loans at December 31, 2019 that are not already disclosed where there is information about possible credit problems of borrowers that caused management to have serious doubts about the ability of the borrowers to comply with present loan repayment terms and that may result in disclosure of such loans in the future.

Allowance for Loan Losses

Analysis and Determination of the Allowance for Loan Losses. Our allowance for loan losses is the amount considered necessary to reflect probable incurred losses in our loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of two key elements: (1) allocated allowances for identified impaired loans; and (2) a general valuation allowance on the remainder of the loan portfolio. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available for the entire portfolio.

We identify loans that may need to be charged off as a loss by reviewing all delinquent loans, classified loans, and other loans about which management may have concerns about collectability. For individually reviewed loans, the borrower's inability to make payments under the terms of the loan, as well as a shortfall in collateral value, could result in our charging off the loan or the portion of the loan that was impaired.

Among other factors, we consider current general economic conditions, including current housing price depreciation, in determining the appropriateness of the allowance for loan losses for our residential real estate portfolio. We use evidence obtained from our own loan portfolio as well as published housing data on our local markets from third party sources we believe to be reliable as a basis for assumptions about the impact of housing depreciation.

Substantially all of our loans are secured by collateral. Loans 90 days past due and other classified loans are evaluated for impairment and general or specific allowances are established. Typically for a non-performing real estate loan in the process of collection, the value of the underlying collateral is estimated using either the original independent appraisal, adjusted for current economic conditions and other factors, or a new independent appraisal or evaluation, and related general or specific allowances for loan losses are adjusted on a quarterly basis. If a non-performing real estate loan is in the process of foreclosure and/or there are serious doubts about further collectability of principal or interest, and there is uncertainty about the value of the underlying collateral, we will order a new independent appraisal or evaluation if it has not already been obtained. Any shortfall would result in immediately charging off the portion of the loan that was impaired.

Allocated Allowances for Identified Problem Loans. We establish an allocated allowance when loans are determined to be impaired. Loss is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral less estimated selling expenses. Factors in identifying a specific problem loan include: (1) the strength of the customer's personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of our collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower's effort to cure the delinquency. In addition, for loans secured by real estate, we consider the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

General Valuation Allowance on the Remainder of the Loan Portfolio. We establish a general allowance for loans that are not classified as impaired to recognize the probable incurred losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on our historical loss experience for the last three years, delinquency trends and management's evaluation of the collectability of the loan portfolio. The allowance may be adjusted for

significant qualitative factors that, in management’s judgment, affect the collectability of the portfolio as of the evaluation date. These significant factors may include changes in lending policies and procedures, changes in existing general economic and business conditions affecting our primary market area, credit quality trends, collateral value, loan volumes and concentrations, seasoning of the loan portfolio, recent loss experience in particular segments of the portfolio, duration of the current business cycle and bank regulatory examination results. The applied loss factors are re-evaluated quarterly to ensure their relevance in the current real estate environment.

As an integral part of their examination process, the FDIC and the ODFI will periodically review our allowance for loan losses. Such agencies may require that we recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Allowance for Loan Losses. The following table sets forth activity in our allowance for loan losses for the years indicated.

	At or For the Years Ended December 31,	
	2019	2018
	(Dollars in thousands)	
Balance at beginning of year	\$ 1,187	\$ 1,181
Charge-offs:		
One- to four-family residential:		
Owner occupied	—	(35)
Non-owner occupied	—	—
Commercial real estate and land	—	(68)
Home equity and other consumer	(39)	(7)
Residential construction	—	—
Multi-family real estate	—	—
Commercial	—	—
Total charge-offs	<u>(39)</u>	<u>(110)</u>
Recoveries:		
One- to four-family residential:		
Owner occupied	15	15
Non-owner occupied	2	2
Commercial real estate and land	—	—
Home equity and other consumer	1	—
Residential construction	—	—
Multi-family real estate	—	—
Commercial	—	—
Total recoveries	<u>18</u>	<u>17</u>
Net charge-offs	<u>(21)</u>	<u>(93)</u>
Provision for loan losses	—	99
Balance at end of year	<u>\$ 1,166</u>	<u>\$ 1,187</u>
Ratios:		
Net charge-offs to average loans outstanding	(0.02)%	(0.09)%
Allowance for loan losses to non-performing loans at end of year	101.83%	160.41%
Allowance for loan losses to total loans at end of year	1.02%	0.96%

There were \$21,000 in net loan charge-offs for the year ended December 31, 2019 and \$93,000 in net loan charge-offs during the year ended December 2018, respectively.

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category, the percent of allowance to total allowance by category, and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At December 31,					
	2019			2018		
	Allowance for Loan Losses	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Allowance for Loan Losses	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
(Dollars in thousands)						
One- to four-family residential:						
Owner occupied	\$ 394	33.79%	52.26%	\$ 409	34.46%	54.18%
Non-owner occupied	29	2.49	4.82	42	3.54	5.21
Commercial real estate and land	346	29.67	18.16	260	21.90	14.19
Home equity and other consumer	225	19.30	8.46	313	26.37	11.11
Residential construction	139	11.92	10.20	128	10.78	9.48
Multi-family real estate	13	1.11	0.93	14	1.18	0.96
Commercial	20	1.72	5.17	21	1.77	4.87
Total allocated allowance	<u>1,166</u>	<u>100.00</u>	<u>100.00</u>	<u>1,187</u>	<u>100.00</u>	<u>100.00</u>
Unallocated allowance	—	—	—	—	—	—
Total allowance for loan losses	<u>\$1,166</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$1,187</u>	<u>100.00%</u>	<u>100.00%</u>

At December 31, 2019 and 2018, our allowance for loan losses represented 1.02% and 0.96% of total loans and 101.83% and 160.41% of non-performing loans. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral cannot be predicted with certainty, the existing allowance for loan losses may not be adequate and management may determine that increases in the allowance are necessary if the quality of any portion of our loan portfolio deteriorates as a result. Furthermore, as an integral part of its examination process, the FDIC and ODFI will periodically review our allowance for loan losses. The FDIC and ODFI may require that we increase our allowance based on its judgments of information available to it at the time of its examination. The regulatory agencies are not, however, directly involved in the determination of the allowance for loan losses, and decisions to increase and decrease the allowance are the responsibility of Eagle Savings Bank management. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

The Financial Accounting Standards Board has adopted a new accounting standard that will affect our allowance for loan losses, effective for Eagle Financial Bancorp, Inc. and Eagle Savings Bank for fiscal year 2023. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. This will change the current method of providing allowances for loan losses that are probable, which would likely require us to increase our allowance for loan losses, and to greatly increase the types of data we would need to collect and review to determine the appropriate level of the allowance for loan losses. Any increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses may have a material adverse effect on our financial condition and results of operations.

Investment Activities

General. Our investment policy is established by the board of directors. The objectives of the policy are to: (i) ensure adequate liquidity for loan demand and deposit fluctuations, and to allow us to alter our liquidity position to meet both day-to-day and long-term changes in assets and liabilities; (ii) manage interest rate risk in accordance with our interest rate risk policy; (iii) provide collateral for pledging requirements; (iv) maximize return on our investments; and (v) maintain a balance of high quality diversified investments to minimize risk.

Our investment committee, consisting of our President and Chief Executive Officer, our Executive Vice President, and our Vice President, Chief Financial Officer and Treasurer, is responsible for implementing our investment policy, including approval of investment strategies and monitoring investment performance. The board of directors regularly reviews our investment strategies and the market value of our investment portfolio. Historically we have invested in short term funds and interest-earning deposits as well as bank owned life insurance. Investment in longer term securities has not been part of our core investment strategy. Subject to ongoing asset/liability management, we do not expect to emphasize long-term investment in securities in the future.

We account for investment securities in accordance with Accounting Standards Codification Topic 320, "Investments — Debt and Equity Securities." Accounting Standards Codification 320 requires that investments be categorized as held-to maturity, trading, or available for sale.

Federally chartered savings institutions have authority to invest in various types of assets, including government-sponsored enterprise obligations, securities of various federal agencies, residential mortgage-backed securities, certain certificates of deposit of insured financial institutions, overnight and short-term loans to other banks, corporate debt instruments, debt instruments of municipalities and Fannie Mae and Freddie Mac equity securities. At December 31, 2018, other than stock in the FHLB-Cincinnati, we held no investment securities in our portfolio; and accordingly, there is no corresponding table setting forth maturities and yields at such date.

Federal Home Loan Bank Stock. We hold common stock of the FHLB-Cincinnati in connection with our FHLB borrowing activities totaling \$816,000 and \$754,000 at December 31, 2019 and 2018. The FHLB-Cincinnati common stock is carried at cost and classified as restricted equity securities. We may be required to purchase additional FHLB-Cincinnati stock if we increase our FHLB-Cincinnati advances in the future.

Sources of Funds

General. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also utilize advances from the FHLB-Cincinnati for asset/liability management purposes and, from time to time, for additional funding for our operations. In addition, we receive funds from scheduled loan payments, loan prepayments, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Our deposits are generated primarily from our primary market area. We offer a selection of deposit accounts, including non-interest-bearing and interest-bearing checking accounts, statement savings accounts, variable rate money market accounts, and certificates of deposit. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate. We have not in the past used, and currently do not hold, any brokered deposits. At December 31, 2019, our core deposits, which are deposits other than certificates of deposit, were \$64.4 million, representing 57.5% of total deposits.

We participate in the National CD Rateline Program as a wholesale source for certificates of deposit to supplement deposits generated through our retail banking operations. The Rateline Program provides an internet based listing service which connects financial institutions such as Eagle Savings Bank with other financial institutions for jumbo certificates of deposit. Deposits obtained through the Rateline Program are not considered to be brokered deposits. At December 31, 2019, approximately \$746,000 of our certificates

of deposit, representing 0.7% of our total deposits, had been obtained through the Rateline Program. At December 31, 2019, these certificates of deposit had an average term to maturity of 4.2 months. Early withdrawal of these deposits is not permitted, which makes these accounts a more stable source of funds.

Interest rates, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals. The flow of deposits is influenced significantly by general economic conditions, changes in interest rates and competition. The variety of deposit accounts that we offer allows us to be competitive in generating deposits and to respond with flexibility to changes in our customers' demands. Our ability to generate deposits is affected by the competitive market in which we operate, which includes numerous financial institutions of varying sizes offering a wide range of products. We believe that deposits are a stable source of funds, but our ability to attract and maintain deposits at favorable rates will be affected by market conditions, including competition and prevailing interest rates.

The following table sets forth the distribution of our average total deposit accounts, by account type, for the years indicated.

	For the Years Ended December 31,					
	2019			2018		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)					
Non-interest-bearing checking	\$ 5,474	5.06%	—%	\$ 4,564	4.42%	—%
Interest-bearing checking	19,632	18.13	.17	18,339	17.75	0.15
Savings	16,623	15.35	.14	17,287	16.73	0.14
Money market demand	18,559	17.14	.49	18,825	18.21	0.22
Certificates of deposit	47,984	44.32	1.99	44,325	42.89	1.52
Total deposits	<u>\$108,272</u>	<u>100.00%</u>	<u>1.07%</u>	<u>\$103,340</u>	<u>100.00%</u>	<u>0.85%</u>

The following table sets forth our deposit activities for the years indicated.

	At or For the Years Ended December 31,	
	2019	2018
	(In thousands)	
Beginning balance	\$106,369	\$101,118
Net deposits before interest expense	4,517	4,481
Interest expense	1,105	770
Net increase in deposits	<u>5,622</u>	<u>5,251</u>
Ending balance	<u>\$111,991</u>	<u>\$106,369</u>

The following table sets forth all our certificates of deposit classified by interest rate as of the dates indicated.

Interest Rate:	At December 31,	
	2019	2018
	(In thousands)	
Less than 1.00%	\$ 2,410	\$ 5,506
1.00% – 1.99%	19,431	31,681
2.00 – 2.99%	24,860	9,311
3.00 – 3.99%	868	—
Total	<u>\$47,569</u>	<u>\$46,498</u>

Maturities of Certificates of Deposit Accounts. The following table sets forth the amount and maturities of all our certificates of deposit by interest rate at December 31, 2019.

	At December 31, 2019					Percentage of Total Certificate Accounts
	Period to Maturity				Total	
	Less Than or Equal to One Year	Over One Year to Two Years	Over Two Years to Three Years	Over Three Years		
	(Dollars in thousands)					
Interest Rate:						
Less than 1.00%	\$ 2,327	\$ 83	\$ —	\$ —	\$ 2,410	5.07%
1.00% – 1.99%	9,294	6,319	2,014	1,804	19,431	40.85
2.00% – 2.99%	14,788	4,689	3,038	2,345	24,860	52.26
3.00% – 3.99%	—	—	—	868	868	1.82
Total	<u>\$26,409</u>	<u>\$11,091</u>	<u>\$5,052</u>	<u>\$5,017</u>	<u>\$47,569</u>	<u>100.00%</u>

As of December 31, 2019, the aggregate amount of our outstanding certificates of deposit in amounts greater than or equal to \$100,000 was approximately \$21.4 million. The following table sets forth the maturity of those certificates as of December 31, 2019.

	At December 31, 2019 (In thousands)
Three months or less	\$ 2,829
Over three months through six months	4,049
Over six months through one year	5,259
Over one year to three years	6,833
Over three years	<u>2,464</u>
Total	<u>\$21,434</u>

Borrowings. From time to time we obtain advances from the FHLB-Cincinnati upon the security of our capital stock in the FHLB-Cincinnati and certain of our mortgage loans. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. To the extent such borrowings have different terms to reprice than our deposits, they can change our interest rate risk profile. See Note 8 to the Financial Statements for additional information on the maturity of our FHLB-Cincinnati advances. At December 31, 2019, we had no outstanding advances from the FHLB-Cincinnati. At December 31, 2019, based on available collateral, our ownership of FHLB stock, and based upon our internal policy, we had access to additional FHLB-Cincinnati advances of up to \$48.8 million.

The following table sets forth information concerning balances and interest rates on our borrowings at and for the years shown:

	At or For the Years Ended December 31,	
	2019	2018
	(Dollars in thousands)	
FHLB advances:		
Balance at end of year	\$ —	\$ —
Average balance during year	\$ 22	\$ 2
Maximum outstanding at any month end	\$ —	\$ 7
Weighted average interest rate at end of year	0.00%	0.00%
Average interest rate during year	2.58%	3.33%

Subsidiary Activities

Eagle Savings Bank is the only subsidiary of Eagle Financial Bancorp, Inc. Eagle Savings Bank has no subsidiaries.

Expense and Tax Allocation Agreements

Eagle Savings Bank has entered into an agreement with Eagle Financial Bancorp, Inc. to provide it with certain administrative support services, whereby Eagle Savings Bank is compensated at not less than the fair market value of the services provided. In addition, Eagle Savings Bank and Eagle Financial Bancorp, Inc. have entered into an agreement establishing a method for allocating and for reimbursing the payment of their consolidated tax liability.

Employees

As of December 31, 2019 we had 37 full-time equivalent employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

REGULATION AND SUPERVISION

General

As an Ohio-chartered savings and loan association, Eagle Savings Bank is subject to supervision and regulation by the ODFI and the FDIC. This regulation and supervision establish a comprehensive framework of activities in which Eagle Savings Bank may engage and are intended primarily for protection of depositors and the FDIC's Deposit Insurance Fund, and not for the protection of stockholders. Under this system of regulation, depository institutions are periodically examined to determine whether they satisfy applicable standards with respect to their capital adequacy, assets, management, earnings, liquidity and sensitivity to market interest rates and are otherwise in safe and sound financial condition and comply with applicable law and regulations. Eagle Savings Bank is also regulated to a lesser extent by the Federal Reserve Board, which governs the reserves to be maintained against certain deposits and other matters. Eagle Savings Bank must comply with federal consumer protection regulations issued by the Consumer Financial Protection Bureau ("CFPB"). Eagle Savings Bank is a member of and owns stock in the FHLB-Cincinnati, which is one of the eleven regional banks in the Federal Home Loan Bank System.

As a savings and loan holding company, Eagle Financial Bancorp, Inc. is subject to examination and supervision by, and reporting to, the Federal Reserve Board. Eagle Financial Bancorp, Inc. is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Set forth below are certain material regulatory requirements that are applicable to Eagle Savings Bank and Eagle Financial Bancorp, Inc. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on Eagle Savings Bank and Eagle Financial Bancorp, Inc. Any change in these laws or regulations could have a material adverse impact on Eagle Financial Bancorp, Inc., and Eagle Savings Bank and their operations.

Ohio Regulation

Prior to 2018, Ohio-chartered banks, savings banks and savings and loan associations were governed by three different sets of Ohio laws. Effective January 1, 2018, the Ohio Legislature amended Ohio's banking laws so that Ohio-chartered banks, savings banks and savings and loan associations are under one common form of charter. Sections of the code that formerly governed savings and loan associations and savings banks were eliminated. Accordingly, Eagle Savings Bank is now governed by the same statutory framework as Ohio banks and savings banks. However, under the new laws, a savings and loan association may elect to continue to be classified as a savings and loan association if the savings and loan association continues to hold the required amount of qualified thrift investments. As a result of Eagle Savings Bank making such an election, Eagle Savings Bank is subject to the same Ohio laws as banks and savings banks, but Eagle Financial Bancorp, Inc. continues to be regulated as a savings and loan holding company for purposes of federal law.

The ODFI is responsible for the regulation and supervision of Ohio savings associations in accordance with the laws of the State of Ohio. Ohio law prescribes the permissible investments and activities of Ohio savings and loan associations. Pursuant to federal law, the ability of Ohio associations to engage in state-authorized investments and activities is subject to oversight and approval by the FDIC if such investments or activities are not permissible for a federally chartered savings bank.

The approval of the ODFI is required for certain expansion proposals, such as the establishment of branches and acquisitions of other depository institutions. Dividend payments to stockholders may also require ODFI approval under certain circumstances.

The ODFI may initiate certain supervisory measures or formal enforcement actions against Ohio savings associations. Ultimately, if the grounds provided by law exist, the ODFI may place an Ohio association in conservatorship or receivership.

The ODFI conducts regular examinations of Eagle Savings Bank. Such examinations are often conducted jointly with the FDIC. The ODFI imposes assessments on Ohio savings associations based on their asset size to cover the cost of supervision and examination.

Federal Regulation

The FDIC is the primary federal regulator for Eagle Savings Bank. As such, it has authority to examine Eagle Savings Bank and must approve such matters as the establishment of branch offices and mergers in which Eagle Savings Bank is the resulting institution. In addition, federal statutes and regulations, some of which are discussed below, greatly affect the operations of FDIC-insured depository institutions, including savings associations.

Capital Requirements. Federal regulations require FDIC-insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets ratio of 8%, and a 4% Tier 1 capital to total assets leverage ratio. The current capital requirements were effective January 1, 2015 and are the result of a final rule implementing recommendations of the international Basel Committee on Banking Supervision and certain requirements of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”).

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. Common equity Tier 1 capital is generally defined as common stockholders’ equity and retained earnings. Unrealized gains and losses on certain “available for sale” securities holdings are also included in common equity Tier 1 capital unless the institution has exercised a one-time opt out election regarding the treatment of accumulated other comprehensive income. Eagle Savings Bank elected to exercise its one-time option to opt out. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, including cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the institution’s allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations. In assessing an institution’s capital adequacy, the FDIC takes into consideration not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in. As of January 1, 2019, it was fully phased in at 2.5%.

Legislation enacted in May 2018 required the federal banking agencies, including the FDIC, to establish an optional “community bank leverage ratio” of between 8% to 10% of average total consolidated assets for qualifying institutions with assets less than \$10 billion of assets. Institutions with capital meeting the specified requirement and electing to follow the alternative framework would be deemed to comply with the applicable regulatory capital requirements, including the risk-based requirements. The federal regulators issued a final rule, effective January 1, 2020, that set the elective community bank leverage ratio at 9% tier 1 capital to average total consolidated assets.

The FDIC also has authority to establish enhanced individual minimum capital requirements in appropriate cases upon determination that an institution’s capital level is, or is likely to become, inadequate in light of particular circumstances.

Standards for Safety and Soundness. As required by statute, the federal banking agencies adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement safety and soundness standards. The guidelines set forth the safety and soundness standards that the

federal banking agencies use to identify and cover problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, internal audit systems, credit underwriting, loan documentation, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. The agencies have also established standards for safeguarding customer information. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard.

Investment Activities. Subject to certain exceptions, Federal law generally limits the equity investment authority of state savings associations to equity investments of the type and in the amount authorized for federal savings associations, notwithstanding state law. In addition, a state savings association may only engage as principal in other state-authorized activities that are permissible for federal savings associations if it meets all applicable capital requirements and by the FDIC determines that such activities or investments do not pose a significant risk to the Deposit Insurance Fund.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that the FDIC and other federal bank regulators take “prompt corrective action” with respect to institutions that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

The FDIC has adopted regulations to implement the prompt corrective action legislation. The regulations were amended to incorporate the previously mentioned increased regulatory capital standards that were effective January 1, 2015. An institution is deemed to be “well capitalized” if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is “adequately capitalized” if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0%, or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

At each successive lower undercapitalized capital category, an insured depository institution may be subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends, and restrictions on the acceptance of brokered deposits. Furthermore, an insured depository institution that is classified in one of the undercapitalized categories is required to submit a capital restoration plan to the appropriate federal banking agency. An undercapitalized institution’s compliance with a capital restoration plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5.0% of the institution’s total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an “undercapitalized” institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” “Significantly undercapitalized” institutions must comply with one or more of a number of additional restrictions, including but not limited to, an order by the FDIC to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. “Critically undercapitalized” institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

The previously referenced final rule that establishes an elective “community bank leverage ratio” regulatory framework provides that a qualifying institution whose tier 1 capital complies with the ratio and opts into the framework will be considered well capitalized.

Loans-to-One-Borrower. Pursuant to federal law, a state savings association may not make a loan or extension of credit to a single or related group of borrowers in excess of 15% of its unimpaired capital and

unimpaired surplus. An additional amount may be lent, equal to 10% of unimpaired capital and unimpaired surplus, if the loan is secured by readily marketable collateral, which is generally defined to include certain financial instruments and bullion (but does not include real estate).

Qualified Thrift Lender Test. Federal law requires savings associations to satisfy a qualified thrift lender (“QTL”) test under which an association must either qualify as a “domestic building and loan” as defined by the Internal Revenue Code or maintain at least 65% of its “portfolio assets” in “qualified thrift investments” for at least nine out of every twelve months. “Qualified thrift investments” consist primarily of residential mortgages and related investments, including mortgage-backed and related securities. “Portfolio assets” generally means total assets less specified liquid assets up to 20% of total assets, goodwill and other intangible assets and the value of property used to conduct business. A savings association that fails the QTL test must operate under specified restrictions. The Dodd-Frank Act made noncompliance with the QTL test also subject to agency enforcement action for a violation of law. As of December 31, 2019, Eagle Savings Bank maintained 69.9% of its portfolio assets in qualified thrift investments and, therefore, met the QTL test.

Transactions with Affiliates and Regulation W of the Federal Reserve Regulations. Transactions between insured depository institutions and their affiliates are governed by federal law. An affiliate is any company or entity that controls, is controlled by or is under common control with the institution. In a holding company context, the parent holding company and any companies that are controlled by the parent holding company are affiliates of the savings association (although subsidiaries of the savings associations itself are generally not considered affiliates). Generally, federal law limits the extent to which a savings association or its subsidiaries may engage in “covered transactions” with any one affiliate to an amount equal to 10.0% of such institution’s capital stock and surplus and such transactions with all affiliates to an amount equal to 20.0% of such institution’s capital stock and surplus. The term “covered transaction” includes the making of loans to, purchase of assets from and issuance of a guarantee on behalf of an affiliate and other specified transactions. In addition, loans or other extensions of credit by an institution to an affiliate are required to be collateralized in accordance with the requirements set forth in federal law. “Covered transactions,” as well as to certain specified other transactions, are required to be on terms substantially the same, or at least as favorable, to the institution as those provided to a non-affiliate.

Capital Distributions. FDIC regulations govern capital distributions by a state savings association, which include cash dividends, stock repurchases and other transactions charged to the institution’s capital account. A state savings association must file an application with the FDIC for approval of a capital distribution if:

- the total capital distributions for that calendar year (including the proposed distribution) exceed the sum of the savings association’s net income for that year to date plus the savings association’s retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized (as defined for prompt corrective action purposes) following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory-imposed condition; or
- the savings association is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings association that is a subsidiary of a holding company, such as Eagle Savings Bank, must file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend or approves a capital distribution.

The FDIC or the Federal Reserve Board may disapprove an application or notice if:

- the savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation, agreement with a federal banking regulatory agency or condition imposed in connection with an application or notice.

Federal law also restricts a savings association's loans to its insiders, i.e., executive officers, directors and stockholders (i.e., control of 10% or more of a class of voting stock). Loans to insiders of an institution and certain related interests of such persons, may not exceed specified limits. Loans to insiders are also generally required to be made on terms substantially the same as offered in comparable transactions to other persons, subject to an exception for loan programs open to the institution's employees, and prior board approval is required for certain such loans. In addition, the aggregate amount of extensions of credit by an institution to its insiders cannot exceed the institution's unimpaired capital and surplus. Federal law places additional restrictions on an institution's loans to its executive officers.

Enforcement. The FDIC has extensive enforcement authority over insured state savings associations, including Eagle Savings Bank. The enforcement authority includes, among others, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations, breaches of fiduciary duty and unsafe or unsound practices. The FDIC may also appoint itself as conservator or receiver for an insured state non-member bank under specified circumstances, including: (1) insolvency; (2) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (3) existence of an unsafe or unsound condition to transact business; (4) insufficient capital; or (5) the incurrence of losses that will deplete substantially all of the institution's capital with no reasonable prospect of replenishment without federal assistance.

Federal Insurance of Deposit Accounts. Eagle Savings Bank is a member of the FDIC's Deposit Insurance Fund. Deposit accounts in Eagle Savings Bank are insured up to a maximum of \$250,000 for each separately insured depositor. The FDIC imposes deposit insurance assessments. Under the FDIC's risk-based assessment system, insured institutions were initially assigned to risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. An institution's assessment rate depended upon the category to which it is assigned and certain adjustments specified by FDIC regulations, with less risky institutions paying lower rates. Assessment rates (inclusive of possible adjustments) ranged from 2½ to 45 basis points of each institution's total assets less tangible capital. The FDIC's current system represents a change, required by the Dodd-Frank Act, from its prior practice of basing the assessment on an institution's volume of deposits. Effective July 1, 2016, the FDIC adopted changes that eliminated the risk categories. Assessments for most institutions are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years. In conjunction with the Deposit Insurance Fund reserve ratio achieving 1.15%, the assessment range (inclusive of possible adjustments) was reduced for institutions of less than \$10 billion in total assets to 1.5 basis points to 30 basis points, also effective July 1, 2016. The Dodd-Frank Act specifies that banks of greater than \$10 billion in assets be required to bear the burden of raising the reserve ratio from 1.15% to 1.35%. Such institutions were subject to an annual surcharge of 4.5 basis points of total assets exceeding \$10 billion. On September 30, 2018, the Deposit Insurance Fund Reserve Ratio exceeded 1.35%. As a result (i) banks with total consolidated assets of less than \$10 billion will receive assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from between 1.15% and 1.35%, to be applied when the ratio reserve is at or above 1.38%, and (ii) surcharges on banks with total consolidated assets of \$10 billion ended.

The FDIC, exercising discretion provided to it by the Dodd-Frank Act, has established a long-term goal of achieving a 2% reverse ratio for the Deposit Insurance Fund.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Future insurance assessment rates cannot be predicted.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule order or regulatory condition imposed in writing.

Privacy Regulations. Federal regulations generally require that Eagle Savings Bank disclose its privacy policy, including identifying with whom it shares a customer's "non-public personal information," to customers at the time of establishing the customer relationship and annually thereafter. In addition, Eagle Savings Bank is required to provide its customers with the ability to "opt-out" of having their personal information

shared with unaffiliated third parties and not to disclose account numbers or access codes to non-affiliated third parties for marketing purposes. Eagle Savings Bank currently has a privacy protection policy in place and believes that such policy is in compliance with the regulations.

Community Reinvestment Act. Under the Community Reinvestment Act, or CRA, as implemented by federal regulations, a depository institution has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for depository institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA does require the FDIC, in connection with its examination of a state savings association, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the institution, including applications to establish branches and acquire other institutions by merger. The CRA requires a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. Eagle Savings Bank's latest CRA rating was "Satisfactory."

USA Patriot Act. Eagle Savings Bank is subject to the USA PATRIOT Act, which gives federal agencies additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. The USA PATRIOT Act contains provisions intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions impose affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents, and parties registered under the Commodity Exchange Act.

Other Laws and Regulations

Interest and other charges collected or contracted for by Eagle Savings Bank are subject to state usury laws and federal laws concerning interest rates. Lending operations are also subject to state and federal laws and regulations applicable to credit transactions, such as the:

- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination in extending credit on the basis of race, religion, sex, creed or other specified factors;
- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies; and
- Truth in Lending Act, establishing customer disclosure requirements with respect to certain loans.

The deposit operations of Eagle Savings Bank are subject to, among others, the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services; and
- Truth in Savings Act, establishing customer disclosure requirements for certain deposit accounts.

The Dodd-Frank Act transferred regulation-writing authority for federal financial consumer protection laws to the CFPB. However, institutions with under \$10.0 billion of total assets, such as Eagle Savings Bank, continue to be examined for compliance with such laws and regulations by their federal bank regulator, which is the FDIC in Eagle Savings Bank's case.

Federal Reserve System

The Federal Reserve Board regulations require depository institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). For 2020, the Federal Reserve Board regulations generally require that reserves be maintained against aggregate transaction accounts as follows: for that portion of transaction accounts aggregating \$127.5 million or less (which may be adjusted by the Federal Reserve Board) the reserve requirement is 3.0%, and for amounts greater than \$127.5 million the reserve requirement is 10.0% (which may be adjusted annually by the Federal Reserve Board to between 8.0% and 14.0%). The first \$16.9 million of otherwise reservable balances (which may be adjusted annually by the Federal Reserve Board) are exempted from the reserve requirements. Eagle Savings Bank is in compliance with these requirements.

Federal Home Loan Bank System

Eagle Savings Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank provides a central credit facility primarily for member institutions. Members of the Federal Home Loan Bank are required to acquire and hold shares of capital stock in the Federal Home Loan Bank. Eagle Savings Bank was in compliance with this requirement at December 31, 2019.

Holding Company Regulation

Eagle Financial Bancorp, Inc. is a unitary savings and loan holding company subject to regulation and supervision by the Federal Reserve Board. The Federal Reserve Board has enforcement authority over Eagle Financial Bancorp, Inc. and any non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a risk to Eagle Savings Bank.

As a savings and loan holding company, the activities of Eagle Financial Bancorp, Inc. is limited to those activities permitted for financial holding companies (if Eagle Financial Bancorp, Inc. meets the necessary requirements to be a financial holding company and makes the required election) or multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, incidental to a financial activity or complementary to financial activities. Such activities include lending and other activities permitted for bank holding companies, insurance and underwriting equity securities. Multiple savings and loan holding companies are authorized to engage in activities specified by federal regulation, including activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, with appropriate Federal Reserve Board approvals.

Federal law prohibits a savings and loan holding company from, directly or indirectly, or through one or more subsidiaries, acquiring more than 5% of another savings institution or savings and loan holding company without prior written approval of the Federal Reserve Board and from acquiring or retaining control of any depository institution not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider such factors as the financial and managerial resources and future prospects of the company and institution involved, the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors. A savings and loan holding company may not acquire a savings institution in another state and hold the target institution as a separate subsidiary unless it is a supervisory acquisition under Section 13(k) of the Federal Deposit Insurance Act or the law of the state in which the target is located authorizes such acquisitions by out-of-state companies.

The Dodd-Frank Act required the Federal Reserve Board to impose upon bank and savings and loan holding companies consolidated regulatory capital requirements that are equally stringent as those applicable to the subsidiary depository institutions. However, legislation enacted in May 2018 required the Federal Reserve Board to raise the asset size threshold of its “small holding company” exception to the applicability of consolidated holding company capital requirements from \$ 1 billion to \$3 billion. The change became effective in 2018. Consequently, holding companies with less than \$3 billion of consolidated assets, such as Eagle Financial Bancorp, Inc., are generally not subject to the requirements unless otherwise advised by the Federal Reserve Board.

The Dodd-Frank Act codified the “source of strength” doctrine. That longstanding policy of the Federal Reserve Board requires bank holding companies to serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization’s capital needs, asset quality and overall financial condition. The policy statement also provides for regulatory consultation and possible objection prior to a holding company paying dividends or redeeming or repurchasing regulatory capital instruments under certain circumstances.

The Federal Deposit Insurance Act makes depository institutions liable to the FDIC for losses suffered or anticipated by the insurance fund in connection with the default of a commonly controlled depository institution or any assistance provided by the FDIC to such an institution in danger of default. That law would have potential applicability if Eagle Financial Bancorp, Inc. ever held as a separate subsidiary a depository institution in addition to Eagle Savings Bank.

Federal Securities Laws

Eagle Financial Bancorp, Inc.’s common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Eagle Financial Bancorp, Inc. is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

The registration under the Securities Act of 1933 of shares of common stock issued in the stock offering does not cover the resale of those shares. Shares of common stock purchased by persons who are not our affiliates may be resold without registration. Shares purchased by our affiliates are subject to the resale restrictions of Rule 144 under the Securities Act of 1933. If we meet the current public information requirements of Rule 144 under the Securities Act of 1933, each affiliate of ours that complies with the other conditions of Rule 144, including those that require the affiliate’s sale to be aggregated with those of other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of our outstanding shares, or the average weekly volume of trading in the shares during the preceding four calendar weeks. In the future, we may permit affiliates to have their shares registered for sale under the Securities Act of 1933.

Emerging Growth Company Status

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than \$1.07 billion during its most recently completed fiscal year qualifies as an “emerging growth company.” We qualify as an “emerging growth company” and believe that we will continue to qualify as an “emerging growth company” for five years from the completion of our initial public offering on July 20, 2018.

Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company” we are not required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial reporting, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Act, (iii) hold non-binding stockholder votes regarding annual executive compensation or executive compensation payable in connection with a merger or similar corporate transaction, (iv) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (v) disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of our initial public offering or until we are no longer an “emerging growth company,” whichever is earlier. However, we will not be subject to the auditor attestation requirement or

additional executive compensation disclosure, regardless of the exemptions, so long as we remain a “smaller reporting company” under Securities and Exchange Commission regulations (generally less than \$75 million of voting and non-voting equity held by non-affiliates).

We could remain an “emerging growth company” for up to five years, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (b) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than \$1.0 billion in non-convertible debt during the preceding three-year period.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. We have policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

Change in Control Regulations

Under the Change in Bank Control Act, no person may acquire control of a savings and loan holding company, such as Eagle Financial Bancorp, Inc. unless the Federal Reserve Board has been given 60 days prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the institution’s directors, or a determination by the regulator that the acquirer has the power, directly or indirectly, to exercise a controlling influence over the management or policies of the institution. Acquisition of more than 10% of any class of a savings and loan holding company’s voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as is the case with Eagle Financial Bancorp, Inc., the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

The approval of the ODFI is also necessary for acquisitions of control of Ohio savings associations.

In addition, federal law provides that no company may acquire control of a savings and loan holding company without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a “savings and loan holding company” subject to registration, examination and regulation by the Federal Reserve Board.

TAXATION

Federal Taxation

General. Eagle Financial Bancorp, Inc. and Eagle Savings Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to Eagle Financial Bancorp, Inc. and Eagle Savings Bank.

Method of Accounting. For federal income tax purposes, Eagle Savings Bank currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31th for filing its federal income tax returns. Eagle Financial Bancorp, Inc. and Eagle Savings Bank will file a consolidated federal income tax return. Eagle Savings Bank is not currently under audit with respect to its federal income tax return. The Small Business Protection Act of 1996 eliminated the use of the percentage of taxable income method of accounting for income taxes on bad debt reserves by savings institutions, effective for taxable years beginning after 1995.

Net Operating Loss Carryovers. Generally, a financial institution may carry a net operating loss forward indefinitely for losses generated in taxable years ending after December 31, 2017. Eagle Savings Bank had no federal net operating loss carryforwards at December 31, 2019.

Capital Loss Carryovers. A corporation cannot recognize capital losses in excess of capital gains generated. Generally, a financial institution may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which carried and is used to offset any capital gains. Any undeducted loss remaining after the five year carryover period is not deductible. At December 31, 2019, Eagle Savings Bank had no capital loss carryovers.

Corporate Dividends. We may generally exclude from our income 100% of dividends received from Eagle Savings Bank as a member of the same affiliated group of corporations.

State Taxation

Eagle Financial Bancorp, Inc. and Eagle Savings Bank are subject to Ohio taxation in the same general manner as other financial institutions. In particular, Eagle Financial Bancorp, Inc. and Eagle Savings Bank file a consolidated Ohio Financial Institutions Tax (FIT) return. The FIT is based upon the net worth of the consolidated group. For Ohio FIT purposes, savings institutions are currently taxed at a rate equal to 0.8% of taxable net worth. Eagle Savings Bank is not currently under audit with respect to its Ohio FIT returns.

As a Maryland business corporation, Eagle Financial Bancorp, Inc. is required to file an annual personal property tax return with the State of Maryland. Eagle Savings Bank's state income tax returns have not been audited in recent years.

ITEM 1A. Risk Factors

Our business strategy includes significant growth of our assets and liabilities, including increasing and diversifying our lending operations, which will increase our fixed expenses. Our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

Our strategic plan contemplates significant growth in assets and liabilities over the next several years. Specifically, we intend to increase our commercial real estate loans, commercial business loans, construction loans and home equity loans and lines of credit, while attracting favorably priced deposits to fund our increased lending. In addition, we intend to significantly grow our mortgage banking operations. We have incurred, and will continue to incur, additional expenses due to the implementation of our strategic plan, including salaries and occupancy expense related to new lending officers and related support staff. Many of these increased expenses are considered fixed expenses. Unless we can successfully implement our strategic plan, our financial condition and results of operations will be negatively affected by increased costs.

The successful implementation of our strategic plan will require, among other things, that we increase our market share by attracting both new borrowers and new deposit customers that currently bank at other financial institutions in our market area. In addition, our ability to successfully grow will depend on several factors, including continued favorable market conditions, the competitive responses from other financial institutions in our market area, and our ability to maintain high asset quality as we increase our commercial real estate loans, commercial business loans, construction loans and home equity loans and lines of credit. While we believe we have the management resources and internal systems in place to successfully manage our future growth, growth opportunities may not be available and we may not be successful in implementing our business strategy. Further, our new strategic plan, even if successfully implemented, may not ultimately produce positive results.

An increase in interest rates or a change in market conditions could reduce our mortgage banking revenues, which would negatively impact our non-interest income.

We sell residential mortgage loans in the secondary market, which provides a significant portion of our non-interest income. We generate mortgage revenues primarily from gains on the sale of mortgage loans to investors on a servicing-released basis. We also earn interest on loans held for sale while they are awaiting delivery to our investors. For the year ended December 31, 2019, income from loan sales equaled \$2.4 million, which made up approximately 86.0% of our non-interest income and 29.2% of our revenue. We intend to increase our mortgage banking operations, including adding up to six additional commission-based mortgage lenders. In a rising or higher interest rate environment, our originations of mortgage loans may continue to decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage banking revenues. In addition, our results of operations are affected by the amount of non-interest expenses associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in mortgage loan origination activity.

If there are higher than expected losses on loans that we have previously sold, or if we are forced to repurchase such loans, it would negatively affect our earnings.

One of our primary business operations is our mortgage banking, which involves originating residential mortgage loans for sale in the secondary market, primarily to the FHLB-Cincinnati through the Mortgage Purchase Program (“MPP”). Under the terms of the MPP, we are required to maintain a Lender Risk Account (“LRA”). The LRA consists of amounts withheld from the loan sale proceeds by the FHLB-Cincinnati for absorbing inherent losses that are probable on the loans we sell. These withheld funds are an asset to the Company as they are scheduled to be paid to the Company in future years, net of any credit losses on the loans sold. If there are higher than estimated losses on the loans we have sold to the FHLB-Cincinnati through the MPP, the amount of the LRA would be reduced through a charge to earnings, which would reduce our earnings and capital.

In addition, our loans sold in the secondary market have agreements that contain representations and warranties related to, among other things, the origination and characteristics of the mortgage loans. We may be required to repurchase mortgage loans that we have sold in cases of borrower default or breaches of these representations and warranties. If we are required to repurchase mortgage loans or provide indemnification or other recourse, this could significantly increase our costs and thereby affect our future earnings.

Our business may be adversely affected by credit risk associated with residential property.

At December 31, 2019, \$65.4 million, or 57.1%, of our total loan portfolio was secured by one- to four-family real estate. One- to four-family residential mortgage lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. A decline in current residential real estate values could reduce the value of the real estate collateral securing these types of loans. As a result, we have increased risk that we could incur losses if borrowers default on their loans because we may be unable to recover all or part of the defaulted loans by selling the real estate collateral. In addition, if borrowers sell their homes, they

may be unable to repay their loans in full from the sale proceeds. For these reasons, we may experience higher rates of delinquencies, defaults and losses on our residential mortgage loans.

We have a high concentration of loans secured by real estate in our market area, which makes our business highly susceptible to downturns in the local economy and could adversely affect our financial condition and results of operations.

Unlike larger financial institutions that are more geographically diversified, we are a community banking franchise located in Cincinnati, Ohio. At December 31, 2019, a substantial amount of our mortgage loans were secured by real estate located in Hamilton County, Ohio and, to a lesser extent, the adjoining counties in Ohio, Kentucky and Indiana. As a result, we have a greater risk of loan defaults and losses in the event of economic weakness in this area, which may have a negative effect on the ability of our borrowers to timely repay their loans. A deterioration in economic conditions in the market area we serve could result in, among other things: (i) an increase in loan delinquencies, problem assets and foreclosures; (ii) a decrease in the demand for loans by creditworthy borrowers; and (iii) a decline in the value of the collateral securing our loans. Consequently, a deterioration in economic conditions in the local economy could have a material adverse effect on our business, financial condition and results of operations.

A portion of our one- to four-family residential mortgage loans is comprised of non-owner occupied properties which increases the credit risk on this portion of our loan portfolio.

At December 31, 2019, of the \$65.4 million of one- to four-family residential mortgage loans in our portfolio, \$5.5 million, or 8.4% of this amount, was comprised of non-owner occupied properties. We do not make such loans anymore. Our non-owner occupied residential loans are secured primarily by single family properties, and to a much lesser extent, by two- to four-unit properties. We believe that there is a greater credit risk inherent in investor-owner and non-owner occupied properties than in owner occupied single family properties since, similar to commercial real estate and multi-family loans, the repayment of these loans may depend, in part, on the successful management of the property and/or the borrower's ability to lease the units of the property. In addition, the physical condition of non-owner occupied properties is often below that of owner occupied properties due to lax property maintenance standards, which has a negative impact on the value of the collateral properties. Furthermore, some of our non-owner occupied borrowers may have more than one loan outstanding with us, which may expose us to a greater risk of loss compared to residential and commercial borrowers with only one loan. A downturn in the real estate market or the local economy could adversely affect the value of properties securing these loans or the revenues derived from these properties which could affect the borrower's ability to repay the loan. At December 31, 2019, one of our non-owner occupied one- to four-family loans was delinquent 30 days or more.

Commercial real estate and land loans and commercial business loans generally carry greater credit risk than loans secured by owner occupied one- to four-family real estate, and these risks will increase if we succeed in our plan to increase this type of lending.

Given the larger balances and/or the higher complexity of the underlying collateral, commercial real estate and land loans and commercial business loans generally expose a lender to greater credit risk than loans secured by owner occupied one- to four-family real estate. Also, many of our borrowers have more than one of these types of loans outstanding. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential real estate loan. Commercial real estate and land loans and commercial business loans have greater credit risk than one- to four-family residential real estate loans because repayment is generally dependent on income generated in amounts sufficient to cover operating expenses and debt service. If the associated business deteriorates or does not generate sufficient business for the borrower to make required payments, we may not collect the outstanding loan amount owed to us.

A key component of our strategy is to increase our origination of commercial business loans and commercial real estate and land loans to diversify our loan portfolio and increase our returns or yields on our loan portfolio. This increase will significantly increase our exposure to the risks inherent in these types of loans.

We intend to grow our portfolio of home equity loans and lines of credit, which will increase our credit risk.

As part of our strategic business plan, we intend to increase our home equity lines of credit. At December 31, 2019 home equity loans and lines of credit totaled \$9.7 million, or 8.5%, of our total loans. Most of our home equity loans and lines of credit are secured by real estate in Hamilton County, Ohio and contiguous counties. We generally originate home equity lines of credit with loan-to-value ratios of up to 90% when combined with the principal balance of the existing first mortgage loan. Declines in real estate values in our market area could cause some of our home equity loans to be inadequately collateralized, which would expose us to a greater risk of loss in the event that we seek to recover on defaulted loans by selling the real estate collateral.

We make construction loans which are considered to have greater credit risk than other types of residential loans made by financial institutions.

We originate construction loans for one- to four-family residential properties and, to a lesser extent, commercial properties. We intend to increase the amount of such loans that we originate. While we believe we have established adequate allowances in our financial statements to cover the credit risk of our construction loan portfolio, there can be no assurance that losses will not exceed our allowances, which could adversely impact our future earnings.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.

Lending is inherently risky and we are exposed to the risk that our borrowers may default on their obligations. A borrower's default on a loan may result in lost principal and interest income and increased operating expenses as a result of the allocation of management's time and resources to the collection and work-out of the loan. In certain situations, where collection efforts are unsuccessful or acceptable work-out arrangements cannot be reached, we may have to charge-off the loan in whole or in part. In such situations, we may acquire real estate or other assets, if any, that secure the loan through foreclosure or other similar available remedies, and the amount owed under the defaulted loan may exceed the value of the assets acquired.

At December 31, 2019, our allowance for loan losses as a percentage of total loans was 1.02%. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate other factors including, among other things, current economic conditions. If our assumptions are incorrect, or if delinquencies or non-performing loans increase, our allowance for loan losses may not be sufficient to cover probable losses inherent in our loan portfolio, which would require additions to our allowance and thereby decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and, based on their judgments and information available to them at the time of their review, may require us to increase our allowance for loan losses or recognize further loan charge-offs. An increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities may reduce our net income and our capital, which may have a material adverse effect on our financial condition and results of operations.

Future changes in market interest rates may reduce our profits.

Our profitability, like that of most financial institutions, depends to a large extent on our net interest income, which is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Accordingly, our results of operations depend largely on movements in market interest rates and our ability to manage our interest-rate-sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond our control, may affect interest rates.

If interest rates rise, and if rates on our deposits reprice upwards faster than the rates on our long-term loans and investments, we would experience compression of our interest rate spread, which would have a

negative effect on our net interest income and profitability. Furthermore, increases in interest rates may adversely affect the ability of our borrowers to make loan repayments on adjustable-rate loans, as the interest owed on such loans would increase as interest rates increase. Conversely, decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk as we may have to redeploy such loan or securities proceeds into lower-yielding assets, which would also negatively impact our interest income.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect our ability to originate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings.

At December 31, 2019, our “rate shock” analysis indicates that our net portfolio value would decrease by \$4.7 million, or 11.3%, if there were an instantaneous 200 basis point increase in market interest rates. However, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results.

If our non-performing assets increase, our earnings will be adversely affected.

At December 31, 2019, our non-performing assets, which consist of non-performing loans and other real estate owned, were \$1.1 million, or 0.80% of total assets. Our non-performing assets adversely affect our net income in various ways:

- we record interest income only on the cash basis or cost-recovery method for non-accrual loans and we do not record interest income for other real estate owned;
- we must provide for probable loan losses through a current period charge to the provision for loan losses;
- non-interest expense increases when we write down the value of properties in our other real estate owned portfolio to reflect changing market values;
- there are legal fees associated with the resolution of problem assets, as well as carrying costs, such as taxes, insurance, and maintenance fees; and
- the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity.

In addition, the funds that are invested in non-performing assets cannot be reinvested in other assets until the non-performing assets are resolved. If additional borrowers become delinquent and do not pay their loans and we are unable to successfully manage our non-performing assets, our losses and troubled assets could increase significantly, which would have a material adverse effect on our financial condition and results of operations.

Our small size makes it more difficult for us to compete.

Our small asset size makes it more difficult to compete with other financial institutions which are generally larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Because one of our primary sources of income is the net interest income we earn on our loans and investments, less the interest we pay on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. Our lower earnings also make it more difficult to offer competitive salaries and benefits. In addition, our smaller customer base makes it difficult to generate meaningful non-interest income. Finally, as a smaller institution, we are disproportionately affected by the ongoing increased costs of compliance with banking and other regulations.

Strong competition within our market area may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies,

mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefit them in attracting business, and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we can, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our continued ability to successfully compete in our market area. If competition causes us to raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected.

The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued industry consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures than we do. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we can as well as better pricing for those products and services.

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

Eagle Savings Bank is subject to extensive regulation, supervision and examination by the ODFI and the FDIC, and Eagle Financial Bancorp, Inc. will be subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such regulation and supervision governs the activities in which an institution and its holding company may engage and are intended primarily for the protection of the federal deposit insurance fund and the depositors and borrowers of the bank, rather than for stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent accounting firms. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) has significantly changed the regulation of banks and savings institutions and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies have been given significant discretion in drafting the implementing rules and regulations, many of which are not in final form. As a result, we cannot at this time predict the full extent to which the Dodd-Frank Act will impact our business, operations or financial condition. However, compliance with the Dodd-Frank Act and its implementing regulations and policies has already resulted in changes to our business and operations, as well as additional costs, and has diverted management’s time from other business activities, all of which have adversely affected our financial condition and results of operations.

Cyber-attacks or other security breaches could adversely affect our operations, net income or reputation.

We regularly collect, compile, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf.

Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an emerging threat targeting the customers of popular financial entities. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions, could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our operating costs or cause losses.

If this confidential or proprietary information were to be mishandled, misused or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss.

Physical, procedural and technological safeguards designed to protect confidential and proprietary information from mishandling, misuse or loss, do not provide absolute assurance that mishandling, misuse or loss of information will not occur, and if mishandling, misuse or loss of information does occur, that those events will be promptly detected and addressed. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. As information security risks and cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur and may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide the security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource the majority of our data processing to third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruptions, or breaches of security could damage our reputation and result in a loss of customers and business, subject us to additional regulatory scrutiny or expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

We rely on our senior management to implement our business strategy and execute successful operations. We have recently added to our management team and could be harmed by the failure to successfully integrate the new members of our management team or by the loss of any of our senior management.

We depend upon the services of the members of our senior management team to implement our business strategy and execute our operations. Our management team is comprised of experienced executives, with our top four executives possessing an average of 25 years of financial institution experience. Members of our senior management team and lending personnel who have expertise and key business relationships in our markets could be difficult to replace. In addition, some of the members of our senior management team have been recently added. The loss of members of our management team, the failure to successfully integrate the new members of our management team, or our inability to hire additional qualified personnel,

could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete.

The cost of additional finance and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements will increase our expenses.

As a result of the completion of our offering, we will become a public reporting company. We expect that the obligations of being a public company, including the substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes Oxley Act”) requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we would expect to file with the SEC. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management’s attention from our operations.

We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or limit our ability to pay dividends or repurchase shares.

The federal banking agencies have adopted a final rule implementing the regulatory capital reforms from the Basel Committee on Banking Supervision (“Basel III”) and changes required by the Dodd-Frank Act. The final rule includes new minimum risk-based capital and leverage ratios, which were effective for us on January 1, 2015, and refines the definition of what constitutes “capital” for calculating these ratios.

The new minimum capital requirements are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from prior rules); and (iv) a Tier 1 leverage ratio of 4%. The final rule also requires unrealized gains and losses on certain “available-for-sale” securities holdings to be included for calculating regulatory capital requirements unless a one-time opt-out is exercised. Eagle Savings Bank has elected to opt out of the requirement under the final rule to include certain “available-for-sale” securities holdings for calculating its regulatory capital requirements. The final rule also establishes a “capital conservation buffer” of 2.5%, and, when fully phased in, will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement began being phased in beginning in January 2016 at 0.625% of risk-weighted assets and increased each year until full implementation in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions.

The application of more stringent capital requirements likely will result in lower returns on equity, and could require raising additional capital in the future, or result in regulatory actions if we are unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of Basel III could result in our having to lengthen the term of our funding, change our business models, and/or increase our holdings of liquid assets. The implementation of changes to asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in management modifying its business strategy, and could limit our ability to make distributions, including paying dividends or repurchasing our shares.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Act require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities

are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. During the last year, several banking institutions have received large fines for non-compliance with these laws and regulations. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations.

We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We are a community bank and our reputation is one of the most valuable assets of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and operating results may be materially adversely affected.

A new accounting standard will likely require us to increase our allowance for loan losses and may have a material adverse effect on our financial condition and results of operations.

The Financial Accounting Standards Board has adopted a new accounting standard that will be effective for Eagle Financial Bancorp, Inc. and Eagle Savings Bank for fiscal year 2023. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. This will change the current method of providing allowances for loan losses that are probable, which would likely require us to increase our allowance for loan losses, and to greatly increase the types of data we would need to collect and review to determine the appropriate level of the allowance for loan losses. Any increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses may have a material adverse effect on our financial condition and results of operations.

If our risk management framework does not effectively identify or mitigate our risks, we could suffer losses.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor and report the types of risk to which we are subject, including credit risk, operations risk, compliance risk, reputation risk, strategic risk, market risk and liquidity risk. We seek to monitor and control our risk exposure through a framework of policies, procedures and reporting requirements. Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models used to mitigate these risks are inadequate, we may incur losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties, regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur

substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our loan foreclosure policy, which requires us to perform an environmental review before initiating any foreclosure action on non-residential real property, may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

If our real estate owned is not properly valued our earnings could be reduced.

We obtain updated valuations when a loan has been foreclosed and the property taken in as real estate owned and at certain other times during the holding period of the asset. Our net book value ("NBV") in the loan at the time of foreclosure and thereafter is compared to the updated fair value of the foreclosed property less estimated selling costs (fair value). A charge-off is recorded for any excess in the asset's NBV over its fair value less estimated selling costs. If our valuation process is incorrect, or if property values decline, the fair value of our real estate owned may not be sufficient to recover our carrying value in such assets, resulting in the need for additional charge-offs. Significant charge-offs to our real estate owned could have a material adverse effect on our financial condition and results of operations. In addition, bank regulators periodically review our real estate owned and may require us to recognize further charge-offs. Any increase in our charge-offs may have a material adverse effect on our financial condition and results of operations.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition, growth and prospects.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. We rely on customer deposits and advances from the FHLB-Cincinnati and other borrowings to fund our operations. At December 31, 2019, we had no FHLB-Cincinnati advances outstanding with an additional \$48.8 million of available borrowing capacity. Although we have historically been able to replace maturing deposits and advances if desired, we may not be able to replace such funds in the future if, among other things, our financial condition, the financial condition of the FHLB-Cincinnati, or market conditions change. Our access to funding sources in amounts adequate to finance our activities or the terms of which are acceptable could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets where our loans are concentrated, or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Although we consider our sources of funds adequate for our liquidity needs, we may seek additional debt in the future to achieve our long-term business objectives. Additional borrowings, if sought, may not be available to us or, if available, may not be available on reasonable terms. If additional financing sources are unavailable, or are not available on reasonable terms, our financial condition, results of operations, growth and future prospects could be materially adversely affected. Finally, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our operating margins and profitability would be adversely affected.

The trading market in our common stock is limited, which could hinder your ability to sell our common stock. In addition, we have recently delisted our common stock from the Nasdaq Capital Market, which could decrease your ability to sell our common stock.

The development of an active trading market depends on the existence of willing buyers and sellers, the presence of which is not within our control, or that of any market maker. The number of active buyers and sellers of the shares of our common stock at any particular time may be limited. Under such

circumstances, you could have difficulty selling your shares of common stock on short notice, and, therefore, you should not view the shares of common stock as a short-term investment. In addition, we have recently voluntarily delisted our common stock from the Nasdaq Stock Market, which could further decrease market liquidity and your ability to sell your shares.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

At December 31, 2019, the net book value of our properties was \$3.7 million, and the net book value of our furniture, fixtures and equipment (including computer software) was \$330,000. The following table sets forth information regarding our offices.

Location	Leased or Owned	Year Acquired or Leased	Net Book Value of Real Property (In thousands)
Main Office: 6415 Bridgetown Road Cincinnati, OH 45248	Owned	2003	\$2,405
Branch Offices: 5681 Rapid Run Rapid Run Plaza (at Neeb Rd.) Cincinnati, OH 45238	Leased	2009	22
3420 Edwards Road Cincinnati, OH 45208	Owned	2014	1,303

We believe that our current facilities are adequate to meet our present and foreseeable needs, other than modest and customary repair and replacement needs.

ITEM 3. Legal Proceedings

At December 31, 2019, we were not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business which, in the aggregate, involve amounts which management believes are immaterial to our financial condition, our results of operations and our cash flows.

ITEM 4. Mine Safety Disclosures.

None.

PART II

ITEM 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our shares of common stock are quoted on the OTCQB market place maintained by the OTC Market Groups, Inc. under the symbol “EFBI”. Over-the-counter market quotations reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions. The approximate number of holders of record of Eagle Financial Bancorp, Inc.’s common stock as of March 26, 2020 was 195. Certain shares of Eagle Financial Bancorp, Inc. are held in “nominee” or “street” name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number. From July 21, 2017 to December 20, 2019, the common stock of Eagle Financial Bancorp, Inc. traded on the NASDAQ Capital Market.

Eagle Financial Bancorp, Inc. has never paid a cash dividend. The Board of Directors has the authority to declare cash dividends on shares of common stock, subject to statutory and regulatory requirements. In determining whether and in what amount to pay a cash dividend, the Board takes into account a number of factors, including capital requirements, our consolidated financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurances can be given that cash dividends will ever be paid or that, if paid, will not be reduced.

The equity compensation plan information presented under subparagraph (b) in Part III, Item 12 of this report is incorporated herein by reference.

The following table provides information regarding the Company’s purchase of its common stock during the quarter ended December 31, 2019.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program ⁽¹⁾	Maximum number of shares that may yet be purchased under the program ⁽¹⁾
October 2019	6,100	\$16.00	48,700	32,585
November 2019	—	—	48,700	32,585
December 2019	11,400	16.08	60,100	21,185
Total	<u>\$17,500</u>	<u>16.05</u>		

(1) On December 12, 2018, the Company announced the adoption of a stock repurchase program under which the Company could repurchase up to 81,285 shares of its common stock, or approximately 5% of the then current outstanding shares. The timing of the purchases will depend on certain factors, including but not limited to, market conditions and prices, available funds and alternative uses of capital. The stock repurchase program may be carried out through open-market purchases, block trades, negotiated private transactions and pursuant to a trading plan that will be adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. Any repurchased shares will be held by the Company as authorized but unissued shares. The repurchase program has no expiration date, but may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing shares, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. The repurchase program does not obligate the Company to purchase any particular number of shares.

ITEM 6. Selected Financial Data

The following tables set forth selected consolidated historical financial and other data of Eagle Financial Bancorp, Inc. and subsidiary at or for the year ended December 31, 2019. The following information is only a summary, and should be read in conjunction with the business and financial information contained elsewhere in this annual report. The information at and for the years ended December 31, 2019 and 2018 is derived in part from, and should be read together with, the audited consolidated financial statements and notes thereto of Eagle Financial Bancorp, Inc. and subsidiary in Item 8 of this annual report.

	At December 31,	
	2019	2018
	(In thousands)	
Selected Financial Condition Data:		
Total assets	\$142,788	\$137,085
Cash and cash equivalents	15,301	7,434
Interest-bearing time deposits in other banks	2,988	3,486
Loans held for sale	6,390	1,827
Loans, net	106,568	113,317
Premises and equipment at depreciated cost	4,062	4,210
Bank-owned life insurance	2,005	1,958
FHLB lender risk account receivable	3,646	3,377
Deposits	111,991	106,369
FHLB advances	—	—
Total shareholders' equity	27,903	27,774
	For the Years Ended December 31,	
	2019	2018
	(In thousands)	
Selected Operations Data:		
Interest and dividend income	\$5,403	\$5,046
Interest expense	1,105	770
Net interest income	4,298	4,276
Provision for loan losses	—	99
Net interest income after provision for loan losses	4,298	4,177
Non-interest income	2,775	1,732
Non-interest expense	6,228	5,471
Income before income taxes	845	438
Income tax	187	94
Net Income	<u>\$ 658</u>	<u>\$ 344</u>

	At or For the Years Ended December 31,	
	2019	2018
Selected Financial Ratios and Other Data:		
Performance Ratios:		
Return on average assets	0.47%	0.26%
Return on average equity	2.36%	1.25%
Interest rate spread ⁽¹⁾	3.26%	3.42%
Net interest margin ⁽²⁾	3.44%	3.56%
Efficiency ratio ⁽³⁾	88.05%	91.06%
Non-interest expense to average total assets	4.46%	4.08%
Average interest-earning assets to average interest-bearing liabilities	121.38%	121.54%
Average equity to average total assets	19.98%	20.61%
Asset Quality Ratios:		
Non-performing assets to total assets	0.80%	0.70%
Non-performing loans to total loans	1.00%	0.60%
Non-performing assets excluding accruing troubled debt restructurings to total assets	0.60%	0.47%
Non-performing loans excluding accruing troubled debt restructurings to total loans	0.74%	0.35%
Allowance for loan losses to non-performing loans	101.83%	160.41%
Allowance for loan losses to total loans	1.02%	0.96%
Capital Ratios:		
Total capital (to risk-weighted assets)	17.2%	16.9%
Common equity Tier 1 capital (to risk-weighted assets)	16.3%	15.9%
Tier 1 capital (to risk-weighted assets)	16.3%	15.9%
Tier 1 capital (to average assets)	15.4%	15.2%
Other Data:		
Number of full service offices	3	3

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- (1) Represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.
 - (2) The net interest margin represents net interest income as a percent of average interest-earning assets for the year.
 - (3) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This section is intended to help investors understand the financial performance of Eagle Financial Bancorp, Inc. and its subsidiary through a discussion of the factors affecting our financial condition at December 31, 2019 and 2018 and our results of operations for the years ended December 31, 2019 and 2018. This section should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements that appear in Item 8.

Overview

Eagle Savings Bank provides financial services to individuals and businesses from our main office and two branch offices in Cincinnati, Ohio. Our primary deposit-taking market includes the local communities

surrounding our bank offices. Our primary lending market is Hamilton County, Ohio, and the adjoining counties of Butler, Warren and Clermont Counties in Ohio, Boone, Kenton and Campbell Counties in Kentucky, and Dearborn County in Indiana.

Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential real estate loans, commercial real estate and land loans, home equity loans and lines of credit and construction loans. To a lesser extent, we also make commercial business loans, multi-family real estate loans and other consumer loans. At December 31, 2019, \$65.4 million, or 57.1% of our total loan portfolio, was comprised of one- to four-family residential real estate loans. At that same date, \$20.8 million, or 18.2% of our total loan portfolio, was comprised of commercial real estate and land loans, and \$9.7 million, or 8.5% of our total loan portfolio, was comprised of home equity and other consumer loans, all but \$8,000 of which were home equity loans and lines of credit.

In connection with our mutual to stock conversion and related stock offering in 2017, we have hired a new Mortgage Operations Manager and credit support staff to support the managed growth of our lending operations using the proceeds of the offering. We intend to increase our commercial real estate, construction and home equity lending. We consider these areas to be part of our core competencies and historical strengths.

We also emphasize mortgage banking with four mortgage loan officers. Our revenue from gain on sales of loans was \$2.4 million and \$1.5 million for the years ended December 31, 2019 and 2018, respectively. We intend to expand our mortgage lending business, including the addition of up to six new commission-based mortgage lenders locally over the next three years.

We offer a variety of deposit accounts, including checking accounts, savings accounts, money market demand accounts and certificate of deposit accounts. We utilize advances from the FHLB-Cincinnati for liquidity and for asset/liability management purposes. At December 31, 2019, we had no advances outstanding with the FHLB-Cincinnati.

Our results of operations depend primarily on our net interest income and our noninterest income, including from our mortgage banking operations. Net interest income is the difference between the interest income we earn on our interest-earning assets and the interest we pay on our interest-bearing liabilities. Our results of operations also are affected by our provisions for loan losses, non-interest income and non-interest expense.

Our non-interest income currently consists primarily of gain on sale of mortgage loans, checking account service fee income, interchange fees from debit card transactions and income from bank owned life insurance. Non-interest expense currently consists primarily of expenses related to compensation and employee benefits, occupancy and equipment, data processing, legal and other professional expenses, franchise taxes, advertising expense, federal deposit insurance premiums, impairment losses on foreclosed real estate and other operating expenses.

We invest in bank-owned life insurance to provide us with a funding source to offset some of the costs of our supplemental retirement plan obligations. Bank owned life insurance provides us with non-interest income that is nontaxable. Federal regulations generally limit our investment in bank owned life insurance to 25% of our Tier 1 capital. At December 31, 2019, this limit was \$5.5 million, and we had invested \$2.0 million in bank-owned life insurance.

Business Strategy

Our current business strategy is to operate as a well-capitalized and profitable community bank dedicated to serving the needs of our consumer and business customers, and offering personalized and efficient customer service. We are a very small financial institution, and we believe that managing prudent yet consistent asset growth in order to increase revenue is critical to our long-term success. Since the conversion and offering, we have focused on increasing our portfolio of shorter term, higher yielding loans, continuing to grow our mortgage banking operations and increasing our “core” deposit base.

Highlights of our business strategy include:

- ***Continuing to expand our mortgage banking operations.*** Since 2001, we have expanded our mortgage banking operations, and we intend to further increase this part of our business. In 2019, we originated \$91.0 million of one- to four-family residential loans, of which we sold \$82.4 million to the secondary market, compared to \$69.3 million of such loans originated in fiscal 2018, of which \$52.1 million were sold. We currently employ four residential mortgage loan originators. We intend to hire another five or six new loan officers over the next three years, as well as additional support staff, in order to continue to increase our mortgage banking operations. The majority of these loans are currently sold to the FHLB-Cincinnati, although we are approved for sale of loans to Freddie Mac and expect to increase our sale of residential mortgage loans to other third parties in the future. Although we have no specific plans to do so at this time, we may also seek to add one or more loan production offices in attractive areas in our lending market should the opportunity arise in the future.
- ***Growing our portfolios of shorter term, higher yielding loans, including commercial business loans, commercial real estate loans, construction loans, and home equity loans and lines of credit.*** In 2020, we intend to continue to leverage our existing lending capabilities to grow our portfolios of commercial real estate, commercial business and construction loans and home equity loans and lines of credit. These types of loans generally have shorter terms and higher yields than loans secured by one- to four-family residential properties. Continuing to increase the percentage of such loans in our portfolio will help increase our net interest income and assist us in managing interest rate risk. Commercial real estate, construction and home equity lending will continue to be part of our core competencies and historical strengths. The additional capital raised in the stock offering has allowed us, and will continue to also allow us to leverage our existing infrastructure and lending team to increase our commercial real estate, commercial business, construction and home equity lending. See “Business of Eagle Savings Bank — Lending Activities.
- ***Increasing our “core” deposit base.*** We intend to continue to increase our core deposit base, particularly checking accounts. Core deposits include all deposit account types except certificates of deposit. Core deposits are our least costly source of funds and our least rate sensitive deposits, and improve our interest rate spread and interest rate risk. These deposits also represent our best opportunity to develop customer relationships that enable us to cross-sell our full complement of products and services. In addition, core deposits contribute non-interest income from account-related fees and services and are generally less sensitive to withdrawal when interest rates fluctuate. In recent years, we have significantly expanded and improved the products and services we offer our retail and business deposit customers who maintain core deposit accounts and have improved our infrastructure for electronic banking services, including online banking, mobile banking, bill pay, and e-statements. The deposit infrastructure we have established can accommodate significant increases in retail and business deposit accounts without additional capital expenditure. We expect that our increased commercial lending will continue to help us increase our business deposit customers above 2019 numbers.
- ***Continue to implement a managed growth strategy while maintaining high asset quality.*** We emphasize a disciplined credit culture based on sound underwriting standards and credit administration, market knowledge, close ties to our customers and experienced loan officers. At December 31, 2019, our non-performing assets equaled 0.80% of total assets, as compared to 0.70% at December 31, 2018. We intend to pursue a managed growth strategy for the foreseeable future, with the goal of improving the profitability of our business through increased net interest income and non-interest income from our mortgage banking operations. However, we intend to maintain strict, quality-oriented loan underwriting and credit monitoring processes as we grow our operations.
- ***Remaining a community-oriented institution.*** We were organized in 1882 and have been operating continuously in and around our market since that time. We have trained our employees to focus on high quality service in order to maintain and build a loyal customer base. The Eagle Savings Bank Charitable Foundation made great progress in 2019 to promote community relationships and exposure in our market. We intend to expand our support of charitable organizations operating in our local community in 2020 and beyond.

These strategies are intended to guide our investment of the net proceeds from the offering. We intend to continue to pursue our business strategy with the proceeds from the offering, subject to changes necessitated by future market conditions, regulatory restrictions and other factors.

Achieving our growth targets will require us to attract customers that currently bank at other financial institutions in our market area. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced employees, the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market area and our ability to manage our growth. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected.

Management of Non-interest Expense

Following the completion of the conversion and stock offering, our non-interest expense has increased because of the increased costs associated with operating as a public company, and the increased compensation expenses associated with the purchase of shares of common stock by our employee stock ownership plan. The implementation of our stock-based benefit plans has also increased our non-interest expenses. In December 2019 we delisted from the Nasdaq Stock Market to save approximately \$32,000 in annual costs. We also may deregister with the SEC in 2020, which would reduce costs associated with SEC reporting requirements.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be our critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an “emerging growth company” we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represents our critical accounting policies:

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience for the last three years and expected loss given default derived from our

internal risk rating process. Other qualitative adjustments are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

FHLB-Cincinnati Lender Risk Account Receivable. Certain loan sale transactions with the FHLB-Cincinnati provide for establishment of a LRA. The LRA consists of amounts withheld from loan sale proceeds by the FHLB-Cincinnati for absorbing inherent losses that are probable on those sold loans. These withheld funds are an asset as they are scheduled to be paid to us in future years, net of any credit losses on those loans sold. The receivables are initially measured at fair value. The fair value is estimated by discounting the cash flows over the life of each master commitment contract. The accretable yield is amortized over the life of the master commitment contract. Expected cash flows are re-evaluated at each measurement date. If there is an adverse change in expected cash flows, the accretable yield would be adjusted on a prospective basis and the asset would be evaluated for impairment.

Comparison of Financial Condition at December 31, 2019 and December 31, 2018

Total Assets. Total assets were \$142.8 million at December 31, 2019, an increase of \$5.7 million, or 4.2%, over the \$137.1 million at December 31, 2018. The increase was primarily comprised of an increase in cash and cash equivalents of \$7.9 million, partially offset by a decrease in net loans of \$6.7 million, and a decrease in interest-bearing time deposits in other banks of \$498,000.

Net Loans. Net loans decreased by \$6.7 million, or 6.0%, to \$106.6 million at December 31, 2019 from \$113.3 million at December 31, 2018. During the year ended December 31, 2019, we originated \$119.1 million of loans, \$91.0 million of which were one- to four-family residential real estate loans, and sold \$82.4 million of loans in the secondary market. During the year ended December 31, 2019, one- to four-family residential real estate loans decreased \$8.3 million, or 11.2%, to \$65.4 million at December 31, 2019, from \$73.6 million at December 31, 2018; multi-family loans decreased \$120,000, or 10.1%, to \$1.1 million at December 31, 2019; construction loans decreased \$72,000, or 0.6%, to \$11.7 million at December 31, 2019; home equity and other consumer loans decreased \$4.1 million, or 29.6% to \$9.7 million at December 31, 2019; and commercial loans decreased \$120,000, or 2.0% to \$5.9 million at December 31, 2019. Commercial real estate loans and land loans increased \$3.2 million, or 18.3%, to \$20.8 million at December 31, 2019. The increase in the balance of commercial real estate loans reflects our strategy to grow and diversify our loan portfolio, with an emphasis on increasing commercial and commercial real estate loans, as a shift in strategy from our traditional portfolio focus on one- to four-family residential loans. Such growth has been achieved amid strong competition for commercial real estate loans. We primarily sell one- to four-family residential loans on a servicing released basis. We sell loans in transactions with the FHLB-Cincinnati, through its mortgage purchase program, and to other investors. We sold \$82.4 million of loans in fiscal 2019. Loans serviced for these investors were \$1.6 million at December 31, 2019. Management intends to continue this sales activity in future periods.

Interest-Bearing Deposits in Other Banks. The Bank's investment in certificates of deposit in other banks decreased by \$498,000, or 14.3%, to a total of \$3.0 million at December 31, 2019, compared to \$3.5 million at December 31, 2018.

Foreclosed Real Estate Held for Sale, Net. Foreclosed assets decreased \$217,000, or 100.0%, to \$0 at December 31, 2019. Two properties valued at \$217,000 were sold in February 2019 for \$245,000 resulting in a gain of \$28,000.

Deposits. Deposits increased by \$5.6 million, or 5.3%, to \$112.0 million at December 31, 2019 from \$106.4 million at December 31, 2018. Our core deposits, which are deposits other than certificates of deposit, increased \$4.6 million, or 7.6%, to \$64.4 million at December 31, 2019 from \$59.9 million at December 31, 2018. Certificates of deposit increased \$1.1 million, or 2.3%, to \$47.6 million at December 31, 2019 from \$46.5 million at December 31, 2018. During the year ended December 31, 2019, management continued its strategy of pursuing growth in demand accounts and other lower cost core deposits, while also increasing emphasis on certificates of deposit. Management intends to continue its efforts to increase core deposits, with a special emphasis on growth in consumer and business demand deposits and money market accounts.

Federal Home Loan Bank Advances. The Bank had no advances from the Federal Home Loan Bank at December 31, 2019 and 2018. At both December 31, 2019 and 2018, the Bank had an unused line of credit with the Federal Home Loan Bank of \$10.0 million.

Shareholders' Equity. Total shareholders' equity increased \$129,000, or 0.5%, to \$27.9 million at December 31, 2019 from \$27.8 million at December 31, 2018. The increase was primarily due to net income of \$658,000, stock based compensation expense of \$246,000, and ESOP shares earned of \$102,000, offset by repurchases of the company's common stock of \$877,000 during the year ended December 31, 2019.

Comparison of Operating Results for the Years Ended December 31, 2019 and December 31, 2018

General. Our net income for the year ended December 31, 2019 was \$658,000, compared to net income of \$344,000 for the year ended December 31, 2018, an increase of \$314,000, or 91.3%. The increase in net income was primarily due to an increase in total noninterest income of \$1.1 million, and an increase in net interest income after provision for loan losses of \$121,000, offset by an increase in noninterest expense of \$757,000, and an increase in tax expense of \$93,000 for the year ended December 31, 2019.

Interest Income. Interest income increased \$357,000, or 7.1%, to \$5.4 million for the year ended December 31, 2019 from \$5.0 million for the year ended December 31, 2018. This increase was primarily attributable to a \$332,000 increase in interest income on loans and an increase of \$25,000 on other interest earning deposits and dividends on FHLB stock. The average balance of loans during the year ended December 31, 2019 increased by \$4.2 million, or 3.9%, from the average balance for the year ended December 31, 2018, while the average yield on loans increased by 13 basis points to 4.63% for the year ended December 31, 2019 from 4.50% for the year ended December 31, 2018. The increase in average yield on loans was due in large part to the rising interest rate environment. Interest income on interest-earning deposits, including certificates of deposit in other financial institutions and dividends on FHLB stock, increased \$25,000, or 9.1%, for the year ended December 31, 2019, as a result of an increase in the average balance of \$576,000 and the average yield of ten basis points, to 2.06%.

Interest Expense. Total interest expense increased \$335,000, or 43.5%, to \$1.1 million for the year ended December 31, 2019 from \$770,000 for the year ended December 31, 2018. The increase was due primarily to an increase in the average cost of total interest-bearing deposits of 29 basis points to 1.07% for the year ended December 31, 2019 from 0.78% for the year ended December 31, 2018, as well as an increase in the average balance of interest bearing deposits of \$4.0 million or 4.1%.

Interest expense on FHLB advances was \$0 for the year ended December 31, 2019 and 2018.

Net Interest Income. Net interest income increased \$22,000, or 0.5%, to \$4.3 million for the year ended December 31, 2019. The increase reflected an increase in total interest and dividend income of \$357,000. Our net interest margin decreased to 3.44% for the year ended December 31, 2019 from 3.56% for the year ended December 31, 2018. The interest rate spread and net interest margin were impacted by the

effect of rising interest rates on total interest bearing deposits for the year ended December 31, 2019, compared to the year ended December 31, 2018.

Provision for Loan Losses. Based on our analysis of the factors described in “Critical Accounting Policies — Allowance for Loan Losses,” we recorded a provision for loan losses of \$0 for the year ended December 31, 2019 and \$99,000 for the year ended December 31, 2018. The allowance for loan losses was \$1.2 million, or 1.02% of total loans, at December 31, 2019, compared to \$1.2 million, or 0.96% of total loans, at December 31, 2018. Total non-performing loans were \$1.1 million at December 31, 2019, compared to \$740,000 at December 31, 2018. Classified and special mention loans were \$1.4 million at December 31, 2019, compared to \$1.7 million at December 31, 2018. Total loans past due 30 days or more were \$952,000 and \$1.2 million at December 31, 2019 and 2018, respectively. Net charge-offs totaled \$21,000 for the year ended December 31, 2019, compared to \$93,000 for the year ended December 31, 2018.

Non-Interest Income. Non-interest income increased \$1.1 million, or 60.2%, to \$2.8 million for the year ended December 31, 2019 from \$1.7 million for the year ended December 31, 2018. The increase was primarily due to an increase in the net gain on loan sales of \$890,000, and an increase in other service charges and fees of \$128,000 for the year ended December 31, 2019.

Non-Interest Expense. Non-interest expense increased \$757,000, or 13.8%, to \$6.2 million for the year ended December 31, 2019, compared to \$5.5 million for the year ended December 31, 2018. The increase is reflective of an increase in compensation and benefits. Compensation and benefits increased by \$859,000, or 25.0%, to \$4.3 million for the year ended December 31, 2019 from \$3.4 million for the year ended December 31, 2018, offset by decreases in other noninterest expenses of \$102,000 for the year ended December 31, 2019 from the year ended December 31, 2018.

Federal Income Taxes. Federal income taxes increased by \$93,000 to a tax expense of \$187,000 for the year ended December 31, 2019, compared to tax expense of \$94,000 for the year ended December 31, 2018. The increase in tax expense of \$93,000 was largely the result of the increase in non-interest income of \$1.0 million, resulting in an increase of income before income taxes of \$407,000 for the year ended December 31 2019.

Average Balances and Yields

The following table sets forth average balance sheets, average yields and costs, and certain other information at and for the years indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense.

	At December 31, 2019	For the Year Ended December 31,					
		2019			2018		
		Yield/ Cost	Average Outstanding Balance	Interest	Yield/ Rate ⁽¹⁾	Average Outstanding Balance	Interest
(Dollars in thousands)							
Interest-earning assets:							
Loans, net	4.39%	\$110,229	\$5,103	4.63%	\$106,051	\$4,771	4.50%
Other interest-earning assets . .	1.65	14,578	300	2.06	14,002	275	1.96
Total interest-earning assets	3.98	124,807	5,403	4.33	120,053	5,046	4.20
Non-interest-earning assets . . .		14,747			13,966		
Total assets		\$139,554			\$134,019		
Interest-bearing liabilities:							
Interest-bearing checking	0.18%	\$ 19,632	33	0.17	\$ 18,339	28	0.15%
Savings	0.14	16,623	24	0.14	17,287	25	0.14
Money market demand	0.63	18,559	91	0.49	18,825	42	0.22
Certificates of deposit	2.07	47,984	957	1.99	44,325	675	1.52
Total interest-bearing deposits	1.11	102,798	1,105	1.07	98,776	770	0.78
FHLB advances	2.58	22	—	2.58	2	—	3.33
Total interest-bearing liabilities	1.11	102,820	1,105	1.07	98,778	770	0.78
Other non-interest-bearing liabilities		8,852			7,616		
Total liabilities		111,672			106,394		
Shareholders' Equity		27,882			27,625		
Total liabilities and shareholders' equity		\$139,554			\$134,019		
Net interest income			\$4,298			\$4,276	
Net interest rate spread ⁽¹⁾	2.87			3.26%			3.42%
Net interest-earning assets ⁽²⁾ . .		\$ 21,987			\$ 21,275		
Net interest margin ⁽³⁾				3.44%			3.56%
Average of interest-earning assets to interest-bearing liabilities		121.38%			121.54%		

- (1) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
- (2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
- (3) Net interest margin represents net interest income divided by total interest-earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	Years Ended December 31, 2019 vs. 2018		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans	\$209	\$ 123	\$332
Other interest-earning assets	8	17	25
Total interest-earning assets	<u>217</u>	<u>140</u>	<u>357</u>
Interest-bearing liabilities:			
Interest-bearing checking	1	4	5
Savings	(1)	—	(1)
Money market demand	(1)	50	49
Certificates of deposit	<u>50</u>	<u>232</u>	<u>282</u>
Total deposits	49	286	335
FHLB advances	—	—	—
Total interest-bearing liabilities	<u>49</u>	<u>286</u>	<u>335</u>
Change in net interest income	<u>\$168</u>	<u>\$(146)</u>	<u>\$ 22</u>

Management of Market Risk

General. A significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset-Liability Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by our board of directors.

Our asset/liability management strategy attempts to manage the impact of changes in interest rates on net interest income, our primary source of earnings. Among the techniques we use to manage interest rate risk are:

- originating commercial real estate and multi-family, commercial business and construction loans, and home equity loans and lines of credit, all of which tend to have shorter terms to maturity or repricing and higher interest rates than one- to four-family residential real estate loans, and can generate non-interest-bearing checking accounts;
- selling substantially all of our newly-originated longer-term fixed-rate one- to four-family residential real estate loans and retaining the shorter-term fixed- and adjustable-rate one- to four-family residential real estate loans that we originate, subject to market conditions and periodic review of our asset/liability management needs; and
- increasing core deposits, including checking accounts, money market accounts and savings accounts, which are less interest rate sensitive than certificates of deposit.

Our board of directors is responsible for the review and oversight of our Asset/Liability Committee, which is comprised of our executive management team and other essential operational staff. This committee is charged with developing and implementing an asset/liability management plan, and meets at least monthly to review pricing and liquidity needs and assess our interest rate risk. We look at two types of simulations impacted by changes in interest rates, which are net portfolio value analysis and net interest income analysis.

Net Portfolio Value. We compute amounts by which the net present value of our cash flow from assets, liabilities and off-balance sheet items (net portfolio value or “NPV”) would change in the event of a range of assumed changes in market interest rates. We measure our interest rate risk and potential change in our NPV through the use of an internal financial model integrated with our core service provider. This model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value. Historically, the model estimated the economic value of each type of asset, liability and off-balance sheet contract under the assumption that the United States Treasury yield curve increases or decreases instantaneously by 100 to 300 basis points in 100 basis point increments. However, given the current low level of market interest rates, an NPV calculation for an interest rate decrease of greater than 100 basis points has not been prepared. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the “Change in Interest Rates” column below.

The table below sets forth, as of December 31, 2019, the calculation of the estimated changes in our net portfolio value that would result from the specified immediate changes in interest rates.

Change in Interest Rates (basis points) ⁽¹⁾	Estimated NPV ⁽²⁾	Estimated Increase (Decrease) in NPV		NPV as a Percentage of Present Value of Assets ⁽³⁾		
		Amount	Percent	NPV Ratio ⁽⁴⁾	Increase (Decrease) (basis points)	
		(Dollars in thousands)				
+300	\$34,602	\$(6,671)	(16.16)%	24.78%	(451)	
+200	36,600	(4,673)	(11.32)%	25.85%	(344)	
+100	38,824	(2,449)	(5.93)%	27.02%	(227)	
—	41,273	—	—	29.29%	—	
-100	39,120	(2,153)	(5.22)%	26.36%	(293)	

- (1) Assumes an immediate uniform change in interest rates at all maturities.
- (2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
- (3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
- (4) NPV Ratio represents NPV divided by the present value of assets.

The table above indicates that at December 31, 2019, in the event of an instantaneous parallel 100 basis point decrease in interest rates, we would experience a 5.2% decrease in net portfolio value. In the event of an instantaneous 100 basis point increase in interest rates, we would experience a 5.9% decrease in net portfolio value. The net portfolio value as calculated in our model decreases in both rising and falling interest rate environments. The value of assets move inversely to interest rates while the value of liabilities move directly with interest rates. In a rising interest rate environment, the economic value of assets would decrease while liabilities would increase. In a falling interest rate environment, the increase in economic value for deposits (i.e., the value of our liabilities) would exceed that of loans. Due to the historically low current interest rate environment, the discount rate applied to the deposits drive the economic value higher while cash flows are stable.

Net Interest Income Analysis. We analyze our sensitivity to changes in interest rates through our net interest income simulation model. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a one-year period based on current interest rates. We then calculate what the net interest income would be for the same period under different interest rate assumptions. The following table shows the estimated impact on net interest income for the one-year period beginning December 31, 2019 resulting from potential changes in interest rates, expressed in basis points. These estimates require certain assumptions to be made, including loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and

decay rates. These assumptions are inherently uncertain. As a result, no simulation model can precisely predict the impact of changes in interest rates on our net interest income.

Although the net interest income table below provides an indication of our interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

<u>Rate Shift⁽¹⁾</u>	<u>Net Interest Income Year 1 Forecast</u>	<u>Year 1 Change from Level</u>
	(Dollars in thousands)	
+400	\$3,414	(22.67)%
+300	3,672	(16.83)%
+200	3,923	(11.14)%
+100	4,169	(5.57)%
Level	4,415	—
-100	4,364	(1.16)%

(1) The calculated changes assume an immediate shock of the static yield curve.

Depending on the relationship between long- and short-term interest rates, market conditions and consumer preference, we may place greater emphasis on maximizing our net interest margin than on strictly matching the interest rate sensitivity of our assets and liabilities. We believe that the increased net income which may result from an acceptable mismatch in the actual maturity or re-pricing of our assets and liabilities can, during periods of declining or stable interest rates, provide sufficient returns to justify an increased exposure to sudden and unexpected increases in interest rates.

We do not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and proceeds from the sale of loans. We also have the ability to borrow from the FHLB-Cincinnati. At December 31, 2019, we had the capacity to borrow approximately \$48.8 million from the FHLB-Cincinnati. At December 31, 2019, we had no outstanding advances from the FHLB-Cincinnati.

While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash used in operating activities was \$4.2 million for the year ended December 31, 2019, while net cash provided by operating activities was \$2.5 million for the year ended December 31, 2018, respectively. Net cash provided by investing activities, which consists primarily of disbursements for loan originations, offset by principal collections on loans, was \$7.4 million for the year ended December 31, 2019, while the net cash used in investing activities was \$15.6 million for the year ended December 31, 2018, respectively. Net cash provided by financing activities, consisting primarily of a net increase in deposits was \$4.7 million and \$5.2 million for the years ended December 31, 2019 and 2018, respectively.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

At December 31, 2019, we exceeded all of our regulatory capital requirements with a Tier 1 leverage capital level of \$22.0 million, or 15.4% of adjusted total assets, which is above the well-capitalized required level of \$7.1 million, or 5.0%; and total risk-based capital of \$23.2 million, or 17.2% of risk-weighted assets, which is above the well-capitalized required level of \$13.5 million, or 10.0%. Accordingly, Eagle Savings Bank was categorized as well capitalized at December 31, 2019 and 2018. Management is not aware of any conditions or events since the most recent notification that would change our category.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At December 31, 2019, we had outstanding commitments to originate loans of \$22.3 million, including undisbursed funds on construction loans and funds available on undrawn lines of credit. We anticipate that we will have sufficient funds available to meet our current lending commitments. Certificates of deposit that are scheduled to mature within one year from December 31, 2019 totaled \$26.4 million. Management expects that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize FHLB-Cincinnati advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

Please refer to Note 19 to the Financial Statements for the years ended December 31, 2019 and 2018 contained elsewhere in this Annual Report for a description of recent accounting pronouncements that may affect our financial condition and results of operations.

Impact of Inflation and Changing Price

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles in the United States of America which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

ITEM 8. Financial Statements and Supplementary Data

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Eagle Financial Bancorp, Inc.**

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Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors and Audit Committee
Eagle Financial Bancorp, Inc.
Cincinnati, Ohio

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Eagle Financial Bancorp, Inc. (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, shareholders’ equity and cash flows for each of the years then ended, and the related notes (collectively, referred to as the “financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BKD, LLP

BKD, LLP

We have served as the Company’s auditor since 2012.

Cincinnati, Ohio
March 26, 2020

EAGLE FINANCIAL BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018
(Amounts in thousands, except share and per share data)

	December 31,	
	2019	2018
Assets		
Cash and due from banks	\$ 408	\$ 471
Federal Reserve Bank and Federal Home Loan Bank (FHLB) demand accounts . .	14,893	6,963
Cash and cash equivalents	15,301	7,434
Interest-bearing time deposits in other banks	2,988	3,486
Loans held for sale	6,390	1,827
Loans, net of allowance for loan losses of \$1,166 and \$1,187 for 2019 and 2018, respectively	106,568	113,317
Premises and equipment – at depreciated cost	4,062	4,210
FHLB stock – at cost	816	754
Foreclosed real estate held for sale, net	—	217
Bank-owned life insurance (BOLI)	2,005	1,958
FHLB lender risk account receivable	3,646	3,377
Accrued interest receivable	326	354
Deferred federal tax asset	77	—
Other assets	609	151
Total assets	<u>\$142,788</u>	<u>\$137,085</u>
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 5,967	\$ 5,878
Interest-bearing	106,024	100,491
Total deposits	111,991	106,369
Advances from borrowers for taxes and insurance	858	950
Accrued interest payable	2	1
Accrued supplemental retirement plans	1,518	1,301
Accrued federal income tax	9	182
Deferred federal tax liability	—	131
Other liabilities	507	377
Total liabilities	<u>114,885</u>	<u>109,311</u>
Shareholders' Equity		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value, 50,000,000 shares authorized at December 31, 2019 and 2018; issued 1,654,758 at December 31, 2019 and 2018; outstanding 1,594,658 and 1,649,758 at December 31, 2019 and 2018	16	16
Additional paid-in capital	14,165	14,758
Retained earnings	14,819	14,161
Unearned Employee Stock Ownership Plan (“ESOP”) shares	(1,097)	(1,161)
Total shareholders' equity	<u>27,903</u>	<u>27,774</u>
Total liabilities and shareholders' equity	<u>\$142,788</u>	<u>\$137,085</u>

See Notes to the Consolidated Financial Statements

EAGLE FINANCIAL BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31, 2019 and 2018

(Amounts in thousands, except share and per share data)

	2019	2018
Interest and Dividend Income		
Interest earned on loans	\$ 5,103	\$ 4,771
Dividends on FHLB stock	38	45
Other interest-earning deposits	262	230
Total interest and dividend income	5,403	5,046
Interest Expense		
Interest on deposits	1,105	770
Total interest expense	1,105	770
Net Interest Income	4,298	4,276
Provision for Loan Losses	—	99
Net Interest Income After Provision for Loan Losses	4,298	4,177
Noninterest Income		
Net gains on loan sales	2,386	1,496
Other service charges and fees	314	186
Income from BOLI	47	46
Other Income	28	4
Total noninterest income	2,775	1,732
Noninterest Expense		
Compensation and benefits	4,292	3,433
Occupancy and equipment, net	255	253
Data processing	317	304
Legal and professional services	359	388
FDIC premium expense	16	37
Foreclosed real estate impairments and expenses, net	21	14
Franchise and other taxes	222	219
Advertising	96	104
ATM processing expense	85	83
Charitable contribution expense	6	9
Other expenses	559	627
Total noninterest expense	6,228	5,471
Income Before Income Taxes	845	438
Income Taxes		
Current	395	278
Deferred	(208)	(184)
Total income taxes	187	94
Net Income and Comprehensive Income	\$ 658	\$ 344
Earnings per share – basic and diluted	\$ 0.43	\$ 0.23
Weighted-average shares outstanding – basic and diluted	1,475,876	1,493,608

See Notes to the Consolidated Financial Statements

EAGLE FINANCIAL BANCORP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2019 and 2018
(Amounts in thousands, except share and per share data)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Unearned ESOP Shares</u>	<u>Total</u>
Balance at January 1, 2018	\$16	\$14,730	\$13,817	\$(1,226)	\$27,337
Net income	—	—	344	—	344
ESOP shares earned	—	38	—	65	103
Stock based compensation expense	—	68	—	—	68
Repurchase of common stock	—	(78)	—	—	(78)
Balance at December 31, 2018	<u>\$16</u>	<u>\$14,758</u>	<u>\$14,161</u>	<u>\$(1,161)</u>	<u>\$27,774</u>
Net income	—	—	658	—	658
ESOP shares earned	—	38	—	64	102
Stock based compensation expense	—	246	—	—	246
Repurchase of common stock	—	(877)	—	—	(877)
Balance at December 31, 2019	<u><u>\$16</u></u>	<u><u>\$14,165</u></u>	<u><u>\$14,819</u></u>	<u><u>\$(1,097)</u></u>	<u><u>\$27,903</u></u>

See Notes to the Consolidated Financial Statements

EAGLE FINANCIAL BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018
(Amounts in thousands, except share and per share data)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Net income	\$ 658	\$ 344
Items not requiring (providing) cash:		
Depreciation and amortization	199	248
Proceeds on sale of loans in the secondary market	84,893	54,036
Loans originated for sale in the secondary market	(87,070)	(51,031)
Gain on sale of loans	(2,386)	(1,496)
Provision for loan losses	—	99
(Gain) loss on sale of foreclosed real estate	(28)	1
Deferred federal taxes	(208)	(184)
Increase in cash surrender value of BOLI	(47)	(46)
Stock based compensation expense	246	68
ESOP compensation expense	102	103
Changes in:		
FHLB lender risk account receivable	(269)	(209)
Accrued interest receivable	28	(67)
Other assets and prepaid federal income taxes	(458)	173
Accrued federal income taxes	(173)	182
Accrued supplemental retirement plans	217	222
Accrued expenses and other liabilities	131	20
Net cash flows (used in) provided by operating activities	<u>(4,165)</u>	<u>2,463</u>
Investing Activities		
Net decrease in interest-bearing time deposits in other banks	498	1,593
Net decrease (increase) in loans	6,751	(17,189)
Purchase of FHLB stock	(62)	(18)
Purchase of premises and equipment	(53)	(58)
Proceeds from sale of foreclosed real estate	245	45
Net cash provided by (used in) investing activities	<u>7,379</u>	<u>(15,627)</u>
Financing Activities		
Net increase in deposits	5,622	5,251
Repayment of FHLB advances	—	(9)
Repurchase of common stock	(877)	(78)
Net increase in advances from borrowers for taxes and insurance	(92)	84
Net cash provided by financing activities	<u>4,653</u>	<u>5,248</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>7,867</u>	<u>(7,916)</u>
Cash and Cash Equivalents, Beginning of Year	<u>7,434</u>	<u>15,350</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,301</u>	<u>\$ 7,434</u>
Supplemental Cash Flows Information:		
Interest paid	\$ 1,104	\$ 770
Income taxes paid	388	60
Transfers to foreclosed assets held for sale	—	263

See Notes to the Consolidated Financial Statements

EAGLE FINANCIAL BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Amounts in thousands, except share and per share data)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

Eagle Financial Bancorp, Inc. (the “Company”), a Maryland corporation and registered bank holding company, was formed on February 21, 2017 to become the bank holding company for Eagle Savings Bank (the “Bank”). The Bank, an Ohio chartered savings and loan association, completed its mutual-to-stock conversion on July 20, 2017. In connection with the Bank’s conversion, the Company acquired 100% ownership of the Bank and the Company offered and sold 1,572,808 shares of its common stock at \$10.00 per share, for gross offering proceeds of \$15,728. The cost of the conversion and issuance of common stock was approximately \$1,423, which was deducted from the gross offering proceeds. The Company also contributed 40,000 shares of its common stock and \$100 of cash to Eagle Savings Bank Charitable Foundation (the “Foundation”), a charitable foundation formed in connection with the Bank’s conversion. The Bank’s employee stock ownership plan (“ESOP”) purchased 129,024 shares of the common stock sold by the Company, which was 8% of the 1,612,808 shares of common stock issued by the Company, including the shares contributed to the Foundation. The ESOP purchased the shares using a loan from the Company. The Company contributed \$7,153 of the net proceeds from the offering to the Bank, loaned \$1,290 of the net proceeds to the ESOP, contributed \$100 to the Foundation and retained approximately \$5,763 of the net proceeds.

Following the Bank’s conversion, voting rights are held and exercised exclusively by the shareholders of the holding company. Deposit account holders continue to be insured by the FDIC. A liquidation account was established in an amount equal to the Bank’s total equity as of the latest balance sheet date in the final offering circular used in the conversion. Each eligible account holder or supplemental account holder are entitled to a proportionate share of this account (a “subaccount”) in the event of a complete liquidation of the Bank, and only in such event. The value of this subaccount is subject to an annual decrease based on decreases in the eligible account holder’s or supplemental account holder’s deposit balance, and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after conversion in the related deposit balance.

The Bank may not pay a dividend on its capital stock, if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements. In addition, the stock holding company is subject to certain laws and regulations that may restrict the payout of dividends by the holding company and the repurchase of its capital stock.

The Conversion was accounted for as a change in corporate form with the historic basis of the Bank’s assets, liabilities and equity unchanged as a result.

Basis of Presentation and Consolidation

The consolidated financial statements as of and for the year ended December 31, 2019 include Eagle Financial Bancorp, Inc. and its wholly-owned subsidiary, Eagle Savings Bank, together referred to as “the Company”. Intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* (“ASC 606”), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

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The majority of our revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as our loans, as well as revenue related to our mortgage banking activities, as these activities are subject to other GAAP discussed elsewhere within our disclosures.

Descriptions of our revenue-generating activities that are within the scope of ASC 606, which are presented in our income statements as components of non-interest income are as follows:

Other service charges and fees — these represent general service fees for monthly account maintenance and activity- or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, and fair values of financial instruments.

Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and interest-earning deposits in other financial institutions. The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

From time to time, the Bank's cash accounts may exceed the FDIC's insured limit of \$250. Management considers the risk of loss to be very low and management monitors the account balance and periodically assesses the financial condition of its correspondent banks. The Company had no funds in banks that exceeded federally insured limits at December 31, 2019. Funds of \$9,876 held at Federal Home Loan Bank, and \$4,651 at Federal Reserve Bank are not subject to FDIC insurance.

Interest-bearing Time Deposits in Other Banks

Interest-bearing time deposits in other banks mature within one year and are carried at cost.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for charge-offs, the allowance for

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loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Loan origination fees, net of certain direct origination costs are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six consecutive months.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on a historical three-year charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments related to changes in lending policies, changes in economic conditions, trends in volume and terms of loans, delinquency levels and trends, changes in value of underlying collateral and the effect of the concentrations of credit are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical losses or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest

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payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial real estate and land loans, multi-family loans, commercial loans, construction loans and troubled debt restructurings by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35 – 40 years
Furniture, fixtures and equipment	3 – 5 years

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No long-lived asset impairment was recognized during the years ended December 31, 2019 and 2018.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

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Foreclosed Real Estate Held for Sale, Net

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations of foreclosed real estate are included in noninterest expense.

Bank-owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Death benefit proceeds received in excess of the policy's cash surrender value are recognized to noninterest income. Investment returns on the bank-owned life insurance assets are added to the carrying value and included as non-interest income in the statement of income. Any receipt of benefit proceeds is recorded as a reduction of the carrying value of the bank-owned life insurance asset.

FHLB Lender Risk Account Receivable

Certain loan sales transactions with the FHLB of Cincinnati provide for establishment of a Lender Risk Account (LRA). The LRA consists of amounts withheld from loan sale proceeds by the FHLB for absorbing inherent losses that are probable on those sold loans. These withheld funds are an asset to the Company as they are scheduled to be paid to the Company in future years, net of any credit losses on those loans sold. The receivables are initially measured at fair value. The fair value is estimated by discounting the cash flows over the life of each master commitment contract. The accretable yield is amortized over the life of the master commitment contract. Expected cash flows are re-evaluated at each measurement date. If there is an adverse change in expected cash flows, the accretable yield would be adjusted on a prospective basis and the asset would be evaluated for impairment.

Accrued Interest Receivable

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accrued interest receivable was as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Loans	\$314	\$338
FHLB stock and other	<u>12</u>	<u>16</u>
	<u>\$326</u>	<u>\$354</u>

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Income Taxes

The Company accounts for income taxes in accordance with authoritative guidance (ASC 740, *Income Taxes*). The guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2016. At December 31, 2019 and 2018, the Company had no uncertain income tax positions.

Stock Options and Restricted Stock Awards Plan

The cost of employee services received in exchange for stock option grants is the grant-date fair value of the awards estimated using an option pricing model. The Company uses a Black-Scholes pricing model and related assumptions for estimating the fair value of stock option grants. The compensation costs for restricted stock awards is based on the market price of the Company's common stock at the date of grant multiplied by the number of shares granted. The impact of forfeitures on compensation cost is recognized in the period the award is forfeited. The estimated cost is recognized on a straight-line basis over the period the employee is required to provide services in exchange for the awards.

Revisions

Certain immaterial revisions have been made to the 2018 financial statements related to the presentation of common stock repurchased by the Company. These revisions did not have a significant impact on the financial statement line items impacted.

EAGLE FINANCIAL BANCORP, INC.

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Recently Adopted Accounting Pronouncements

ASU No. 2016-01 was issued in January 2016 and applies to all entities that hold financial assets or owe financial liabilities. ASU 2016-01 is intended to improve the recognition and measurement of financial instruments by requiring equity investments to be measured at fair value with changes in fair value recognized in net income; requiring public entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured and amortized at cost on the balance sheet; and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instruments specific credit risk when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 is effective for annual periods and interim periods within those periods, beginning after December 15, 2018. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company adopted ASU 2016-01 on January 1, 2019 and it did not have a material effect on its fair value disclosures and other disclosure requirements. These amendments did have an impact on certain items that were disclosed at fair value that did not utilize the exit price notion when measuring fair value. For additional information on fair value of assets and liabilities, see Note 16.

In May 2014, the FASB issued ASU No. 2014-09 “*Revenue from Contracts with Customers (Topic 606)*” (ASU 2014-09). This update to the ASC is the culmination of efforts by the FASB and the International Accounting Standards Board (IASB) to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 supersedes Topic 605 — Revenue Recognition and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 describes a 5-step process entities can apply to achieve the core principle of revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information. Originally, the amendments in ASU 2014-09 were effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and early application is not allowed. In July 2015, the FASB extended the implementation date to annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. Transitional guidance is included in the update. Earlier adoption is permitted only as of annual reporting periods beginning after December 31, 2016, including interim periods within that reporting period.

The Company’s revenue is comprised of net interest income, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. The Company has adopted ASU 2014-09 on January 1, 2019 and it did not identify any changes in the timing of revenue recognition when considering the amended accounting guidance. The Company included additional disclosures beginning in the first quarter of 2019 as required by the guidance.

Note 2: Earnings per Share

Basic earnings per common share (“EPS”) allocated to common shareholders is calculated using the two-class method and is computed by dividing net income allocated to common shareholders by the weighted average number of common shares outstanding during the period. Unallocated common shares held by the Company’s Employee Stock Ownership Plan (“the ESOP”) are shown as a reduction in shareholder’s

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equity and are excluded from weighted-average common shares outstanding for both basic and diluted EPS calculations until they are committed to be released. Diluted earnings per share is adjusted for the dilutive effects of stock-based compensation and is calculated using the two-class method or the treasury method. There were no dilutive effects at December 31, 2019 or 2018.

The computation for the years ended December 31, 2019 and December 31, 2018 are as follows:

	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Net Income	\$ 658	\$ 344
Less allocation of earnings to participating securities	17	2
Net income allocated to common shareholders	<u>\$ 641</u>	<u>\$ 342</u>
Shares Outstanding for basic earnings per common share:		
Weighted Average shares outstanding:	1,588,504	1,612,714
Less: Average Unearned ESOP shares:	<u>112,628</u>	<u>119,106</u>
Weighted average number of shares outstanding used in the calculation of basic earnings per common share	1,475,876	1,493,608
Basic earnings per common share:	\$ 0.43	\$ 0.23
Effect of dilutive securities:		
Stock Options	—	—
Weighted average number of shares outstanding used in the calculation of dilutive earnings per common share	1,475,876	1,493,608
Diluted earnings per common share:	<u>\$ 0.43</u>	<u>\$ 0.23</u>

Note 3: Loans and Allowance for Loan Losses

The composition of the loan portfolio at December 31, 2019 and 2018 was as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Residential mortgage loans	\$ 59,859	\$ 67,169
Commercial real estate and land loans	20,800	17,587
Home equity and other consumer	9,690	13,773
Residential construction loans	11,684	11,756
Residential mortgage loans, non-owner occupied	5,522	6,464
Multi-family real estate loans	1,065	1,185
Commercial loans	<u>5,921</u>	<u>6,041</u>
	114,541	123,975
Net deferred loan costs	4	14
Loans in process	(6,811)	(9,485)
Allowance for loan losses	<u>(1,166)</u>	<u>(1,187)</u>
Net loans	<u>\$106,568</u>	<u>\$113,317</u>

Loans serviced for the benefit of others at December 31, 2019 and 2018 amounted to \$1,633 and \$1,816, respectively. Loans in process relates to primarily residential mortgage loans.

Risk characteristics applicable to each segment of the loan portfolio are described as follows.

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Residential Mortgage Loans, including Construction Loans and Land Loans: The residential 1 – 4 family real estate loans and construction loans are generally secured by owner-occupied 1 – 4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Land loans are secured primarily by unimproved land for future residential use. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Residential Mortgage Loans, Non-Owner Occupied: One-to-four family, non-owner occupied loans carry greater inherent risks than one-to-four family, owner occupied loans, since the repayment ability of the borrower is generally reliant on the success of the income generated from the property.

Commercial Real Estate and Multi-Family Real Estate: Commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. Multi-family real estate loans are generally secured by apartment complexes.

These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Bank's market areas.

Commercial: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Home Equity and Other Consumer: The consumer loan portfolio consists of home equity loans and term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment of the home equity loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Repayment for term and line of credit loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

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The following tables present the activity in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2019 and 2018:

	Residential Mortgage Loans	Commercial Real Estate and Land Loans	Home Equity and Other Consumer	Residential Construction Loans	Residential Mortgage Loans Non-Owner Occupied	Multi-Family Real Estate Loans	Commercial Loans	Total
December 31, 2019								
Allowance for loan losses:								
Balance, beginning of year	\$ 409	\$ 260	\$ 313	\$ 128	\$ 42	\$ 14	\$ 21	\$ 1,187
Provision (credit) charged to expense	(30)	86	(50)	11	(15)	(1)	(1)	—
Losses charged off	—	—	(39)	—	—	—	—	(39)
Recoveries	15	—	1	—	2	—	—	18
Balance, end of year	<u>\$ 394</u>	<u>\$ 346</u>	<u>\$ 225</u>	<u>\$ 139</u>	<u>\$ 29</u>	<u>\$ 13</u>	<u>\$ 20</u>	<u>\$ 1,166</u>
Ending balance: individually evaluated for impairment	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11</u>
Ending balance: collectively evaluated for impairment	<u>\$ 383</u>	<u>\$ 346</u>	<u>\$ 225</u>	<u>\$ 139</u>	<u>\$ 29</u>	<u>\$ 13</u>	<u>\$ 20</u>	<u>\$ 1,155</u>
Loans:								
Ending balance	<u>\$59,859</u>	<u>\$20,800</u>	<u>\$9,690</u>	<u>\$11,684</u>	<u>\$5,522</u>	<u>\$1,065</u>	<u>\$5,921</u>	<u>\$114,541</u>
Ending balance: individually evaluated for impairment	<u>\$ 105</u>	<u>\$ —</u>	<u>\$ 39</u>	<u>\$ —</u>	<u>\$ 671</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 815</u>
Ending balance: collectively evaluated for impairment	<u>\$59,754</u>	<u>\$20,800</u>	<u>\$9,651</u>	<u>\$11,684</u>	<u>\$4,851</u>	<u>\$1,065</u>	<u>\$5,921</u>	<u>\$113,726</u>
December 31, 2018								
Allowance for loan losses:								
Balance, beginning of year	\$ 283	\$ 199	\$ 276	\$ 116	\$ 122	\$ 25	\$ 160	\$ 1,181
Provision (credit) charged to expense	146	129	44	12	(82)	(11)	(139)	99
Losses charged off	(35)	(68)	(7)	—	—	—	—	(110)
Recoveries	15	—	—	—	2	—	—	17
Balance, end of year	<u>\$ 409</u>	<u>\$ 260</u>	<u>\$ 313</u>	<u>\$ 128</u>	<u>\$ 42</u>	<u>\$ 14</u>	<u>\$ 21</u>	<u>\$ 1,187</u>
Ending balance: individually evaluated for impairment	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3</u>
Ending balance: collectively evaluated for impairment	<u>\$ 406</u>	<u>\$ 260</u>	<u>\$ 313</u>	<u>\$ 128</u>	<u>\$ 42</u>	<u>\$ 14</u>	<u>\$ 21</u>	<u>\$ 1,184</u>
Loans:								
Ending balance	<u>\$67,169</u>	<u>\$17,587</u>	<u>\$13,773</u>	<u>\$11,756</u>	<u>\$6,464</u>	<u>\$1,185</u>	<u>\$6,041</u>	<u>\$123,975</u>
Ending balance: individually evaluated for impairment	<u>\$ 74</u>	<u>\$ —</u>	<u>\$ 43</u>	<u>\$ —</u>	<u>\$ 190</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 307</u>
Ending balance: collectively evaluated for impairment	<u>\$67,095</u>	<u>\$17,587</u>	<u>\$13,730</u>	<u>\$11,756</u>	<u>\$6,274</u>	<u>\$1,185</u>	<u>\$6,041</u>	<u>\$123,668</u>

Internal Risk Categories

Loan grades are numbered 1 through 8. Grades 5 through 8 are considered satisfactory grades. The grade of 1, or Special Mention, represents loans of lower quality and is considered criticized. The grades of

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2, or Substandard, 3, or Doubtful, and 4, or Loss refer to assets that are classified. The use and application of these grades by the Company will be uniform and shall conform to the Bank's policy.

Special Mention (grade 1) assets have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (grade 2) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful (grade 3) loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (grade 4) loans classified as loss are considered uncollectible and of such little value that their continuance as assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

Satisfactory (grades 5 through 8) represent loans for which quality is considered to be satisfactory.

The following tables present the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>Residential Mortgage Loans</u>	<u>Commercial Real Estate and Land Loans</u>	<u>Home Equity and Other Consumer</u>	<u>Residential Construction Loans</u>	<u>Residential Mortgage Loans Non-Owner Occupied</u>	<u>Multi-Family Real Estate Loans</u>	<u>Commercial Loans</u>	<u>Total</u>
Rating								
Satisfactory (5 – 8)	\$59,395	\$20,611	\$9,566	\$11,684	\$5,033	\$1,065	\$5,773	\$113,127
Special mention ⁽¹⁾	—	—	—	—	—	—	—	—
Substandard ⁽²⁾	464	189	124	—	489	—	148	1,414
Doubtful ⁽³⁾	—	—	—	—	—	—	—	—
Loss ⁽⁴⁾	—	—	—	—	—	—	—	—
Total	<u>\$59,859</u>	<u>\$20,800</u>	<u>\$9,690</u>	<u>\$11,684</u>	<u>\$5,522</u>	<u>\$1,065</u>	<u>\$5,921</u>	<u>\$114,541</u>

<u>December 31, 2018</u>	<u>Residential Mortgage Loans</u>	<u>Commercial Real Estate and Land Loans</u>	<u>Home Equity and Other Consumer</u>	<u>Residential Construction Loans</u>	<u>Residential Mortgage Loans Non-Owner Occupied</u>	<u>Multi-Family Real Estate Loans</u>	<u>Commercial Loans</u>	<u>Total</u>
Rating								
Satisfactory (5 – 8)	\$66,074	\$17,390	\$13,552	\$11,756	\$6,442	\$1,185	\$5,868	\$122,267
Special mention ⁽¹⁾	—	—	—	—	—	—	—	—
Substandard ⁽²⁾	1,095	197	221	—	22	—	173	1,708
Doubtful ⁽³⁾	—	—	—	—	—	—	—	—
Loss ⁽⁴⁾	—	—	—	—	—	—	—	—
Total	<u>\$67,169</u>	<u>\$17,587</u>	<u>\$13,773</u>	<u>\$11,756</u>	<u>\$6,464</u>	<u>\$1,185</u>	<u>\$6,041</u>	<u>\$123,975</u>

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The following tables present the Company's loan portfolio aging analysis as of December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>30 – 59 Days Past Due</u>	<u>60 – 89 Days Past Due</u>	<u>90 Days Past Due or More</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded Investment 90 Days and Accruing</u>
Residential mortgage loans	\$75	\$—	\$364	\$439	\$ 59,420	\$ 59,859	\$ —
Commercial real estate and land loans	—	—	—	—	20,800	20,800	—
Home equity and other consumer	6	18	—	24	9,666	9,690	—
Residential construction loans	—	—	—	—	11,684	11,684	—
Residential mortgage loans, non-owner occupied	—	—	489	489	5,033	5,522	—
Multi-family real estate loans	—	—	—	—	1,065	1,065	—
Commercial loans	—	—	—	—	5,921	5,921	—
Total	<u>\$81</u>	<u>\$18</u>	<u>\$853</u>	<u>\$952</u>	<u>\$113,589</u>	<u>\$114,541</u>	<u>\$ —</u>

<u>December 31, 2018</u>	<u>30 – 59 Days Past Due</u>	<u>60 – 89 Days Past Due</u>	<u>90 Days Past Due or More</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded Investment 90 Days and Accruing</u>
Residential mortgage loans	\$ 86	\$—	\$362	\$ 448	\$ 66,721	\$ 67,169	\$ —
Commercial real estate and land loans	—	—	—	—	17,587	17,587	—
Home equity and other consumer	37	18	71	126	13,647	13,773	—
Residential construction loans	—	—	—	—	11,756	11,756	—
Residential mortgage loans, non-owner occupied	493	—	—	493	5,971	6,464	—
Multi-family real estate loans	—	—	—	—	1,185	1,185	—
Commercial loans	125	—	—	125	5,916	6,041	—
Total	<u>\$741</u>	<u>\$18</u>	<u>\$433</u>	<u>\$1,192</u>	<u>\$122,783</u>	<u>\$123,975</u>	<u>\$ —</u>

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan.

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The following tables present impaired loans as of December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>Recorded Balance</u>	<u>Unpaid Principal Balance</u>	<u>Allocated Allowance</u>	<u>Average Investment in Impaired Loans</u>	<u>Interest Income Recognized</u>
Loans without an allocated allowance:					
Residential mortgage loans	\$ 71	\$ 71	\$—	\$ 73	\$ 4
Commercial real estate and land loans . .	—	—	—	—	—
Home equity and other consumer	39	39	—	41	2
Residential construction loans	—	—	—	—	—
Residential mortgage loans, non-owner occupied	671	671	—	307	19
Multi-family real estate loans	—	—	—	—	—
Commercial loans	—	—	—	—	—
Loans with an allocated allowance:					
Residential mortgage loans	34	34	11	8	1
Commercial real estate and land loans . .	—	—	—	—	—
Home equity and other consumer	—	—	—	—	—
Residential construction loans	—	—	—	—	—
Residential mortgage loans, non-owner occupied	—	—	—	—	—
Multi-family real estate loans	—	—	—	—	—
Commercial loans	—	—	—	—	—
Total	<u>\$815</u>	<u>\$815</u>	<u>\$11</u>	<u>\$429</u>	<u>\$26</u>
<u>December 31, 2018</u>	<u>Recorded Balance</u>	<u>Unpaid Principal Balance</u>	<u>Allocated Allowance</u>	<u>Average Investment in Impaired Loans</u>	<u>Interest Income Recognized</u>
Loans without an allocated allowance:					
Residential mortgage loans	\$ —	\$ —	\$—	\$ —	\$—
Commercial real estate and land loans . .	—	—	—	108	—
Home equity and other consumer	43	43	—	36	1
Residential construction loans	—	—	—	—	—
Residential mortgage loans, non-owner occupied	190	190	—	192	10
Multi-family real estate loans	—	—	—	—	—
Commercial loans	—	—	—	125	9
Loans with an allocated allowance:					
Residential mortgage loans	74	74	3	103	4
Commercial real estate and land loans . .	—	—	—	—	—
Home equity and other consumer	—	—	—	—	—
Residential construction loans	—	—	—	—	—
Residential mortgage loans, non-owner occupied	—	—	—	—	—
Multi-family real estate loans	—	—	—	—	—
Commercial loans	—	—	—	—	—
Total	<u>\$307</u>	<u>\$307</u>	<u>\$ 3</u>	<u>\$564</u>	<u>\$24</u>

Interest income recognized is not materially different than interest income that would have been recognized on a cash basis.

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The following table presents the Company's nonaccrual loans at December 31, 2019 and 2018. This table excludes performing troubled debt restructurings.

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Residential mortgage loans	\$364	\$362
Commercial real estate and land loans	—	—
Home equity and other consumer	—	71
Residential construction loans	—	—
Residential mortgage loans, non-owner occupied	489	—
Multi-family real estate loans	—	—
Commercial loans	—	—
Total	<u>\$853</u>	<u>\$433</u>

Following is a summary of troubled debt restructurings at December 31, 2019 and 2018:

	<u>Number of Contracts</u>	<u>Recorded Investment</u>
At December 31, 2019		
Residential mortgage loans	1	\$ 71
Commercial real estate and land loans	—	—
Home equity and other consumer	2	39
Residential construction loans	—	—
Residential mortgage loans, non-owner occupied	4	182
Multi-family real estate loans	—	—
Commercial loans	—	—
	<u>7</u>	<u>\$292</u>
At December 31, 2018		
Residential mortgage loans	1	\$ 74
Commercial real estate and land loans	—	—
Home equity and other consumer	2	43
Residential construction loans	—	—
Residential mortgage loans, non-owner occupied	4	190
Multi-family real estate loans	—	—
Commercial loans	—	—
	<u>7</u>	<u>\$307</u>

As of December 31, 2019, the Company had total troubled debt restructurings of \$292. There were five residential mortgage loans and residential non-owner occupied loans totaling \$253 in troubled debt restructurings with the largest totaling \$71. The remaining \$39 in troubled debt restructurings consisted of two home equity with loans. As of December 31, 2018, the Company had total troubled debt restructurings of \$307. There were five residential mortgage loans and residential non-owner occupied loans totaling \$264 in troubled debt restructurings with the largest totaling \$74. The remaining \$43 in troubled debt restructurings consisted of two home equity loans. These loans were modified due to short term concessions. The Company made no commitments to lend additional funds to these debtors owing receivables whose terms have been modified in troubled debt restructurings.

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During the years ended December 31, 2019 and 2018 there were no loans modified as troubled debt restructurings.

Loans to executive officers, directors and their affiliates of the Company for the years ended December 31, 2018 and 2017 are summarized as follows:

	December 31,	
	2019	2018
Balance, beginning of year	\$ 79	\$ 89
Loan disbursements	—	—
Principal repayments	(20)	(10)
Balance, end of year	\$ 59	\$ 79

At December 31, 2019 and 2018, there was an additional \$50 and \$33 in available credit on loans to executive officers, directors and their affiliates.

In management's opinion, such loans and other extensions of credit were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, at December 31, 2019 and 2018, are as follows:

	December 31,	
	2019	2018
Land	\$1,169	\$1,169
Buildings and improvements	3,629	3,629
Furniture, fixtures and equipment	1,865	1,812
	6,663	6,610
Less accumulated depreciation	2,601	2,400
Net premises and equipment	\$4,062	\$4,210

Depreciation expense for the years ended December 31, 2019 and 2018 was \$201 and \$209, respectively.

Note 5: FHLB Lender Risk Account (LRA) Receivable

The Company has an established LRA with the FHLB of Cincinnati consisting of amounts withheld from loan sale proceeds by the FHLB for absorbing inherent losses that are probable on sold loans. The funds withheld to settle these inherent losses that are probable totaled \$6,191 and \$5,881 at December 31, 2019 and 2018, respectively; however, these receivables are recorded at fair value at the time of sale, which includes consideration for inherent losses that are probable. In the event that the credit losses do not exceed the withheld funds, the LRA agreements provide for payment of these funds from the FHLB to the Company in 26 annual installments, beginning five years after the sale date. The carrying value of the LRA totaled \$3,646 and \$3,377 at December 31, 2019 and 2018, respectively. The Company had mandatory delivery contracts outstanding of \$6.7 million at December 31, 2019.

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Note 6: Foreclosed Real Estate Held for Sale, Net

Foreclosed real estate held for sale, net is summarized as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Commercial real estate	\$ —	\$127
Owner-occupied residential real estate	—	90
	<u>\$ —</u>	<u>\$217</u>

At December 31, 2019, there was no foreclosed real estate. At December 31, 2018 foreclosed real estate included one owner-occupied residential property totaling \$90, and one commercial real estate property totaling \$127.

Activity in foreclosed real estate held for sale, net is summarized as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 217	\$ —
Foreclosures	—	263
Proceeds from sale	(245)	(45)
Loans to facilitate sales	—	—
Impairment	—	—
Gain (loss) on sale	28	(1)
Balance, end of year	<u>\$ —</u>	<u>\$217</u>

The Company had two loans in the process of foreclosure totaling \$523 at December 31, 2019.

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Note 7: Deposits

Deposits are summarized as follows:

Description and weighted-average interest rates:

	December 31,	
	2019	2018
Non-interest bearing checking accounts		
2019 – 0.00%	\$ 5,967	
2018 – 0.00%		\$ 5,878
Interest bearing checking accounts		
2019 – 0.18%	20,786	
2018 – 0.16%		19,909
Savings accounts		
2019 – 0.14%	17,313	
2018 – 0.14%		17,010
Money market demand accounts		
2019 – 0.63%	20,356	
2018 – 0.22%		17,074
Total checking, savings and money market deposits	64,422	59,871
Certificates of deposits		
0.00 – 0.99%	2,410	5,506
1.00 – 1.99%	19,431	31,681
2.00 – 2.99%	24,860	9,311
3.00 – 3.99%	868	—
Total certificates – average rate 2.07% and 1.72%	47,569	46,498
Total deposits – average rate 1.07% and 0.85%	\$111,991	\$106,369

At December 31, 2019, the scheduled maturities of certificates of deposits are summarized as follows:

	December 31,
	2019
2020	\$26,409
2021	11,091
2022	5,052
2023	998
2024	4,019
	\$47,569

Certificates of deposits in denominations of \$250 or more were \$5,018 and \$4,491 at December 31, 2019 and 2018, respectively. There were no brokered deposits at December 31, 2019 and 2018. Under the Federal Deposit Insurance Act and the FDIC’s implementing regulations, \$250 is the standard maximum deposit insurance amount for deposits in an insured depository institution that are maintained in the same ownership right and capacity. Deposits maintained in different rights and capacities are insured separately from each other.

Deposits from executive officers, directors and affiliates held by the Bank at December 31, 2019 and 2018 totaled \$576 and \$866, respectively.

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Interest expense on deposits is summarized as follows:

	Years Ended December 31,	
	2019	2018
Checking accounts	\$ 33	\$ 28
Savings accounts	24	25
Money market demand accounts	91	42
Certificates of deposits	957	675
	\$1,105	\$770

Note 8: FHLB Advances

The Bank had no advances from the Federal Home Loan Bank at December, 31 2019 and 2018. At December 31, 2019, the Bank had an additional \$48.8 million of available borrowing capacity.

At both December 31, 2019 and 2018, the Bank had an unused line of credit with the Federal Home Loan Bank of \$10,000.

Note 9: Income Taxes

The provision for income taxes includes these components:

	Years Ended December 31,	
	2019	2018
Federal taxes currently payable	\$ 395	\$ 278
Federal deferred income taxes	(208)	(184)
Federal income tax expense	\$ 187	\$ 94

In lieu of state income taxes, the Company pays a franchise tax. Franchise taxes for 2019 and 2018 were \$222 and \$219, respectively.

A reconciliation of federal income tax expense at the statutory rate to the Company's actual federal income tax expense is shown below:

	Years Ended December 31,	
	2019	2018
Computed at the statutory rate of 21%	\$177	\$ 92
Increase (decrease) resulting from		
Tax-exempt BOLI income	(10)	(10)
Incentive Stock Options	16	4
ESOP	7	13
Other	(3)	(5)
Actual federal income tax expense	\$187	\$ 94

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The tax effects of temporary differences related to the deferred federal tax asset (liability) shown on the balance sheets were:

	December 31,	
	2019	2018
Deferred tax assets		
Allowance for loan losses	\$ 245	\$ 249
Deferred compensation	282	237
Charitable contributions	20	66
Non-Incentive Stock Options	10	2
Other assets	33	6
	<u>590</u>	<u>560</u>
Deferred tax liabilities		
FHLB stock basis difference	(87)	(87)
Depreciation	(92)	(103)
Restricted stock and 83B elections	(1)	(2)
FHLB lender risk account receivable	(333)	(499)
	<u>(513)</u>	<u>(691)</u>
Net deferred federal tax asset (liability)	<u>\$ 77</u>	<u>\$(131)</u>

Retained earnings at December 31, 2019 and 2018, includes approximately \$577, for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred federal income tax liabilities on the preceding amount that would have been recorded if they were expected to reverse into taxable income in the foreseeable future was approximately \$117 and \$121 at December 31, 2019 and 2018.

Note 10: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under United States Generally Accepted Accounting Principles, regulatory reporting requirements and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulatory reporting standards, to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total capital (as defined), Tier I capital (as defined) and common equity Tier I capital (as defined) to risk-weighted assets (as defined) and Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2019 and 2018, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2019 and 2018, the most recent notification from the Bank's regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized

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as well capitalized, the Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier 1 risk-based capital and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

In addition to the minimum capital ratios, the Bank must maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonuses.

As a result of the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Act"), banking regulatory agencies including the Federal Reserve Board must establish for institutions with less than \$10 billion of assets a "community bank leverage ratio" of tangible equity capital to total average consolidated assets of between 8 to 10%. Institutions with capital meeting the specified requirement and electing to follow the alternative regulatory capital structure will be considered to comply with the applicable regulatory capital requirements, including the risk-based requirements. The establishment of the community bank leverage ratio is subject to notice and comment rulemaking by the federal regulators and the agencies issued a proposed rule in February 2019 that would set the "community bank leverage ratio" at 9%.

In addition, as a result of the Act, the Federal Reserve Board has amended its small bank holding company and savings and loan holding company policy statement to provide that holding companies with consolidated assets of less than \$3 billion that are (i) not engaged in significant nonbanking activities, (ii) do not conduct significant off-balance sheet activities, and (3) do not have a material amount of SEC-registered debt or equity securities, other than trust preferred securities, that contribute to an organization's complexity, are not subject to consolidated regulatory capital requirements.

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The Bank's actual capital amounts and ratios are presented in the following tables (minimum capital requirements exclude the capital conservation buffer):

	<u>Actual</u>		<u>Minimum Capital Requirement</u>		<u>Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
As of December 31, 2019:						
Equity	\$22,013					
Allowance for loan losses	1,166					
Total risk-based capital (to risk-weighted assets)	<u>\$23,179</u>	17.2%	\$10,809	8.0%	\$13,511	10.0%
Tier I capital (to risk-weighted assets)	22,013	16.3%	8,107	6.0%	10,809	8.0%
Common equity Tier I capital (to risk-weighted assets)	22,013	16.3%	6,080	4.5%	8,782	6.5%
Tier I capital (to adjusted total assets)	22,013	15.4%	5,709	4.0%	7,136	5.0%
	<u>Actual</u>		<u>Minimum Capital Requirement</u>		<u>Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
As of December 31, 2018:						
Equity	\$20,849					
Allowance for loan losses	1,187					
Total risk-based capital (to risk-weighted assets)	<u>\$22,036</u>	16.9%	\$10,459	8.0%	\$13,074	10.0%
Tier I capital (to risk-weighted assets)	20,849	15.9%	7,844	6.0%	10,459	8.0%
Common equity Tier I capital (to risk-weighted assets)	20,849	15.9%	5,883	4.5%	8,498	6.5%
Tier I capital (to adjusted total assets)	20,849	15.2%	5,495	4.0%	6,868	5.0%

Note 11: Employee Benefits

The Company has supplemental retirement plans for directors, certain senior officers and key employees. Participants in the directors plan, shall be fully vested upon retirement and will receive an annual benefit for five years equal to \$1 for each year of service provided by the director to the Company. Participants in the plan for certain senior officers and key employees, upon retirement, will receive annually, for fifteen years, 45% of their final three-year annual base salary amount average. The plans are uniquely designed for each participant. The charge to expense for 2019 and 2018 for both plans was approximately \$218 and \$222, respectively. Such charges reflect the straight-line accrual over the period until full eligibility date at normal retirement of 66 years of age of the present value of benefits due each participant, using a 5% discount factor at both December 31, 2019 and December 31, 2018. The resulting liability at December 31, 2019 and 2018 for both plans was approximately \$1,518 and \$1,301, respectively. The Company purchased life insurance on the participants. The cash surrender value of such insurance was \$2,005 and \$1,958 at December 31, 2019 and 2018, respectively.

The Bank has a 401(k) profit-sharing plan covering substantially all employees who have attained the age of 21 and have completed one year of eligibility service. The Company may, in its sole discretion, make a matched employee contribution during the plan year in an amount as determined by the Company. The Internal Revenue Code may also further restrict matching contributions for highly compensated employees. The Company may, in its sole discretion, make a Profit Sharing Contribution to the Profit Sharing Plan.

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Employees will be eligible to receive an allocation if they have completed at least 1000 hours of service during the Plan Year and are employed by the Company on the last day of the Plan Year. Profit Sharing Contributions will be allocated to the Profit Sharing Contribution Accounts of each Participant eligible to share in such allocation after the end of the Plan Year. The Company's contributions to the plan are determined annually by the Board of Directors. Contributions to the plan were \$95 and \$65 for the years ended December 31, 2019 and 2018, respectively.

Note 12: Equity Incentive Plan

In September 2018, the Company's stockholders approved the Eagle Financial Bancorp, Inc. 2018 Equity Incentive Plan (the "2018 Plan"). The 2018 Plan authorizes the issuance or delivery to participants of up to 225,792 shares of the Company's common stock pursuant to the grants of restricted stock awards, incentive stock options, and non-qualified stock options. Of this number, the maximum number of shares of Company common stock that may be issued under the 2018 Plan pursuant to the exercise of stock options is 161,280 shares and the maximum number of shares of Company common stock that may be issued as restricted stock awards is 64,512 shares. Stock options awarded to employees may be incentive stock options or non-qualified stock options. Shares awarded under the 2018 Plan may be authorized but unissued shares or treasury shares. The 2018 Plan contains annual and lifetime limits on certain types of awards to individual participants.

Awards may vest or become exercisable only upon the achievement of performance measures or based solely on the passage of time after award. Stock options and restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the 2018 Plan).

In September 2018, the Company granted stock options for 32,255 shares to members of the Board of Directors. Awards under the Plan were granted with a vesting rate not exceeding twenty percent (20%) per year for five years. Options granted in September 2018 have an exercise price \$15.89, as determined on the grant date and expire ten years from the grant date.

The fair value was calculated using the Black-Scholes model for stock options granted in September 2018 using the following assumptions: expected volatility of 24.56%, a risk free interest rate of 3.01%, and an expected term of 7.5 years. The Company utilized the simplified method to determine the expected term because it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

The weighted average grant-date fair value of options granted in September 2018 was \$5.57 per share.

In October 2018, the Company granted stock options for 69,356 shares to Executive Officers of the Company. Awards under the Plan were granted with a vesting rate not exceeding twenty percent (20%) per year for five years. Options granted in October 2018 have an exercise price \$15.75, as determined on the grant date and expire ten years from the grant date.

The fair value was calculated using the Black-Scholes model for stock options granted in September 2018 using the following assumptions: expected volatility of 24.63%, a risk free interest rate of 3.14%, and an expected term of 7.5 years. The Company utilized the simplified method to determine the expected term because it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

The weighted average grant-date fair value of options granted in October 2018 was \$5.59 per share.

At December 31, 2019, 6,450 of the stock options granted to the Board of Directors were exercisable at an average price of \$15.89, and 13,871 of the stock options granted to the Executive Officers were exercisable at an average price of \$15.75. At December 31, 2019, no stock options were exercised.

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The table below represents the stock option activity for the period shown:

	<u>Options</u>	<u>Weighted-Average Exercise Price</u>	<u>Remaining Contractual Life (Years)</u>
Options outstanding at January 1, 2019	101,611	\$15.79	4.7
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Expired	—	—	—
Options outstanding at December 31, 2019	<u>101,611</u>	<u>\$15.79</u>	<u>3.7</u>
Options Exercisable at December 31, 2019	<u>20,321</u>	<u>\$15.79</u>	<u>3.7</u>
Options outstanding at January 1, 2018	—	\$ —	
Granted	101,611	15.79	5.0
Exercised	—	—	
Forfeited	—	—	
Expired	—	—	
Options outstanding at December 31, 2018	<u>101,611</u>	<u>15.79</u>	<u>4.7</u>
Options Exercisable at December 31, 2018	<u>—</u>	<u>—</u>	<u>—</u>

In September 2018, the Company awarded 12,900 restricted shares to members of the Board of Directors. The restricted stock awards have a five year vesting period. During the restricted period, the holder is entitled to full voting rights and dividends, thus are considered participating securities. At December 31, 2019, 2,580 restricted shares awarded to the Board of Directors were vested.

In October 2018, the Company awarded 29,050 restricted shares to Executive Officers and other employees of the Company. The restricted stock awards have a five year vesting period. During the restricted period, the holder is entitled to full voting rights and dividends, thus are considered participating securities. At December 31, 2019, 5,810 restricted shares awarded to Executive Officers were vested.

The table below presents the restricted stock activity for the period shown:

	<u>Restricted stock awards</u>	<u>Weighted-Average grant date fair value</u>
Non-vested at January 1, 2019	41,950	\$15.79
Granted	—	—
Vested	8,390	15.95
Forfeited	—	—
Non-vested at December 31, 2019	<u>33,560</u>	<u>\$15.79</u>

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	Restricted stock awards	Weighted-Average grant date fair value
Non-vested at January 1, 2018	—	\$ —
Granted	41,950	15.79
Vested	—	—
Forfeited	—	—
Non-vested at December 31, 2018	41,950	\$15.79

Total compensation cost recognized in the income statement for share-based payment arrangements during 2019 was \$246.

As of December 31, 2019, there was approximately \$916 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a remaining weighted-average period of 3.7 years.

Note 13: Employee Stock Ownership Plan

In connection with the conversion to an entity owned by stockholders, the Company established an Employee Stock Ownership Plan (“ESOP”) for the exclusive benefit of eligible employees. The ESOP borrowed funds from the Company in an amount sufficient to purchase 129,024 shares (approximately 8.0% of the common stock sold in the stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Company and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, then the remainder will be applied to principal. The loan is expected to be repaid over a period of up to 20 years. Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants. Participants will vest in their accrued benefits under the ESOP at the rate of 20 percent per year after two years of service. Vesting is accelerated upon retirement, death or disability of the participant, or a change in control of the Company. Forfeitures will be reallocated to remaining participants. Benefits may be payable upon retirement, death, disability, separation of service, or termination of the ESOP.

The debt of the ESOP is eliminated in consolidation. Contributions to the ESOP shall be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, the Company reports the compensation expense equal to the average market price of the shares for the respective period, and the shares become outstanding for earnings per share computations. Dividends on unallocated ESOP shares, if any, are recorded as a reduction of debt and accrued interest. ESOP compensation was \$102 for the years ended December 31, 2019 and 2018.

A summary of the ESOP shares as of December 31 are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Shares released to participants	6,451	6,451
Shares allocated to participants	12,902	6,451
Unreleased shares	109,671	116,122
Total	129,024	129,024
Fair Value of unreleased shares	\$1,738,285	\$1,761,571

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In the event the ESOP is unable to satisfy the obligation to repurchase the shares held by each beneficiary upon the beneficiary's termination or retirement, the Company is obligated to repurchase the shares. In addition, there are no outstanding shares held by former employees that are subject to an ESOP related repurchase option.

Note 14: Operating Leases (Lessee)

The Company has a noncancellable operating lease for a branch that expires in 2020. The remaining future minimum lease payments for 2020 are \$32. Rental expense for this lease was \$45, and \$44 for both years ended December 31, 2019 and 2018.

Note 15: Operating Leases (Lessor)

The Company has entered into agreements as lessor for office space for its main corporate building. The leases all have an initial term of five years with options to renew at various terms. Rental income for these leases, included in occupancy and equipment, net of noninterest expense, was approximately \$178 and \$177 for the years ended December 31, 2019 and 2018, respectively.

Future minimum payments to be received at December 31, 2019 are:

2020	114
2021	63
2022	30
Total minimum lease receipts	<u>\$207</u>

Note 16: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Nonrecurring Measurements

The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Impaired loans (collateral dependent)	\$105	\$ —	\$ —	\$105

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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Impaired loans (collateral dependent)	\$71	\$ —	\$ —	\$71

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-dependent Impaired Loans, Net of ALLL

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy. The Bank considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary. Appraisals are reviewed for accuracy and consistency by the lending department. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by comparison to historical results.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements.

	Fair Value at 12/31/2019	Valuation Technique	Unobservable Inputs	Range
Impaired loans (collateral dependent) . . .	\$105	Market comparable properties	Marketability discount	10% – 15%
	Fair Value at 12/31/2018	Valuation Technique	Unobservable Inputs	Range
Impaired loans (collateral dependent)	\$71	Market comparable properties	Marketability discount	10% – 15%

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheet at amounts other than fair value.

Cash and Cash Equivalents and Interest-bearing Time Deposits in other Banks

The carrying amount approximates fair value.

Loans Held For Sale

The carrying amount approximates fair value due to the insignificant time between origination and date of sale. The carrying amount is the amount funded.

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Loans

The estimated fair value of loans as of December 31, 2019 follows the guidance in ASU 2016-01, which prescribes an “exit price” approach in estimating and disclosing fair value of financial instruments. The fair value calculation at that date discounted estimated future cash flows using rates that incorporated discounts for credit, liquidity and marketability factors. The fair value estimate shown as of December 31, 2018 used an “entry price” approach. The fair value calculation for that date discounted estimated future cash flows using the market rates at which similar notes would be made to borrowers with similar credit ratings and for the same remaining maturities. The market rates used are based on current rates the Bank would impose for similar loans and reflect a market participant assumption about risks associated with nonperformance, illiquidity, and the structure and term of the loans along with local economic and market conditions. Consequently, the fair value disclosures for December 31, 2019 and December 31, 2018 are not directly comparable.

FHLB Stock

Fair value is estimated at book value due to restrictions that limit the sale or transfer of such securities.

FHLB Lender Risk Account Receivable

The fair value of the Federal Home Loan Bank lender risk account receivable is estimated by discounting the estimated remaining cash flows of each strata of the receivable at current rates applicable to each strata for the same remaining maturities.

Accrued Interest Receivable and Payable

The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance and last payment date.

Deposits

Fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The market rates used were obtained from a knowledgeable independent third party and reviewed by the Company. The rates were the average of current rates offered by local competitors of the Company.

The estimated fair value of checking, NOW, savings and money market deposits is the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

FHLB Advances

Fair value is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by FHLB.

Advances from Borrowers for Taxes and Insurance

The carrying amount approximates fair value.

Commitments to Originate Loans, Forward Sale Commitments, Letters of Credit and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of commitments

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to sell securities is estimated based on current market prices for securities of similar terms and credit quality. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. At December 31, 2019 and 2018, the fair value of such commitments was not material.

The following tables present estimated fair values of the Company's financial instruments at December 31, 2019 and 2018.

<u>December 31, 2019</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
			<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Financial Assets					
Cash and cash equivalents	\$ 15,301	\$ 15,301	\$15,301	\$ —	\$ —
Interest-bearing time deposits	2,988	2,988	2,988	—	—
Loans held for sale	6,390	6,390	—	—	6,390
Loans, net of allowance for losses	106,568	107,360	—	—	107,360
FHLB stock	816	816	—	816	—
FHLB lender risk account receivable	3,646	3,805	—	—	3,805
Interest receivable	326	326	—	326	—
Financial Liabilities					
Deposits	111,991	112,197	64,423	47,774	—
Advances from borrowers for taxes and insurance	858	858	—	858	—
Interest payable	2	2	—	2	—
<u>December 31, 2018</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
			<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Financial Assets					
Cash and cash equivalents	\$ 7,434	\$ 7,434	\$ 7,434	\$ —	\$ —
Interest-bearing time deposits	3,486	3,486	3,486	—	—
Loans held for sale	1,827	1,827	—	—	1,827
Loans, net of allowance for losses	113,317	114,248	—	—	114,248
FHLB stock	754	754	—	754	—
FHLB lender risk account receivable	3,377	3,294	—	—	3,294
Interest receivable	354	354	—	354	—
Financial Liabilities					
Deposits	106,369	105,829	59,872	45,957	—
FHLB advances	—	—	—	—	—
Advances from borrowers for taxes and insurance	950	950	—	950	—
Interest payable	1	1	—	1	—

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Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in Note 3 regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk.

At December 31, 2019 and 2018, the Company held \$20,800 and \$17,587, respectively, in commercial real estate and land loans collateralized by commercial real estate and land in the Cincinnati geographic area. The accompanying financial statements have been prepared using values and information currently available to the Company.

Note 18: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At December 31, 2019 and 2018, the Bank had no loans approved but yet to close. At December 31, 2019 and 2018, the Company had undisbursed loans in process of \$6,811 with interest rate ranges of 3.875% — 4.875% and \$9,485 with interest rate ranges of 3.125% — 5.730%, respectively.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

Lines of credit at December 31, 2019 were as follows:

Unused lines of credit	\$ 4,659
Standby letters of credit	—
Unused home equity lines	10,850
Total commitments	<u>\$15,509</u>

Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Company. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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Note 19: Recent Accounting Pronouncements

Eagle Financial Bancorp, Inc. is an “emerging growth company. As an “emerging growth company”, we have elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

In February 2016, the FASB issued ASU No. 2016-02 “Leases (Topic 842).” ASU 2016-02 establishes a right of use model that requires a lessee to record a right of use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. A lease will be treated as sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn’t convey risks and rewards or control, an operating lease results. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. On October 16, 2019 FASB voted to delay implementation of ASU No. 2016-02 “Leases (Topic 842).” Nonpublic business entities should now apply the amendments for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients available. The impact is not expected to have a material effect on the Company’s financial position or results of operations since the Company does not have a material amount of lease agreements. The Company is continuing to evaluate the amendments and will subsequently implement new processes to comply with the ASU. In addition, the Company will change its current accounting practice to comply with the amendments and such changes as mentioned above.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments — Credit Losses (Topic 326) — Measurement of Credit Losses on Financial Instruments.” The provisions of ASU 2016-13 were issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to-maturity debt securities, trade and other receivables, net investment in leases and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The amendments in ASU 2016-13 eliminate the probable incurred loss recognition in current GAAP and reflect an entity’s current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the financial assets. For public business entities that are U.S. Securities and Exchange Commission (SEC) filers, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. On October 16, 2019 FASB voted to delay implementation of ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326) -Measurement of Credit Losses on Financial Instruments.” For all other entities, the amendments are now effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company continues to evaluate the impact of these amendments to the Company’s financial position and results of operations and currently does not know or cannot reasonably quantify the impact of the adoption of the amendments as a result of the

EAGLE FINANCIAL BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Amounts in thousands, except share and per share data)

complexity and extensive changes from the amendments. The Allowance for Loan Losses (ALL) estimate is material to the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the ALL at the adoption date. The Company is anticipating a significant change in processes and procedures to calculate the ALL, including changes in assumptions and estimates to consider the expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. In addition, the current accounting policy and procedures for the other-than temporary impairment on available-for-sale securities will be replaced with an allowance approach. The Company has continued developing processes during the fourth quarter of 2019. Management continues to focus its attention on collecting historical loan loss data, loan level data, and evaluating data capabilities to ensure it is fully compliant with the amendments at adoption date. For additional information on the allowance for loan losses, see Note 3.

In August 2016, the FASB issued ASU No. 2016-15 “Statement of Cash Flows (Topic 230) — Classification of Certain Cash Receipts and Cash Payments.” ASU 2016-15 provides cash flow statement classification guidance for certain transactions including how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. ASU 2016-15 did not have a significant impact on the Company’s accounting and disclosures.

In November 2016, the FASB issued ASU No. 2016-18 “Statement of Cash Flows (Topic 230) — Restricted Cash.” ASU 2016-18 provides amendments to cash flow statement classification and presentation to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The amendments should be applied using a retrospective transition method to each period presented. ASU 2016-18 did not have a significant impact on the Company’s accounting and disclosures.

EAGLE FINANCIAL BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Amounts in thousands, except share and per share data)

Note 20: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to the financial position, results of operations and cash flows of the company:

Condensed Balance Sheet

	2019	2018
Assets		
Cash	\$ 4,658	\$ 5,616
Prepaid expenses	—	—
Loan receivable – ESOP	1,132	1,177
Investment in Eagle Savings Bank	22,013	20,849
Deferred federal income tax	20	66
Prepaid federal income tax	92	66
Total assets	<u>\$27,915</u>	<u>\$27,774</u>
Liabilities and Shareholders' Equity		
Liabilities		
Total liabilities	\$ 12	\$ —
Shareholder' Equity		
Total shareholders' equity	27,903	27,774
Total liabilities and shareholders' equity	<u>\$27,915</u>	<u>\$27,774</u>

Condensed Statement of Income and Comprehensive Income

	2019	2018
Income		
Interest Income – ESOP	50	52
Equity in earnings of Eagle Savings Bank	816	481
Total income	<u>866</u>	<u>533</u>
Expense		
Legal and professional services	142	77
Other expense	110	148
Total expense	<u>252</u>	<u>225</u>
Earnings before federal income tax benefit	614	308
Federal income tax benefit	(44)	(36)
Net Income and Comprehensive Income	<u>\$658</u>	<u>\$344</u>

EAGLE FINANCIAL BANCORP, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018
(Amounts in thousands, except share and per share data)

Condensed Statement of Cash Flows

	<u>2019</u>	<u>2018</u>
Operating Activities		
Net income	\$ 658	\$ 344
Items not requiring (providing) cash:		
Equity in undistributed income of subsidiary	(816)	(481)
Changes in:		
Accrued expenses and other liabilities	12	—
Other assets and prepaid federal income taxes	20	3
Net cash flows used in operating activities	<u>(126)</u>	<u>(134)</u>
Investing Activities		
Payments received on ESOP loan	45	43
Net cash provided by investing activities	<u>45</u>	<u>43</u>
Financing Activities		
Repurchase of common stock	(877)	(78)
Net cash used in financing activities	<u>(877)</u>	<u>(78)</u>
Increase in Cash and Cash Equivalents	(958)	(169)
Cash and Cash Equivalents, Beginning of Year	5,616	5,785
Cash and Cash Equivalents, End of Year	<u>\$4,658</u>	<u>\$5,616</u>

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures**(a) Evaluation of disclosure controls and procedures**

An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of December 31, 2019. Based on that evaluation, the Company's management, including the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Treasurer, concluded that the Company's disclosure controls and procedures were effective.

(b) Management's Report on Internal Control over Financial Reporting

See Management's Report On Internal Control Over Financial Reporting — filed herewith under Part II, Item 8. "Financial Statements and Supplementary Data.

(c) Changes in internal controls

There were no significant changes made in our internal control over financial reporting during the Company's fourth quarter of the year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III**ITEM 10. Directors, Executive Officers and Corporate Governance**

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. A copy of the Code is available on the Company website at www.eaglesavings.com under "Investor Relations — Corporate Governance." The Company intends to disclose any changes or amendments to or waivers from this code of ethics on its website as well as the required filing of Form 8-K, under Item 5.05.

The information contained under the sections captioned "Proposal I — Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for the 2020 Annual Meeting of Stockholders (The "Proxy Statement") is incorporated herein by reference or will be filed by amendment to this Annual Report on Form 10-K.

ITEM 11. Executive Compensation

The information contained under the section captioned "Executive Compensation" in the definitive Proxy Statement is incorporated herein by reference or will be filed by amendment to this Annual Report on Form 10-K.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The “Proposal I — Election of Directors” section of the Proxy Statement is incorporated herein by reference.

(d) Equity Compensation Plan Information

The following table summarizes share and exercise price information about the Company’s equity plan as of December 31, 2019.

	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under stock-based compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	101,611	\$15.79	82,231
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	<u>101,611</u>	\$15.79	

ITEM 13. Certain Relationships and Related Transactions and Director Independence

The “Transactions with Certain Related Persons” section of the Proxy Statement is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

The “Proposal II — Ratification of Appointment of Independent Registered Public Accounting Firm” Section of the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The documents filed as a part of this Form 10-K are:

- (A) Report of Independent Registered Public Accounting Firm;
- (B) Consolidated Balance Sheets — December 31, 2019 and 2018;
- (C) Consolidated Statements of Income — years ended December 31, 2019 and 2018;
- (D) Consolidated Statements of Retained Earnings — years ended December 31, 2019 and 2018;
- (E) Consolidated Statements of Cash Flows — years ended December 31, 2019 and 2018; and
- (F) Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

- 3.1 Articles of Incorporation of Eagle Financial Bancorp, Inc.⁽¹⁾
- 3.2 Bylaws of Eagle Financial Bancorp, Inc.⁽²⁾
- 4 Form of Common Stock Certificate of Eagle Financial Bancorp, Inc.⁽³⁾
- 10.1 Employment Agreement between Eagle Savings Bank and Gary J. Koester
- 10.2 Employment Agreement between Eagle Savings Bank and Patricia L. Walter
- 10.3 Employment Agreement between Eagle Savings Bank and Kevin R. Schramm
- 10.4 Eagle Savings Bank Amended and Restated Supplemental Executive Retirement Plan
- 10.5 Eagle Savings Bank Amended and Restated Supplemental Director Retirement Plan
- 21 Subsidiaries of Registrant⁽⁴⁾
- 23.1 Consent of BKD LLP
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2019 and 2018, (ii) the Consolidated Statements of Income for the years ended December 31, 2019 and 2018, (iii) the Consolidated Statements of Retained Earnings for the years ended December 31, 2019 and 2018, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018, and (v) the notes to the Consolidated Financial Statements

-
- (1) Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 9, 2017 (File No. 333-216576).
 - (2) Incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 9, 2017 (File No. 333-216576).
 - (3) Incorporated by reference to Exhibit 4 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 9, 2017 (File No. 333-216576).
 - (4) Incorporated by reference to Exhibit 21 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 9, 2017 (File No. 333-216576).

ITEM 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Eagle Financial Bancorp, Inc.

Date: March 26, 2020

By: /s/Gary J. Koester
Gary J. Koester
President and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Gary J. Koester</u> Gary J. Koester	President, Chief Executive Officer and Director (Principal Executive Officer)	March 26, 2020
<u>/s/ Kevin R. Schramm</u> Kevin R. Schramm	Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 26, 2020
<u>/s/ James W. Braun</u> James W. Braun	Chairman of the Board	March 26, 2020
<u>/s/ Guy W. Cagney</u> Guy W. Cagney	Director	March 26, 2020
<u>/s/ Steven J. Dulle</u> Steven J. Dulle	Director	March 26, 2020
<u>/s/ Adam B. Goetzman</u> Adam B. Goetzman	Director	March 26, 2020
<u>/s/ Steven C. Kehoe</u> Steven C. Kehoe	Director	March 26, 2020

EXHIBIT INDEX

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EMPLOYMENT AGREEMENT

This Employment Agreement (this “**Agreement**”) is made effective as of July 20, 2017 (the “**Effective Date**”), by and between Eagle Savings Bank, an Ohio savings bank (the “**Bank**”) and Gary Koester (the “**Executive**”). The Bank and Executive are sometimes collectively referred to herein as the “parties.” Any reference to the “Company” shall mean Eagle Financial Bancorp, Inc., the holding company of the Bank. The Company is a signatory to this Agreement for the purpose of guaranteeing the Bank’s performance hereunder.

WITNESSETH

WHEREAS, Executive is currently employed as President and Chief Executive Officer of the Bank;

WHEREAS, the Bank has adopted a Plan of Conversion pursuant to which the Bank will convert to an Ohio-chartered stock savings and loan association and become a wholly owned subsidiary of the Company;

WHEREAS, the Bank desires to assure itself of the continued availability of the Executive’s services as provided in this Agreement; and

WHEREAS, the Executive is willing to serve the Bank on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the terms and conditions hereinafter provided, the parties hereby agree as follows:

1. POSITION AND RESPONSIBILITIES.

During the term of this Agreement Executive agrees to serve as President and Chief Executive Officer of the Bank, and will perform all duties and will have all powers that are generally incident to the office of the President and Chief Executive Officer. Without limiting the generality of the foregoing, Executive will be responsible for the overall management of the Bank, and will be responsible for establishing the business objectives, policies and strategic plans of the Bank in conjunction with the Board of Directors of the Bank (the “**Board**”). Executive also will be responsible for providing leadership and direction to all departments or divisions of the Bank, and will be the primary contact between the Board and other officers and employees of the Bank. As President and Chief Executive Officer, Executive will report directly to the Board. Executive also agrees to serve, if elected, as an officer and director of any affiliate of the Bank.

2. TERM AND DUTIES.

(a) Three Year Contract; Annual Renewal. The term of this Agreement shall commence as of the Effective Date and continue for a period of thirty-six (36) full calendar months thereafter. As of January 1st of each year (the “**Renewal Date**”), beginning with the first January 1st following the Effective Date, this Agreement shall renew for an additional year such that the remaining term shall again be thirty-six (36) full calendar months from the Renewal Date (the “**Term**”); provided, however, that in order for this Agreement to renew, the disinterested members of the Board of Directors of the Bank (the “**Board**”) must take the following actions within the time frames set forth below prior to each Renewal Date: (i) at least twenty (20) days prior to the Renewal Date, conduct or review a comprehensive performance evaluation of Executive for purposes of determining whether to extend this Agreement; and (ii) affirmatively approve the renewal or non-renewal of this Agreement, which decision shall be included in the minutes of the Board’s meeting. If the decision of such disinterested members of the Board is not to renew this Agreement, then the Board shall provide Executive with a written notice of non-renewal (“**Non-Renewal Notice**”) prior to any Renewal Date, such that this Agreement shall terminate at the end of twenty-four (24) months following such Renewal Date. Notwithstanding the foregoing, in the event that the Company or the Bank has entered into an agreement to effect a transaction which would be considered a Change in Control as defined below, then the term of this Agreement shall be extended and shall terminate thirty-six (36) months following the date on which the Change in Control occurs.

(b) Termination of Agreement. Notwithstanding anything contained in this Agreement to the contrary, either Executive or the Bank may terminate Executive's employment with the Bank at any time during the term of this Agreement, subject to the terms and conditions of this Agreement.

(c) Continued Employment Following Expiration of Term. Nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement, upon such terms and conditions as the Bank and Executive may mutually agree.

(d) Duties; Membership on Other Boards. During the term of this Agreement, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence approved by the Board, Executive shall devote substantially all of his business time, attention, skill, and efforts to the faithful performance of his duties hereunder, including activities and services related to the organization, operation and management of the Bank; provided, however, that, Executive may serve, or continue to serve, on the boards of directors of, and hold any other offices or positions in, business companies or business or civic organizations, which, in the Board's judgment, will not present any conflict of interest with the Bank, or materially affect the performance of Executive's duties pursuant to this Agreement. Executive shall provide the Board of Directors annually for its approval a list of organizations for which the Executive acts as a director or officer.

3. COMPENSATION, BENEFITS AND REIMBURSEMENT.

(a) Base Salary. In consideration of Executive's performance of the duties set forth in Section 2, the Bank shall provide Executive the compensation specified in this Agreement. The Bank shall pay Executive a salary of \$162,538 per year ("**Base Salary**"). The Base Salary shall be payable biweekly, or with such other frequency as officers of the Bank are generally paid. During the term of this Agreement, the Base Salary shall be reviewed at least annually by the Board or by a committee designated by the Board, and the Bank may increase, but not decrease (except for a decrease that is generally applicable to all employees) Executive's Base Salary. Any increase in Base Salary shall become "**Base Salary**" for purposes of this Agreement.

(b) Bonus and Incentive Compensation. Executive shall be entitled to equitable participation in incentive compensation and bonuses in any plan or arrangement of the Bank or the Company in which Executive is eligible to participate. Nothing paid to Executive under any such plan or arrangement will be deemed to be in lieu of other compensation to which Executive is entitled under this Agreement.

(c) Employee Benefits. The Bank shall provide Executive with employee benefit plans, arrangements and perquisites substantially equivalent to those in which Executive was participating or from which he was deriving benefit immediately prior to the commencement of the term of this Agreement, and the Bank shall not, without Executive's prior written consent, make any changes in such plans, arrangements or perquisites that would adversely affect Executive's rights or benefits thereunder, except as to any changes that are applicable to all participating employees. Without limiting the generality of the foregoing provisions of this Section 3(c), Executive will be entitled to participate in and receive benefits under any employee benefit plans including, but not limited to, retirement plans, supplemental retirement plans, pension plans, profit-sharing plans, health-and-accident insurance plans, medical coverage or any other employee benefit plan or arrangement made available by the Bank and/or the Company in the future to its senior executives, including any stock benefit plans, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements.

(d) Paid Time Off. Executive shall be entitled to paid vacation time each year during the term of this Agreement (measured on a fiscal or calendar year basis, in accordance with the Bank's usual practices), as well as sick leave, holidays and other paid absences in accordance with the Bank's policies and procedures for senior executives. Any unused paid time off during an annual period shall be treated in accordance with the Bank's personnel policies as in effect from time to time.

(e) Expense Reimbursements. The Bank shall also pay or reimburse Executive for all reasonable travel, entertainment and other reasonable expenses incurred by Executive during the course of performing his obligations under this Agreement, including, without limitation, fees for memberships in such clubs and organizations as Executive and the Board shall mutually agree are necessary and appropriate in connection with the performance of his duties under this Agreement, upon presentation to the Bank of an itemized

account of such expenses in such form as the Bank may reasonably require, provided that such payment or reimbursement shall be made as soon as practicable but in no event later than March 15 of the year following the year in which such right to such payment or reimbursement occurred.

4. PAYMENTS TO EXECUTIVE UPON AN EVENT OF TERMINATION.

(a) Upon the occurrence of an Event of Termination (as herein defined) during the term of this Agreement, the provisions of this Section 4 shall apply; provided, however, that in the event such Event of Termination occurs within eighteen (18) months following a Change in Control (as defined in Section 5 hereof), Section 5 shall apply instead. As used in this Agreement, an “Event of Termination” shall mean and include any one or more of the following:

(i) the involuntary termination of Executive’s employment hereunder by the Bank for any reason other than termination governed by Section 5 (in connection with or following a Change in Control), Section 6 (due to Disability or death), Section 7 (due to Retirement), or Section 8 (for Cause), provided that such termination constitutes a “Separation from Service” within the meaning of Section 409A of the Internal Revenue Code (“Code”); or

(ii) Executive’s resignation from the Bank’s employ upon any of the following, unless consented to by Executive:

(A) failure to appoint Executive to the position set forth in Section 1, or a material change in Executive’s function, duties, or responsibilities, which change would cause Executive’s position to become one of lesser responsibility, importance, or scope from the position and responsibilities described in Section 1, to which Executive has not agreed in writing (and any such material change shall be deemed a continuing breach of this Agreement by the Bank);

(B) a relocation of Executive’s principal place of employment to a location that is more than 30 miles from the location of the Bank’s principal executive offices as of the date of this Agreement;

(C) a material reduction in the benefits and perquisites, including Base Salary, to Executive from those being provided as of the Effective Date (except for any reduction that is part of a reduction in pay or benefits that is generally applicable to officers or employees of the Bank);

(D) a liquidation or dissolution of the Bank; or

(E) a material breach of this Agreement by the Bank.

Upon the occurrence of any event described in clause (ii) above, Executive shall have the right to elect to terminate his employment under this Agreement by resignation for “Good Reason” upon not less than thirty (30) days prior written notice given within a reasonable period of time (not to exceed ninety (90) days) after the event giving rise to the right to elect, which termination by Executive shall be an Event of Termination. The Bank shall have thirty (30) days to cure the condition giving rise to the Event of Termination, provided that the Bank may elect to waive said thirty (30) day period.

(b) Upon the occurrence of an Event of Termination, the Bank shall pay Executive, or, in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, as severance pay or liquidated damages, or both, the Base Salary and bonuses that Executive would be entitled to for the remaining unexpired term of the Agreement. For purposes of determining the bonus(es) payable hereunder, the bonus(es) will be deemed to be (i) equal to the highest bonus paid at any time during the prior three years, and (ii) otherwise paid at such time as such bonus would have been paid absent an Event of Termination. Such payments shall be paid in a lump sum on the 30th day following the Executive’s Separation from Service (within the meaning of Section 409A of the Code) and shall not be reduced in the event Executive obtains other employment following the Event of Termination. Notwithstanding the foregoing, Executive shall not be entitled to any payments or benefits under this Section 4 unless and until (i) Executive executes a release of his claims against the Bank, the Company and any affiliate, and their officers, directors, successors and assigns, releasing said persons from any and all claims, rights, demands, causes of action, suits, arbitrations or grievances relating to the employment relationship, including claims under the Age Discrimination in

Employment Act, but not including claims for benefits under tax-qualified plans or other benefit plans in which Executive is vested, claims for benefits required by applicable law or claims with respect to obligations set forth in this Agreement that survive the termination of this Agreement (the “**Release**”), and (ii) the payments and benefits shall begin on the 30th day following the date of the Executive’s Separation from Service, provided that before that date, the Executive has signed (and not revoked) the Release and the Release is irrevocable under the time period set forth under applicable law.

(c) Upon the occurrence of an Event of Termination, the Bank shall pay Executive, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, a lump sum cash payment reasonably estimated to be equal to the present value of the contributions that would have been made on the Executive’s behalf under the Bank’s defined contribution plans (e.g., 401(k) Plan, ESOP, and any other defined contribution plan maintained by the Bank), as if Executive had continued working for the Bank for the remaining unexpired term of the Agreement following such Event of Termination, earning the salary that would have been achieved during such period. Such payments shall be paid in a lump sum within thirty (30) days of the Executive’s Separation from Service and shall not be reduced in the event Executive obtains other employment following the Event of Termination.

(d) Upon the occurrence of an Event of Termination, the Bank shall provide, at the Bank’s expense, nontaxable medical and dental coverage and life insurance coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to the Event of Termination, except to the extent such coverage may be changed in its application to all Bank employees, and this insurance coverage shall cease upon the earlier of: (i) Executive’s employment by another employer whereby the Executive receives or may elect to receive substantially similar insurance coverage (for purposes of clarity, it is understood that there may be some differences in co-pays, deductibles, premiums and policy limitations), or (ii) the expiration of the remaining term of this Agreement. Notwithstanding the foregoing, if applicable law (including, but not limited to, laws prohibiting discriminating in favor of highly compensated employees), or, if participation by the Executive is not permitted under the terms of the applicable health plans, or if providing such benefits would subject the Bank to penalties, then the Bank shall pay the Executive a cash lump sum payment reasonably estimated to be equal to the value of such non-taxable medical and dental benefits, with such payment to be made by lump sum within) business days of the Date of Termination, or if later, the date on which the Bank determines that such insurance coverage (or the remainder of such insurance coverage) cannot be provided for the foregoing reasons.

(e) For purposes of this Agreement, a “Separation from Service” shall have occurred if the Bank and Executive reasonably anticipate that either no further services will be performed by the Executive after the date of the Event of Termination (whether as an employee or as an independent contractor) or the level of further services performed will not exceed 49% of the average level of bona fide services in the 12 months immediately preceding the Event of Termination. For all purposes hereunder, the definition of Separation from Service shall be interpreted consistent with Treasury Regulation Section 1.409A-1(h)(ii). If Executive is a Specified Employee, as defined in Code Section 409A and any payment to be made under sub-paragraph (b) or (c) of this Section 4 shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Executive’s Separation from Service.

5. CHANGE IN CONTROL.

(a) Any payments made to Executive pursuant to this Section 5 are in lieu of any payments that may otherwise be owed to Executive pursuant to this Agreement under Section 4, such that Executive shall either receive payments pursuant to Section 4 or pursuant to Section 5, but not pursuant to both Sections.

(b) For purposes of this Agreement, the term “Change in Control” shall mean:

- (1) **Merger:** The Company or the Bank merges into or consolidates with another entity, or merges another Bank or corporation into the Bank or the Company, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company or the Bank immediately before the merger or consolidation;

- (2) Acquisition of Significant Share Ownership: A person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's or the Bank's voting securities; provided, however, this clause (2) shall not apply to beneficial ownership of the Company's or the Bank's voting shares held in a fiduciary capacity by an entity of which the Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities;
- (3) Change in Board Composition: During any period of two consecutive years, individuals who constitute the Company's or the Bank's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's or the Bank's Board of Directors; provided, however, that for purposes of this clause (c), each director who is first elected by the board (or first nominated by the board for election by the stockholders or corporators) by a vote of at least two-thirds (2/3) of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period; or
- (4) Sale of Assets: The Company or the Bank sells to a third party all or substantially all of its assets.
- (5) Notwithstanding anything herein to the contrary, a Change in Control shall not be deemed to have occurred in connection with a conversion of the Bank from a mutual to a stock bank and/or the Bank's reorganization as a subsidiary of the Company.

(c) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), Executive, shall receive as severance pay or liquidated damages, or both, a lump sum cash payment equal to three times the sum of (i) Executive's highest annual rate of Base Salary paid to Executive at any time under this Agreement, plus (ii) the highest bonus paid to Executive with respect to the three completed fiscal years prior to the Change in Control. Such payment shall be paid in a lump sum within ten (10) days of the Executive's Separation from Service (within the meaning of Section 409A of the Code) and shall not be reduced in the event Executive obtains other employment following the Event of Termination.

(d) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), the Bank shall pay Executive, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, a lump sum cash payment reasonably estimated to be equal to the present value of the contributions that would have been made on Executive's behalf under the Bank's defined contribution plans (e.g., 401(k) Plan, ESOP, and any other defined contribution plan maintained by the Bank), as if Executive had continued working for the Bank for thirty-six (36) months after the effective date of such termination of employment, earning the salary that would have been achieved during such period. Such payments shall be paid in a lump sum within ten (10) days of the Executive's Separation from Service and shall not be reduced in the event Executive obtains other employment following the Event of Termination. If Executive is a Specified Employee, as defined in Code Section 409A and any payment to be made under this sub-paragraph (c) or (d) of this Section 5 shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Executive's Separation from Service.

(e) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), the Bank (or its successor) shall provide at the Bank's (or its successor's) expense, nontaxable medical and dental coverage and life insurance coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to his termination, except to the extent such coverage may be changed in its application to all Bank employees and then the coverage provided to Executive shall be commensurate with such changed coverage. This insurance coverage shall cease upon the earlier of: (i) Executive's employment by another employer whereby the Executive receives or may elect to receive substantially similar insurance coverage (for purposes of clarity, it is understood that there may be some differences in co-pays, deductibles, premiums and policy limitations), or (ii) thirty-six (36) months following the termination of Executive's employment. Notwithstanding the

foregoing, if applicable law (including, but not limited to, laws prohibiting discriminating in favor of highly compensated employees), or, if participation by the Executive is not permitted under the terms of the applicable health plans, or if providing such benefits would subject the Bank to penalties, then the Bank shall pay the Executive a cash lump sum payment reasonably estimated to be equal to the value of such non-taxable medical and dental benefits, with such payment to be made by lump sum within) business days of the Date of Termination, or if later, the date on which the Bank determines that such insurance coverage (or the remainder of such insurance coverage) cannot be provided for the foregoing reasons.

(f) Notwithstanding the preceding paragraphs of this Section 5, in the event that the aggregate payments or benefits to be made or afforded to Executive in the event of a Change in Control would be deemed to include an “excess parachute payment” under Section 280G of the Internal Revenue Code or any successor thereto, then such payments or benefits shall be reduced to an amount, the value of which is one dollar (\$1.00) less than an amount equal to three (3) times Executive’s “base amount,” as determined in accordance with Section 280G of the Code. In the event a reduction is necessary, then the cash severance payable by the Bank pursuant to Section 5 shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits payable by the Bank under Section 5 being non-deductible to the Bank pursuant to Section 280G of the Code and subject to excise tax imposed under Section 4999 of the Code.

6. TERMINATION FOR DISABILITY.

(a) Termination of Executive’s employment based on “Disability” shall be construed to comply with Section 409A of the Internal Revenue Code and shall be deemed to have occurred if: (i) Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for a continuous period of not less than 12 months; (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for a continuous period of not less than 12 months, Executive is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Bank or the Company; or (iii) Executive is determined to be totally disabled by the Social Security Administration. The provisions of Sections 6(b) and (c) shall apply upon the termination of the Executive’s employment based on Disability. Upon the determination that Executive has suffered a Disability, disability payments hereunder shall commence within thirty (30) days.

(b) Executive shall be entitled to receive benefits under all short-term or long-term disability plans maintained by the Bank for its executives. To the extent such benefits are less than Executive’s Base Salary, the Bank shall pay Executive an amount equal to the difference between such disability plan benefits and the amount of Executive’s Base Salary for the longer of one (1) year following the termination of his employment due to Disability or the remaining term of this Agreement, which shall be payable in accordance with the regular payroll practices of the Bank.

(c) The Bank shall cause to be continued life insurance coverage and non-taxable medical and dental coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to the termination of his employment based on Disability, except to the extent such coverage may be changed in its application to all Bank employees or not available on an individual basis to an employee terminated based on Disability. This coverage shall cease upon the earlier of (i) the date Executive returns to the full-time employment of the Bank; (ii) Executive’s full-time employment by another employer; (iii) expiration of the remaining term of this Agreement; or (iv) Executive’s death.

7. TERMINATION UPON RETIREMENT.

Termination of Executive’s employment based on “Retirement” shall mean termination of Executive’s employment in accordance with any retirement policy, as applicable, established by the Board with Executive’s consent as it applies to him. Upon termination of Executive based on Retirement, no amounts or benefits shall be due Executive under this Agreement, and Executive shall be entitled to all benefits under any retirement plan of the Bank and other plans to which Executive is a party.

8. TERMINATION FOR CAUSE.

(a) The Bank may terminate Executive's employment at any time, but any termination other than termination for "Cause," as defined herein, shall not prejudice Executive's right to compensation or other benefits under this Agreement. Executive shall have no right to receive compensation or other benefits for any period after termination for "Cause." The term "Cause" as used herein, shall exist when there has been a good faith determination by the Board that there shall have occurred one or more of the following events with respect to the Executive:

- (1) personal dishonesty in performing Executive's duties on behalf of the Bank;
- (2) incompetence in performing Executive's duties on behalf of the Bank;
- (3) willful misconduct that in the judgment of the Board will likely cause economic damage to the Bank or injury to the business reputation of the Bank;
- (4) breach of fiduciary duty involving personal profit;
- (5) material breach of the Bank's Code of Ethics;
- (6) intentional failure to perform stated duties under this Agreement after written notice thereof from the Board;
- (7) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) that reflect adversely on the reputation of the Bank, any felony conviction, any violation of law involving moral turpitude, or any violation of a final cease-and-desist order; or
- (8) material breach by Executive of any provision of this Agreement.

Notwithstanding the foregoing, Cause shall not be deemed to exist unless there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to the Executive and an opportunity for the Executive to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of conduct described above and specifying the particulars thereof. Prior to holding a meeting at which the Board is to make a final determination whether Cause exists, if the Board determines in good faith at a meeting of the Board, by not less than a majority of its entire membership, that there is probable cause for it to find that the Executive was guilty of conduct constituting Cause as described above, the Board may suspend the Executive from his duties hereunder for a reasonable period of time not to exceed fourteen (14) days pending a further meeting at which the Executive shall be given the opportunity to be heard before the Board. Upon a finding of Cause, the Board shall deliver to the Executive a Notice of Termination, as more fully described in Section 10 below.

(b) For purposes of this Section 8, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Bank. Any act, or failure to act, based upon the direction of the Board or based upon the advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Bank.

9. RESIGNATION FROM BOARDS OF DIRECTORS.

In the event of Executive's termination of employment due to an Event of Termination, Executive's service as a director of the Bank, the Company, and any affiliate of the Bank or the Company shall immediately terminate. This Section 9 shall constitute a resignation notice for such purposes.

10. NOTICE.

(a) Any purported termination by the Bank for Cause shall be communicated by Notice of Termination to Executive. If, within thirty (30) days after any Notice of Termination for Cause is given, Executive notifies the Bank that a dispute exists concerning the termination, the parties shall promptly proceed to arbitration, as provided in Section 20. Notwithstanding the pendency of any such dispute, the Bank shall discontinue

paying Executive's compensation until the dispute is finally resolved in accordance with this Agreement. If it is determined that Executive is entitled to compensation and benefits under Section 4 or 5, the payment of such compensation and benefits by the Bank shall commence immediately following the date of resolution by arbitration, with interest due Executive on the cash amount that would have been paid pending arbitration (at the prime rate as published in *The Wall Street Journal* from time to time).

(b) Any other purported termination by the Bank or by Executive shall be communicated by a "Notice of Termination" (as defined in Section 10(c)) to the other party. If, within thirty (30) days after any Notice of Termination is given, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the parties shall promptly proceed to arbitration as provided in Section 20. Notwithstanding the pendency of any such dispute, the Bank shall continue to pay Executive his Base Salary, and other compensation and benefits in effect when the notice giving rise to the dispute was given (except as to termination of Executive for Cause); provided, however, that such payments and benefits shall not continue beyond the date that is 36 months from the date the Notice of Termination is given. In the event the voluntary termination by Executive of his employment is disputed by the Bank, and if it is determined in arbitration that Executive is not entitled to termination benefits pursuant to this Agreement, he shall return all cash payments made to him pending resolution by arbitration, with interest thereon at the prime rate as published in *The Wall Street Journal* from time to time, if it is determined in arbitration that Executive's voluntary termination of employment was not taken in good faith and not in the reasonable belief that grounds existed for his voluntary termination. If it is determined that Executive is entitled to receive severance benefits under this Agreement, then any continuation of Base Salary and other compensation and benefits made to Executive under this Section 10 shall offset the amount of any severance benefits that are due to Executive under this Agreement.

(c) For purposes of this Agreement, a "Notice of Termination" shall mean a written notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

11. POST-TERMINATION OBLIGATIONS.

(a) **One Year Non-Solicitation.** Executive hereby covenants and agrees that, for a period of one year following his termination of employment with the Bank, he shall not, without the written consent of the Bank, either directly or indirectly:

(i) solicit, offer employment to, or take any other action intended (or that a reasonable person acting in like circumstances would expect) to have the effect of causing any officer or employee of the Bank or the Company, or any of their respective subsidiaries or affiliates, to terminate his or her employment and accept employment or become affiliated with, or provide services for compensation in any capacity whatsoever to, any business whatsoever that competes with the business of the Bank or the Company, or any of their direct or indirect subsidiaries or affiliates or has headquarters or offices within 30 miles of the locations in which the Bank or the Company has business operations or has filed an application for regulatory approval to establish an office, or

(ii) contact (with a view toward selling any product or service competitive with any product or service sold or proposed to be sold by the Company, the Bank, or any subsidiary of such entities) any person, firm, association or corporation (A) to which the Company, the Bank, or any subsidiary of such entities sold any product or service within thirty-six months of the Executive's termination of employment, (B) which Executive solicited, contacted or otherwise dealt with on behalf of the Company, the Bank, or any subsidiary of such entities within one year of the Executive's termination of employment, or (C) which Executive was otherwise aware was a client of the Company, the Bank, or any subsidiary of such entities at the time of termination of employment. Executive will not directly or indirectly make any such contact, either for his own benefit or for the benefit of any other person, firm, association, or corporation.

(b) **Six Month Non-Competition.** Executive hereby covenants and agrees that, for a period of six months following his termination of employment with the Bank, he shall not, without the written consent of the Bank, either directly or indirectly become an officer, employee, consultant, director,

independent contractor, agent, sole proprietor, joint venturer, greater than 5% equity owner or stockholder, partner or trustee of any savings association, savings and loan association, savings and loan holding company, credit union, bank or bank holding company, insurance company or agency, any mortgage or loan broker or any other financial services entity or business that competes with the business of the Bank or its affiliates or has headquarters or offices within 30 miles of Cincinnati, Ohio. Notwithstanding the foregoing, this non-competition restriction shall not apply if Executive's employment is terminated following a Change in Control.

(c) As used in this Agreement, "Confidential Information" means information belonging to the Bank which is of value to the Bank in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Bank. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management of the Bank. Confidential Information includes information developed by the Executive in the course of the Executive's employment by the Bank, as well as other information to which the Executive may have access in connection with the Executive's employment. Confidential Information also includes the confidential information of others with which the Bank has a business relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain. The Executive understands and agrees that the Executive's employment creates a relationship of confidence and trust between the Executive and the Bank with respect to all Confidential Information. At all times, both during the Executive's employment with the Bank and after its termination, the Executive will keep in confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Bank, except as may be necessary in the ordinary course of performing the Executive's duties to the Bank.

(d) Executive shall, upon reasonable notice, furnish such information and assistance to the Bank as may reasonably be required by the Bank, in connection with any litigation in which it or any of its subsidiaries or affiliates is, or may become, a party; provided, however, that Executive shall not be required to provide information or assistance with respect to any litigation between the Executive and the Bank or any of its subsidiaries or affiliates.

(e) All payments and benefits to Executive under this Agreement shall be subject to Executive's compliance with this Section 11. The parties hereto, recognizing that irreparable injury will result to the Bank, its business and property in the event of Executive's breach of this Section 11, agree that, in the event of any such breach by Executive, the Bank will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Executive and all persons acting for or with Executive. Executive represents and admits that Executive's experience and capabilities are such that Executive can obtain employment in a business engaged in other lines and/or of a different nature than the Bank, and that the enforcement of a remedy by way of injunction will not prevent Executive from earning a livelihood. Nothing herein will be construed as prohibiting the Bank or the Company from pursuing any other remedies available to them for such breach or threatened breach, including the recovery of damages from Executive.

12. SOURCE OF PAYMENTS.

All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Bank. The Company may accede to this Agreement but only for the purpose of guaranteeing payment and provision of all amounts and benefits due hereunder to Executive.

13. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS.

This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the Bank or any predecessor of the Bank and Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Executive of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that Executive is subject to receiving fewer benefits than those available to him without reference to this Agreement.

14. NO ATTACHMENT; BINDING ON SUCCESSORS.

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void, and of no effect.

(b) This Agreement shall be binding upon, and inure to the benefit of, Executive and the Bank and their respective successors and assigns.

15. MODIFICATION AND WAIVER.

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

16. REQUIRED PROVISIONS.

(a) The Bank may terminate Executive's employment at any time, but any termination by the Board other than termination for Cause shall not prejudice Executive's right to compensation or other benefits under this Agreement. Executive shall have no right to receive compensation or other benefits for any period after termination for Cause.

(b) If Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) [12 USC §1818(e)(3)] or 8(g)(1) [12 USC §1818(g)(1)] of the Federal Deposit Insurance Act, the Bank's obligations under this contract shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay Executive all or part of the compensation withheld while its contract obligations were suspended and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

(c) If Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) [12 USC §1818(e)(4)] or 8(g)(1) [12 USC §1818(g)(1)] of the Federal Deposit Insurance Act, all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

(d) If the Bank is in default as defined in Section 3(x)(1) [12 USC §1813(x)(1)] of the Federal Deposit Insurance Act, all obligations of the Bank under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the contracting parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of the contract is necessary for the continued operation of the Bank, (i) by either the Office of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System (collectively, the "Regulator") or his or her designee, at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) [12 USC §1823(c)] of the Federal Deposit Insurance Act; or (ii) by the Regulator or his or her designee at the time the Regulator or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Regulator to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.

(f) Notwithstanding anything herein contained to the contrary, any payments to Executive by the Bank or the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned

upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

17. SEVERABILITY.

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

18. HEADINGS FOR REFERENCE ONLY.

The headings of sections and paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

19. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of Ohio except to the extent superseded by federal law.

20. ARBITRATION.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by binding arbitration, as an alternative to civil litigation and without any trial by jury to resolve such claims, conducted by a panel of three arbitrators sitting in a location selected by Executive within fifty (50) miles from the main office of the Bank, in accordance with the rules of the American Arbitration Bank's National Rules for the Resolution of Employment Disputes ("National Rules") then in effect. One arbitrator shall be selected by Executive, one arbitrator shall be selected by the Bank and the third arbitrator shall be selected by the arbitrators selected by the parties. If the arbitrators are unable to agree within fifteen (15) days upon a third arbitrator, the arbitrator shall be appointed for them from a panel of arbitrators selected in accordance with the National Rules. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

21. INDEMNIFICATION.

(a) Executive shall be provided with coverage under a standard directors' and officers' liability insurance policy, and shall be indemnified for the term of this Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any affiliate (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements (such settlements must be approved by the Board), provided, however, Executive shall not be indemnified or reimbursed for legal expenses or liabilities incurred in connection with an action, suit or proceeding arising from any illegal or fraudulent act committed by Executive. Any such indemnification shall be made consistent with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. §1828(k), and the regulations issued thereunder in 12 C.F.R. Part 359.

(b) Any indemnification by the Bank shall be subject to compliance with any applicable regulations of the Federal Deposit Insurance Corporation.

22. Notice.

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank:

Chairman of the Board
Eagle Savings Bank
6415 Bridgetown Road
Cincinnati, Ohio 45248

To Executive:

At the address last appearing on
the personnel records of the Bank

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be executed by their duly authorized representatives, and Executive has signed this Agreement, on the date first above written.

EAGLE SAVINGS BANK

By: /s/ James W. Braun
Chairman of the Board

EAGLE FINANCIAL BANCORP, INC.

By: /s/ James W. Braun
Chairman of the Board

EXECUTIVE:

/s/ Gary Koester

EMPLOYMENT AGREEMENT

This Employment Agreement (this “**Agreement**”) is made effective as of July 20, 2017 (the “**Effective Date**”), by and between Eagle Savings Bank , an Ohio savings bank (the “**Bank**”) and Patricia L. Walter (the “**Executive**”). The Bank and Executive are sometimes collectively referred to herein as the “parties.” Any reference to the “Company” shall mean Eagle Financial Bancorp, Inc., the holding company of the Bank. The Company is a signatory to this Agreement for the purpose of guaranteeing the Bank’s performance hereunder.

WITNESSETH

WHEREAS, Executive is currently employed as Executive Vice President of the Bank;

WHEREAS, the Bank has adopted a Plan of Conversion pursuant to which the Bank will convert to an Ohio-chartered stock savings and loan association and become a wholly owned subsidiary of the Company;

WHEREAS, the Bank desires to assure itself of the continued availability of the Executive’s services as provided in this Agreement; and

WHEREAS, the Executive is willing to serve the Bank on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the terms and conditions hereinafter provided, the parties hereby agree as follows:

1. POSITION AND RESPONSIBILITIES.

During the term of this Agreement Executive agrees to serve as Executive Vice President of the Bank, and will perform the duties and will have all powers associated with such position as set forth in any job description provided to Executive by the Bank, and as may be set forth in the bylaws of the Bank. Executive also agrees to serve, if elected, as an officer and director of any affiliate of the Bank.

2. TERM AND DUTIES.

(a) Two Year Contract; Annual Renewal. The term of this Agreement shall commence as of the Effective Date and continue for a period of twenty-four (24) full calendar months thereafter. As of January 1st of each year (the “**Renewal Date**”), beginning with the first January 1st following the Effective Date, this Agreement shall renew for an additional year such that the remaining term shall again be twenty-four (24) full calendar months from the Renewal Date (the “**Term**”); provided, however, that in order for this Agreement to renew, the disinterested members of the Board of Directors of the Bank (the “**Board**”) must take the following actions within the time frames set forth below prior to each Renewal Date: (i) at least twenty (20) days prior to the Renewal Date, conduct or review a comprehensive performance evaluation of Executive for purposes of determining whether to extend this Agreement; and (ii) affirmatively approve the renewal or non-renewal of this Agreement, which decision shall be included in the minutes of the Board’s meeting. If the decision of such disinterested members of the Board is not to renew this Agreement, then the Board shall provide Executive with a written notice of non-renewal (“**Non-Renewal Notice**”) prior to any Renewal Date, such that this Agreement shall terminate at the end of twelve (12) months following such Renewal Date. Notwithstanding the foregoing, in the event that the Company or the Bank has entered into an agreement to effect a transaction which would be considered a Change in Control as defined below, then the term of this Agreement shall be extended and shall terminate twenty-four (24) months following the date on which the Change in Control occurs.

(b) Termination of Agreement. Notwithstanding anything contained in this Agreement to the contrary, either Executive or the Bank may terminate Executive’s employment with the Bank at any time during the term of this Agreement, subject to the terms and conditions of this Agreement.

(c) Continued Employment Following Expiration of Term. Nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement, upon such terms and conditions as the Bank and Executive may mutually agree.

(d) Duties; Membership on Other Boards. During the term of this Agreement, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence approved by the Board, Executive shall devote substantially all of his business time, attention, skill, and efforts to the faithful performance of his duties hereunder, including activities and services related to the organization, operation and management of the Bank; provided, however, that, Executive may serve, or continue to serve, on the boards of directors of, and hold any other offices or positions in, business companies or business or civic organizations, which, in the Board's judgment, will not present any conflict of interest with the Bank, or materially affect the performance of Executive's duties pursuant to this Agreement. Executive shall provide the Board of Directors annually for its approval a list of organizations for which the Executive acts as a director or officer.

3. COMPENSATION, BENEFITS AND REIMBURSEMENT.

(a) Base Salary. In consideration of Executive's performance of the duties set forth in Section 2, the Bank shall provide Executive the compensation specified in this Agreement. The Bank shall pay Executive a salary of \$123,600 per year ("**Base Salary**"). The Base Salary shall be payable biweekly, or with such other frequency as officers of the Bank are generally paid. During the term of this Agreement, the Base Salary shall be reviewed at least annually by the Board or by a committee designated by the Board, and the Bank may increase, but not decrease (except for a decrease that is generally applicable to all employees) Executive's Base Salary. Any increase in Base Salary shall become "Base Salary" for purposes of this Agreement.

(b) Bonus and Incentive Compensation. Executive shall be entitled to equitable participation in incentive compensation and bonuses in any plan or arrangement of the Bank or the Company in which Executive is eligible to participate. Nothing paid to Executive under any such plan or arrangement will be deemed to be in lieu of other compensation to which Executive is entitled under this Agreement.

(c) Employee Benefits. The Bank shall provide Executive with employee benefit plans, arrangements and perquisites substantially equivalent to those in which Executive was participating or from which he was deriving benefit immediately prior to the commencement of the term of this Agreement, and the Bank shall not, without Executive's prior written consent, make any changes in such plans, arrangements or perquisites that would adversely affect Executive's rights or benefits thereunder, except as to any changes that are applicable to all participating employees. Without limiting the generality of the foregoing provisions of this Section 3(c), Executive will be entitled to participate in and receive benefits under any employee benefit plans including, but not limited to, retirement plans, supplemental retirement plans, pension plans, profit-sharing plans, health-and-accident insurance plans, medical coverage or any other employee benefit plan or arrangement made available by the Bank and/or the Company in the future to its senior executives, including any stock benefit plans, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements.

(d) Paid Time Off. Executive shall be entitled to paid vacation time each year during the term of this Agreement (measured on a fiscal or calendar year basis, in accordance with the Bank's usual practices), as well as sick leave, holidays and other paid absences in accordance with the Bank's policies and procedures for senior executives. Any unused paid time off during an annual period shall be treated in accordance with the Bank's personnel policies as in effect from time to time.

(e) Expense Reimbursements. The Bank shall also pay or reimburse Executive for all reasonable travel, entertainment and other reasonable expenses incurred by Executive during the course of performing his obligations under this Agreement, including, without limitation, fees for memberships in such clubs and organizations as Executive and the Board shall mutually agree are necessary and appropriate in connection with the performance of his duties under this Agreement, upon presentation to the Bank of an itemized account of such expenses in such form as the Bank may reasonably require, provided that such payment or reimbursement shall be made as soon as practicable but in no event later than March 15 of the year following the year in which such right to such payment or reimbursement occurred.

4. PAYMENTS TO EXECUTIVE UPON AN EVENT OF TERMINATION.

(a) Upon the occurrence of an Event of Termination (as herein defined) during the term of this Agreement, the provisions of this Section 4 shall apply; provided, however, that in the event such Event of Termination occurs within eighteen (18) months following a Change in Control (as defined in Section 5 hereof), Section 5 shall apply instead. As used in this Agreement, an “Event of Termination” shall mean and include any one or more of the following:

(i) the involuntary termination of Executive’s employment hereunder by the Bank for any reason other than termination governed by Section 5 (in connection with or following a Change in Control), Section 6 (due to Disability or death), Section 7 (due to Retirement), or Section 8 (for Cause), provided that such termination constitutes a “Separation from Service” within the meaning of Section 409A of the Internal Revenue Code (“Code”); or

(ii) Executive’s resignation from the Bank’s employ upon any of the following, unless consented to by Executive:

(A) a material change in Executive’s function, duties, or responsibilities, which change would cause Executive’s position to become one of lesser responsibility, importance, or scope from the position and responsibilities described in Section 1, to which Executive has not agreed in writing (and any such material change shall be deemed a continuing breach of this Agreement by the Bank);

(B) a relocation of Executive’s principal place of employment to a location that is more than 30 miles from the location of the Bank’s principal executive offices as of the date of this Agreement;

(C) a material reduction in the benefits and perquisites, including Base Salary, to Executive from those being provided as of the Effective Date (except for any reduction that is part of a reduction in pay or benefits that is generally applicable to officers or employees of the Bank);

(D) a liquidation or dissolution of the Bank; or

(E) a material breach of this Agreement by the Bank.

Upon the occurrence of any event described in clause (ii) above, Executive shall have the right to elect to terminate his employment under this Agreement by resignation for “Good Reason” upon not less than thirty (30) days prior written notice given within a reasonable period of time (not to exceed ninety (90) days) after the event giving rise to the right to elect, which termination by Executive shall be an Event of Termination. The Bank shall have thirty (30) days to cure the condition giving rise to the Event of Termination, provided that the Bank may elect to waive said thirty (30) day period.

(b) Upon the occurrence of an Event of Termination, the Bank shall pay Executive, or, in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, as severance pay or liquidated damages, or both, the Base Salary and bonuses that Executive would be entitled to for the remaining unexpired term of the Agreement. For purposes of determining the bonus(es) payable hereunder, the bonus(es) will be deemed to be (i) equal to the highest bonus paid at any time during the prior three years, and (ii) otherwise paid at such time as such bonus would have been paid absent an Event of Termination. Such payments shall be paid in a lump sum on the 30th day following the Executive’s Separation from Service (within the meaning of Section 409A of the Code) and shall not be reduced in the event Executive obtains other employment following the Event of Termination. Notwithstanding the foregoing, Executive shall not be entitled to any payments or benefits under this Section 4 unless and until (i) Executive executes a release of his claims against the Bank, the Company and any affiliate, and their officers, directors, successors and assigns, releasing said persons from any and all claims, rights, demands, causes of action, suits, arbitrations or grievances relating to the employment relationship, including claims under the Age Discrimination in Employment Act, but not including claims for benefits under tax-qualified plans or other benefit plans in which Executive is vested, claims for benefits required by applicable law or claims with respect to obligations set forth in this Agreement that survive the termination of this Agreement (the “**Release**”), and (ii) the payments and benefits shall begin on the 30th day following the date of the Executive’s Separation from

Service, provided that before that date, the Executive has signed (and not revoked) the Release and the Release is irrevocable under the time period set forth under applicable law.

(c) Upon the occurrence of an Event of Termination, the Bank shall pay Executive, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, a lump sum cash payment reasonably estimated to be equal to the present value of the contributions that would have been made on the Executive's behalf under the Bank's defined contribution plans (e.g., 401(k) Plan, ESOP, and any other defined contribution plan maintained by the Bank), as if Executive had continued working for the Bank for the remaining unexpired term of the Agreement following such Event of Termination, earning the salary that would have been achieved during such period. Such payments shall be paid in a lump sum within thirty (30) days of the Executive's Separation from Service and shall not be reduced in the event Executive obtains other employment following the Event of Termination.

(d) Upon the occurrence of an Event of Termination, the Bank shall provide, at the Bank's expense, nontaxable medical and dental coverage and life insurance coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to the Event of Termination, except to the extent such coverage may be changed in its application to all Bank employees, and this insurance coverage shall cease upon the earlier of: (i) Executive's employment by another employer whereby the Executive receives or may elect to receive substantially similar insurance coverage (for purposes of clarity, it is understood that there may be some differences in co-pays, deductibles, premiums and policy limitations), or (ii) the expiration of the remaining term of this Agreement. Notwithstanding the foregoing, if applicable law (including, but not limited to, laws prohibiting discriminating in favor of highly compensated employees), or, if participation by the Executive is not permitted under the terms of the applicable health plans, or if providing such benefits would subject the Bank to penalties, then the Bank shall pay the Executive a cash lump sum payment reasonably estimated to be equal to the value of such non-taxable medical and dental benefits, with such payment to be made by lump sum within) business days of the Date of Termination, or if later, the date on which the Bank determines that such insurance coverage (or the remainder of such insurance coverage) cannot be provided for the foregoing reasons.

(e) For purposes of this Agreement, a "Separation from Service" shall have occurred if the Bank and Executive reasonably anticipate that either no further services will be performed by the Executive after the date of the Event of Termination (whether as an employee or as an independent contractor) or the level of further services performed will not exceed 49% of the average level of bona fide services in the 12 months immediately preceding the Event of Termination. For all purposes hereunder, the definition of Separation from Service shall be interpreted consistent with Treasury Regulation Section 1.409A-1(h)(ii). If Executive is a Specified Employee, as defined in Code Section 409A and any payment to be made under subparagraph (b) or (c) of this Section 4 shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Executive's Separation from Service.

5. CHANGE IN CONTROL.

(a) Any payments made to Executive pursuant to this Section 5 are in lieu of any payments that may otherwise be owed to Executive pursuant to this Agreement under Section 4, such that Executive shall either receive payments pursuant to Section 4 or pursuant to Section 5, but not pursuant to both Sections.

(b) For purposes of this Agreement, the term "Change in Control" shall mean:

- (1) **Merger:** The Company or the Bank merges into or consolidates with another entity, or merges another Bank or corporation into the Bank or the Company, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company or the Bank immediately before the merger or consolidation;
- (2) **Acquisition of Significant Share Ownership:** A person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's or the Bank's voting securities; provided, however, this clause (2) shall not apply to beneficial ownership of

the Company's or the Bank's voting shares held in a fiduciary capacity by an entity of which the Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities;

- (3) Change in Board Composition: During any period of two consecutive years, individuals who constitute the Company's or the Bank's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's or the Bank's Board of Directors; provided, however, that for purposes of this clause (c), each director who is first elected by the board (or first nominated by the board for election by the stockholders or incorporators) by a vote of at least two-thirds (2/3) of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period; or
- (4) Sale of Assets: The Company or the Bank sells to a third party all or substantially all of its assets.
- (5) Notwithstanding anything herein to the contrary, a Change in Control shall not be deemed to have occurred in connection with a conversion of the Bank from a mutual to a stock bank and/or the Bank's reorganization as a subsidiary of the Company.

(c) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), Executive, shall receive as severance pay or liquidated damages, or both, a lump sum cash payment equal to two times the sum of (i) Executive's highest annual rate of Base Salary paid to Executive at any time under this Agreement, plus (ii) the highest bonus paid to Executive with respect to the two completed fiscal years prior to the Change in Control. Such payment shall be paid in a lump sum within ten (10) days of the Executive's Separation from Service (within the meaning of Section 409A of the Code) and shall not be reduced in the event Executive obtains other employment following the Event of Termination.

(d) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), the Bank shall pay Executive, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, a lump sum cash payment reasonably estimated to be equal to the present value of the contributions that would have been made on Executive's behalf under the Bank's defined contribution plans (e.g., 401(k) Plan, ESOP, and any other defined contribution plan maintained by the Bank), as if Executive had continued working for the Bank for twenty-four (24) months after the effective date of such termination of employment, earning the salary that would have been achieved during such period. Such payments shall be paid in a lump sum within ten (10) days of the Executive's Separation from Service and shall not be reduced in the event Executive obtains other employment following the Event of Termination. If Executive is a Specified Employee, as defined in Code Section 409A and any payment to be made under this sub-paragraph (c) or (d) of this Section 5 shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Executive's Separation from Service.

(e) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), the Bank (or its successor) shall provide at the Bank's (or its successor's) expense, nontaxable medical and dental coverage and life insurance coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to his termination, except to the extent such coverage may be changed in its application to all Bank employees and then the coverage provided to Executive shall be commensurate with such changed coverage. This insurance coverage shall cease upon the earlier of: (i) Executive's employment by another employer whereby the Executive receives or may elect to receive substantially similar insurance coverage (for purposes of clarity, it is understood that there may be some differences in co-pays, deductibles, premiums and policy limitations), or (ii) twenty-four (24) months following the termination of Executive's employment. Notwithstanding the foregoing, if applicable law (including, but not limited to, laws prohibiting discriminating in favor of highly compensated employees), or, if participation by the Executive is not permitted under the terms of the applicable health plans, or if providing such benefits would subject the Bank to penalties, then the Bank shall pay the Executive a cash lump sum payment reasonably estimated to be equal to the value of such

non-taxable medical and dental benefits, with such payment to be made by lump sum within) business days of the Date of Termination, or if later, the date on which the Bank determines that such insurance coverage (or the remainder of such insurance coverage) cannot be provided for the foregoing reasons.

(f) Notwithstanding the preceding paragraphs of this Section 5, in the event that the aggregate payments or benefits to be made or afforded to Executive in the event of a Change in Control would be deemed to include an “excess parachute payment” under Section 280G of the Internal Revenue Code or any successor thereto, then such payments or benefits shall be reduced to an amount, the value of which is one dollar (\$1.00) less than an amount equal to three (3) times Executive’s “base amount,” as determined in accordance with Section 280G of the Code. In the event a reduction is necessary, then the cash severance payable by the Bank pursuant to Section 5 shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits payable by the Bank under Section 5 being non-deductible to the Bank pursuant to Section 280G of the Code and subject to excise tax imposed under Section 4999 of the Code.

6. TERMINATION FOR DISABILITY.

(a) Termination of Executive’s employment based on “Disability” shall be construed to comply with Section 409A of the Internal Revenue Code and shall be deemed to have occurred if: (i) Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for a continuous period of not less than 12 months; (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for a continuous period of not less than 12 months, Executive is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Bank or the Company; or (iii) Executive is determined to be totally disabled by the Social Security Administration. The provisions of Sections 6(b) and (c) shall apply upon the termination of the Executive’s employment based on Disability. Upon the determination that Executive has suffered a Disability, disability payments hereunder shall commence within thirty (30) days.

(b) Executive shall be entitled to receive benefits under all short-term or long-term disability plans maintained by the Bank for its executives. To the extent such benefits are less than Executive’s Base Salary, the Bank shall pay Executive an amount equal to the difference between such disability plan benefits and the amount of Executive’s Base Salary for the longer of one (1) year following the termination of his employment due to Disability or the remaining term of this Agreement, which shall be payable in accordance with the regular payroll practices of the Bank.

(c) The Bank shall cause to be continued life insurance coverage and non-taxable medical and dental coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to the termination of his employment based on Disability, except to the extent such coverage may be changed in its application to all Bank employees or not available on an individual basis to an employee terminated based on Disability.

This coverage shall cease upon the earlier of (i) the date Executive returns to the full-time employment of the Bank; (ii) Executive’s full-time employment by another employer; (iii) expiration of the remaining term of this Agreement; or (iv) Executive’s death.

7. TERMINATION UPON RETIREMENT.

Termination of Executive’s employment based on “Retirement” shall mean termination of Executive’s employment in accordance with any retirement policy, as applicable, established by the Board with Executive’s consent as it applies to him. Upon termination of Executive based on Retirement, no amounts or benefits shall be due Executive under this Agreement, and Executive shall be entitled to all benefits under any retirement plan of the Bank and other plans to which Executive is a party.

8. TERMINATION FOR CAUSE.

(a) The Bank may terminate Executive’s employment at any time, but any termination other than termination for “Cause,” as defined herein, shall not prejudice Executive’s right to compensation or other

benefits under this Agreement. Executive shall have no right to receive compensation or other benefits for any period after termination for “Cause.” The term “Cause” as used herein, shall exist when there has been a good faith determination by the Board that there shall have occurred one or more of the following events with respect to the Executive:

- (1) personal dishonesty in performing Executive’s duties on behalf of the Bank;
- (2) incompetence in performing Executive’s duties on behalf of the Bank;
- (3) willful misconduct that in the judgment of the Board will likely cause economic damage to the Bank or injury to the business reputation of the Bank;
- (4) breach of fiduciary duty involving personal profit;
- (5) material breach of the Bank’s Code of Ethics;
- (6) intentional failure to perform stated duties under this Agreement after written notice thereof from the Board;
- (7) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) that reflect adversely on the reputation of the Bank, any felony conviction, any violation of law involving moral turpitude, or any violation of a final cease-and-desist order;
or
- (8) material breach by Executive of any provision of this Agreement.

Notwithstanding the foregoing, Cause shall not be deemed to exist unless there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to the Executive and an opportunity for the Executive to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of conduct described above and specifying the particulars thereof. Prior to holding a meeting at which the Board is to make a final determination whether Cause exists, if the Board determines in good faith at a meeting of the Board, by not less than a majority of its entire membership, that there is probable cause for it to find that the Executive was guilty of conduct constituting Cause as described above, the Board may suspend the Executive from his duties hereunder for a reasonable period of time not to exceed fourteen (14) days pending a further meeting at which the Executive shall be given the opportunity to be heard before the Board. Upon a finding of Cause, the Board shall deliver to the Executive a Notice of Termination, as more fully described in Section 10 below.

(b) For purposes of this Section 8, no act or failure to act, on the part of Executive, shall be considered “willful” unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive’s action or omission was in the best interests of the Bank. Any act, or failure to act, based upon the direction of the Board or based upon the advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Bank.

9. RESIGNATION FROM BOARDS OF DIRECTORS.

In the event of Executive’s termination of employment due to an Event of Termination, Executive’s service as a director of the Bank, the Company, and any affiliate of the Bank or the Company shall immediately terminate. This Section 9 shall constitute a resignation notice for such purposes.

10. NOTICE.

(a) Any purported termination by the Bank for Cause shall be communicated by Notice of Termination to Executive. If, within thirty (30) days after any Notice of Termination for Cause is given, Executive notifies the Bank that a dispute exists concerning the termination, the parties shall promptly proceed to arbitration, as provided in Section 20. Notwithstanding the pendency of any such dispute, the Bank shall discontinue paying Executive’s compensation until the dispute is finally resolved in accordance with this Agreement. If it is determined that Executive is entitled to compensation and benefits under Section 4 or 5, the payment of such compensation and benefits by the Bank shall commence immediately following the date of resolution

by arbitration, with interest due Executive on the cash amount that would have been paid pending arbitration (at the prime rate as published in *The Wall Street Journal* from time to time).

(b) Any other purported termination by the Bank or by Executive shall be communicated by a “Notice of Termination” (as defined in Section 10(c)) to the other party. If, within thirty (30) days after any Notice of Termination is given, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the parties shall promptly proceed to arbitration as provided in Section 20. Notwithstanding the pendency of any such dispute, the Bank shall continue to pay Executive his Base Salary, and other compensation and benefits in effect when the notice giving rise to the dispute was given (except as to termination of Executive for Cause); provided, however, that such payments and benefits shall not continue beyond the date that is 24 months from the date the Notice of Termination is given. In the event the voluntary termination by Executive of his employment is disputed by the Bank, and if it is determined in arbitration that Executive is not entitled to termination benefits pursuant to this Agreement, he shall return all cash payments made to him pending resolution by arbitration, with interest thereon at the prime rate as published in *The Wall Street Journal* from time to time, if it is determined in arbitration that Executive’s voluntary termination of employment was not taken in good faith and not in the reasonable belief that grounds existed for his voluntary termination. If it is determined that Executive is entitled to receive severance benefits under this Agreement, then any continuation of Base Salary and other compensation and benefits made to Executive under this Section 10 shall offset the amount of any severance benefits that are due to Executive under this Agreement.

(c) For purposes of this Agreement, a “Notice of Termination” shall mean a written notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated.

11. POST-TERMINATION OBLIGATIONS.

(a) **One Year Non-Solicitation.** Executive hereby covenants and agrees that, for a period of one year following his termination of employment with the Bank, he shall not, without the written consent of the Bank, either directly or indirectly:

(i) solicit, offer employment to, or take any other action intended (or that a reasonable person acting in like circumstances would expect) to have the effect of causing any officer or employee of the Bank or the Company, or any of their respective subsidiaries or affiliates, to terminate his or her employment and accept employment or become affiliated with, or provide services for compensation in any capacity whatsoever to, any business whatsoever that competes with the business of the Bank or the Company, or any of their direct or indirect subsidiaries or affiliates or has headquarters or offices within 30 miles of the locations in which the Bank or the Company has business operations or has filed an application for regulatory approval to establish an office, or

(ii) contact (with a view toward selling any product or service competitive with any product or service sold or proposed to be sold by the Company, the Bank, or any subsidiary of such entities) any person, firm, association or corporation (A) to which the Company, the Bank, or any subsidiary of such entities sold any product or service within thirty-six months of the Executive’s termination of employment, (B) which Executive solicited, contacted or otherwise dealt with on behalf of the Company, the Bank, or any subsidiary of such entities within one year of the Executive’s termination of employment, or (C) which Executive was otherwise aware was a client of the Company, the Bank, or any subsidiary of such entities at the time of termination of employment. Executive will not directly or indirectly make any such contact, either for his own benefit or for the benefit of any other person, firm, association, or corporation.

(b) **Six Month Non-Competition.** Executive hereby covenants and agrees that, for a period of six months following his termination of employment with the Bank, he shall not, without the written consent of the Bank, either directly or indirectly become an officer, employee, consultant, director, independent contractor, agent, sole proprietor, joint venturer, greater than 5% equity owner or stockholder, partner or trustee of any savings association, savings and loan association, savings and loan holding company, credit union, bank or bank holding company, insurance company or agency, any mortgage or

loan broker or any other financial services entity or business that competes with the business of the Bank or its affiliates or has headquarters or offices within 30 miles of Cincinnati, Ohio. Notwithstanding the foregoing, this non-competition restriction shall not apply if Executive's employment is terminated following a Change in Control.

(c) As used in this Agreement, "Confidential Information" means information belonging to the Bank which is of value to the Bank in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Bank. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management of the Bank. Confidential Information includes information developed by the Executive in the course of the Executive's employment by the Bank, as well as other information to which the Executive may have access in connection with the Executive's employment. Confidential Information also includes the confidential information of others with which the Bank has a business relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain. The Executive understands and agrees that the Executive's employment creates a relationship of confidence and trust between the Executive and the Bank with respect to all Confidential Information. At all times, both during the Executive's employment with the Bank and after its termination, the Executive will keep in confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Bank, except as may be necessary in the ordinary course of performing the Executive's duties to the Bank.

(d) Executive shall, upon reasonable notice, furnish such information and assistance to the Bank as may reasonably be required by the Bank, in connection with any litigation in which it or any of its subsidiaries or affiliates is, or may become, a party; provided, however, that Executive shall not be required to provide information or assistance with respect to any litigation between the Executive and the Bank or any of its subsidiaries or affiliates.

(e) All payments and benefits to Executive under this Agreement shall be subject to Executive's compliance with this Section 11. The parties hereto, recognizing that irreparable injury will result to the Bank, its business and property in the event of Executive's breach of this Section 11, agree that, in the event of any such breach by Executive, the Bank will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Executive and all persons acting for or with Executive. Executive represents and admits that Executive's experience and capabilities are such that Executive can obtain employment in a business engaged in other lines and/or of a different nature than the Bank, and that the enforcement of a remedy by way of injunction will not prevent Executive from earning a livelihood. Nothing herein will be construed as prohibiting the Bank or the Company from pursuing any other remedies available to them for such breach or threatened breach, including the recovery of damages from Executive.

12. SOURCE OF PAYMENTS.

All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Bank. The Company may accede to this Agreement but only for the purposed of guaranteeing payment and provision of all amounts and benefits due hereunder to Executive.

13. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS.

This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the Bank or any predecessor of the Bank and Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Executive of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that Executive is subject to receiving fewer benefits than those available to him without reference to this Agreement.

14. NO ATTACHMENT; BINDING ON SUCCESSORS.

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or

to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void, and of no effect.

(b) This Agreement shall be binding upon, and inure to the benefit of, Executive and the Bank and their respective successors and assigns.

15. MODIFICATION AND WAIVER.

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

16. REQUIRED PROVISIONS.

(a) The Bank may terminate Executive's employment at any time, but any termination by the Board other than termination for Cause shall not prejudice Executive's right to compensation or other benefits under this Agreement. Executive shall have no right to receive compensation or other benefits for any period after termination for Cause.

(b) If Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) [12 USC §1818(e)(3)] or 8(g)(1) [12 USC §1818(g)(1)] of the Federal Deposit Insurance Act, the Bank's obligations under this contract shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay Executive all or part of the compensation withheld while its contract obligations were suspended and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

(c) If Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) [12 USC §1818(e)(4)] or 8(g)(1) [12 USC §1818(g)(1)] of the Federal Deposit Insurance Act, all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

(d) If the Bank is in default as defined in Section 3(x)(1) [12 USC §1813(x)(1)] of the Federal Deposit Insurance Act, all obligations of the Bank under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the contracting parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of the contract is necessary for the continued operation of the Bank, (i) by either the Office of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System (collectively, the "Regulator") or his or her designee, at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) [12 USC §1823(c)] of the Federal Deposit Insurance Act; or (ii) by the Regulator or his or her designee at the time the Regulator or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Regulator to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.

(f) Notwithstanding anything herein contained to the contrary, any payments to Executive by the Bank or the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

17. SEVERABILITY.

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so

invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

18. HEADINGS FOR REFERENCE ONLY.

The headings of sections and paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

19. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of Ohio except to the extent superseded by federal law.

20. ARBITRATION.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by binding arbitration, as an alternative to civil litigation and without any trial by jury to resolve such claims, conducted by a panel of three arbitrators sitting in a location selected by Executive within fifty (50) miles from the main office of the Bank, in accordance with the rules of the American Arbitration Bank's National Rules for the Resolution of Employment Disputes ("National Rules") then in effect. One arbitrator shall be selected by Executive, one arbitrator shall be selected by the Bank and the third arbitrator shall be selected by the arbitrators selected by the parties. If the arbitrators are unable to agree within fifteen (15) days upon a third arbitrator, the arbitrator shall be appointed for them from a panel of arbitrators selected in accordance with the National Rules. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

21. INDEMNIFICATION.

(a) Executive shall be provided with coverage under a standard directors' and officers' liability insurance policy, and shall be indemnified for the term of this Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any affiliate (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements (such settlements must be approved by the Board), provided, however, Executive shall not be indemnified or reimbursed for legal expenses or liabilities incurred in connection with an action, suit or proceeding arising from any illegal or fraudulent act committed by Executive. Any such indemnification shall be made consistent with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. §1828(k), and the regulations issued thereunder in 12 C.F.R. Part 359.

(b) Any indemnification by the Bank shall be subject to compliance with any applicable regulations of the Federal Deposit Insurance Corporation.

22. NOTICE.

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank:

Chairman of the Board
Eagle Savings Bank
6415 Bridgetown Road
Cincinnati, Ohio 45248

To Executive:

At the address last appearing on
the personnel records of the Bank

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be executed by their duly authorized representatives, and Executive has signed this Agreement, on the date first above written.

EAGLE SAVINGS BANK

By: /s/ James W. Braun
Chairman of the Board

EAGLE FINANCIAL BANCORP, INC.

By: /s/ James W. Braun
Chairman of the Board

EXECUTIVE:

/s/ Patricia L. Walter

EMPLOYMENT AGREEMENT

This Employment Agreement (this “**Agreement**”) is made effective as of July 20, 2017 (the “**Effective Date**”), by and between Eagle Savings Bank , an Ohio savings bank (the “**Bank**”) and Kevin R. Schramm (the “**Executive**”). The Bank and Executive are sometimes collectively referred to herein as the “parties.” Any reference to the “Company” shall mean Eagle Financial Bancorp, Inc., the holding company of the Bank. The Company is a signatory to this Agreement for the purpose of guaranteeing the Bank’s performance hereunder.

WITNESSETH

WHEREAS, Executive is currently employed as Chief Financial Officer and Treasurer of the Bank;

WHEREAS, the Bank has adopted a Plan of Conversion pursuant to which the Bank will convert to an Ohio-chartered stock savings and loan association and become a wholly owned subsidiary of the Company;

WHEREAS, the Bank desires to assure itself of the continued availability of the Executive’s services as provided in this Agreement; and

WHEREAS, the Executive is willing to serve the Bank on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the terms and conditions hereinafter provided, the parties hereby agree as follows:

1. POSITION AND RESPONSIBILITIES.

During the term of this Agreement Executive agrees to serve as Chief Financial Officer and Treasurer of the Bank, and will perform the duties and will have all powers associated with such position as set forth in any job description provided to Executive by the Bank, and as may be set forth in the bylaws of the Bank. Executive also agrees to serve, if elected, as an officer and director of any affiliate of the Bank.

2. TERM AND DUTIES.

(a) Two Year Contract; Annual Renewal. The term of this Agreement shall commence as of the Effective Date and continue for a period of twenty-four (24) full calendar months thereafter. As of January 1st of each year (the “**Renewal Date**”), beginning with the first January 1st following the Effective Date, this Agreement shall renew for an additional year such that the remaining term shall again be twenty-four (24) full calendar months from the Renewal Date (the “**Term**”); provided, however, that in order for this Agreement to renew, the disinterested members of the Board of Directors of the Bank (the “**Board**”) must take the following actions within the time frames set forth below prior to each Renewal Date: (i) at least twenty (20) days prior to the Renewal Date, conduct or review a comprehensive performance evaluation of Executive for purposes of determining whether to extend this Agreement; and (ii) affirmatively approve the renewal or non-renewal of this Agreement, which decision shall be included in the minutes of the Board’s meeting. If the decision of such disinterested members of the Board is not to renew this Agreement, then the Board shall provide Executive with a written notice of non-renewal (“**Non-Renewal Notice**”) prior to any Renewal Date, such that this Agreement shall terminate at the end of twelve (12) months following such Renewal Date. Notwithstanding the foregoing, in the event that the Company or the Bank has entered into an agreement to effect a transaction which would be considered a Change in Control as defined below, then the term of this Agreement shall be extended and shall terminate twenty-four (24) months following the date on which the Change in Control occurs.

(b) Termination of Agreement. Notwithstanding anything contained in this Agreement to the contrary, either Executive or the Bank may terminate Executive’s employment with the Bank at any time during the term of this Agreement, subject to the terms and conditions of this Agreement.

(c) Continued Employment Following Expiration of Term. Nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement, upon such terms and conditions as the Bank and Executive may mutually agree.

(d) Duties; Membership on Other Boards. During the term of this Agreement, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence approved by the Board, Executive shall devote substantially all of his business time, attention, skill, and efforts to the faithful performance of his duties hereunder, including activities and services related to the organization, operation and management of the Bank; provided, however, that, Executive may serve, or continue to serve, on the boards of directors of, and hold any other offices or positions in, business companies or business or civic organizations, which, in the Board's judgment, will not present any conflict of interest with the Bank, or materially affect the performance of Executive's duties pursuant to this Agreement. Executive shall provide the Board of Directors annually for its approval a list of organizations for which the Executive acts as a director or officer.

3. COMPENSATION, BENEFITS AND REIMBURSEMENT.

(a) Base Salary. In consideration of Executive's performance of the duties set forth in Section 2, the Bank shall provide Executive the compensation specified in this Agreement. The Bank shall pay Executive a salary of \$103,651 per year ("**Base Salary**"). The Base Salary shall be payable biweekly, or with such other frequency as officers of the Bank are generally paid. During the term of this Agreement, the Base Salary shall be reviewed at least annually by the Board or by a committee designated by the Board, and the Bank may increase, but not decrease (except for a decrease that is generally applicable to all employees) Executive's Base Salary. Any increase in Base Salary shall become "Base Salary" for purposes of this Agreement.

(b) Bonus and Incentive Compensation. Executive shall be entitled to equitable participation in incentive compensation and bonuses in any plan or arrangement of the Bank or the Company in which Executive is eligible to participate. Nothing paid to Executive under any such plan or arrangement will be deemed to be in lieu of other compensation to which Executive is entitled under this Agreement.

(c) Employee Benefits. The Bank shall provide Executive with employee benefit plans, arrangements and perquisites substantially equivalent to those in which Executive was participating or from which he was deriving benefit immediately prior to the commencement of the term of this Agreement, and the Bank shall not, without Executive's prior written consent, make any changes in such plans, arrangements or perquisites that would adversely affect Executive's rights or benefits thereunder, except as to any changes that are applicable to all participating employees. Without limiting the generality of the foregoing provisions of this Section 3(c), Executive will be entitled to participate in and receive benefits under any employee benefit plans including, but not limited to, retirement plans, supplemental retirement plans, pension plans, profit-sharing plans, health-and-accident insurance plans, medical coverage or any other employee benefit plan or arrangement made available by the Bank and/or the Company in the future to its senior executives, including any stock benefit plans, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements.

(d) Paid Time Off. Executive shall be entitled to paid vacation time each year during the term of this Agreement (measured on a fiscal or calendar year basis, in accordance with the Bank's usual practices), as well as sick leave, holidays and other paid absences in accordance with the Bank's policies and procedures for senior executives. Any unused paid time off during an annual period shall be treated in accordance with the Bank's personnel policies as in effect from time to time.

(e) Expense Reimbursements. The Bank shall also pay or reimburse Executive for all reasonable travel, entertainment and other reasonable expenses incurred by Executive during the course of performing his obligations under this Agreement, including, without limitation, fees for memberships in such clubs and organizations as Executive and the Board shall mutually agree are necessary and appropriate in connection with the performance of his duties under this Agreement, upon presentation to the Bank of an itemized account of such expenses in such form as the Bank may reasonably require, provided that such payment or reimbursement shall be made as soon as practicable but in no event later than March 15 of the year following the year in which such right to such payment or reimbursement occurred.

4. PAYMENTS TO EXECUTIVE UPON AN EVENT OF TERMINATION.

(a) Upon the occurrence of an Event of Termination (as herein defined) during the term of this Agreement, the provisions of this Section 4 shall apply; provided, however, that in the event such Event of Termination occurs within eighteen (18) months following a Change in Control (as defined in Section 5 hereof), Section 5 shall apply instead. As used in this Agreement, an “Event of Termination” shall mean and include any one or more of the following:

(i) the involuntary termination of Executive’s employment hereunder by the Bank for any reason other than termination governed by Section 5 (in connection with or following a Change in Control), Section 6 (due to Disability or death), Section 7 (due to Retirement), or Section 8 (for Cause), provided that such termination constitutes a “Separation from Service” within the meaning of Section 409A of the Internal Revenue Code (“Code”); or

(ii) Executive’s resignation from the Bank’s employ upon any of the following, unless consented to by Executive:

(A) a material change in Executive’s function, duties, or responsibilities, which change would cause Executive’s position to become one of lesser responsibility, importance, or scope from the position and responsibilities described in Section 1, to which Executive has not agreed in writing (and any such material change shall be deemed a continuing breach of this Agreement by the Bank);

(B) a relocation of Executive’s principal place of employment to a location that is more than 30 miles from the location of the Bank’s principal executive offices as of the date of this Agreement;

(C) a material reduction in the benefits and perquisites, including Base Salary, to Executive from those being provided as of the Effective Date (except for any reduction that is part of a reduction in pay or benefits that is generally applicable to officers or employees of the Bank);

(D) a liquidation or dissolution of the Bank; or

(E) a material breach of this Agreement by the Bank.

Upon the occurrence of any event described in clause (ii) above, Executive shall have the right to elect to terminate his employment under this Agreement by resignation for “Good Reason” upon not less than thirty (30) days prior written notice given within a reasonable period of time (not to exceed ninety (90) days) after the event giving rise to the right to elect, which termination by Executive shall be an Event of Termination. The Bank shall have thirty (30) days to cure the condition giving rise to the Event of Termination, provided that the Bank may elect to waive said thirty (30) day period.

(b) Upon the occurrence of an Event of Termination, the Bank shall pay Executive, or, in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, as severance pay or liquidated damages, or both, the Base Salary and bonuses that Executive would be entitled to for the remaining unexpired term of the Agreement. For purposes of determining the bonus(es) payable hereunder, the bonus(es) will be deemed to be (i) equal to the highest bonus paid at any time during the prior three years, and (ii) otherwise paid at such time as such bonus would have been paid absent an Event of Termination. Such payments shall be paid in a lump sum on the 30th day following the Executive’s Separation from Service (within the meaning of Section 409A of the Code) and shall not be reduced in the event Executive obtains other employment following the Event of Termination. Notwithstanding the foregoing, Executive shall not be entitled to any payments or benefits under this Section 4 unless and until (i) Executive executes a release of his claims against the Bank, the Company and any affiliate, and their officers, directors, successors and assigns, releasing said persons from any and all claims, rights, demands, causes of action, suits, arbitrations or grievances relating to the employment relationship, including claims under the Age Discrimination in Employment Act, but not including claims for benefits under tax-qualified plans or other benefit plans in which Executive is vested, claims for benefits required by applicable law or claims with respect to obligations set forth in this Agreement that survive the termination of this Agreement (the “**Release**”), and (ii) the payments and benefits shall begin on the 30th day following the date of the Executive’s Separation from

Service, provided that before that date, the Executive has signed (and not revoked) the Release and the Release is irrevocable under the time period set forth under applicable law.

(c) Upon the occurrence of an Event of Termination, the Bank shall pay Executive, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, a lump sum cash payment reasonably estimated to be equal to the present value of the contributions that would have been made on the Executive's behalf under the Bank's defined contribution plans (e.g., 401(k) Plan, ESOP, and any other defined contribution plan maintained by the Bank), as if Executive had continued working for the Bank for the remaining unexpired term of the Agreement following such Event of Termination, earning the salary that would have been achieved during such period. Such payments shall be paid in a lump sum within thirty (30) days of the Executive's Separation from Service and shall not be reduced in the event Executive obtains other employment following the Event of Termination.

(d) Upon the occurrence of an Event of Termination, the Bank shall provide, at the Bank's expense, nontaxable medical and dental coverage and life insurance coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to the Event of Termination, except to the extent such coverage may be changed in its application to all Bank employees, and this insurance coverage shall cease upon the earlier of: (i) Executive's employment by another employer whereby the Executive receives or may elect to receive substantially similar insurance coverage (for purposes of clarity, it is understood that there may be some differences in co-pays, deductibles, premiums and policy limitations), or (ii) the expiration of the remaining term of this Agreement. Notwithstanding the foregoing, if applicable law (including, but not limited to, laws prohibiting discriminating in favor of highly compensated employees), or, if participation by the Executive is not permitted under the terms of the applicable health plans, or if providing such benefits would subject the Bank to penalties, then the Bank shall pay the Executive a cash lump sum payment reasonably estimated to be equal to the value of such non-taxable medical and dental benefits, with such payment to be made by lump sum within) business days of the Date of Termination, or if later, the date on which the Bank determines that such insurance coverage (or the remainder of such insurance coverage) cannot be provided for the foregoing reasons.

(e) For purposes of this Agreement, a "Separation from Service" shall have occurred if the Bank and Executive reasonably anticipate that either no further services will be performed by the Executive after the date of the Event of Termination (whether as an employee or as an independent contractor) or the level of further services performed will not exceed 49% of the average level of bona fide services in the 12 months immediately preceding the Event of Termination. For all purposes hereunder, the definition of Separation from Service shall be interpreted consistent with Treasury Regulation Section 1.409A-1(h)(ii). If Executive is a Specified Employee, as defined in Code Section 409A and any payment to be made under sub-paragraph (b) or (c) of this Section 4 shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Executive's Separation from Service.

5. CHANGE IN CONTROL.

(a) Any payments made to Executive pursuant to this Section 5 are in lieu of any payments that may otherwise be owed to Executive pursuant to this Agreement under Section 4, such that Executive shall either receive payments pursuant to Section 4 or pursuant to Section 5, but not pursuant to both Sections.

(b) For purposes of this Agreement, the term "Change in Control" shall mean:

- (1) **Merger:** The Company or the Bank merges into or consolidates with another entity, or merges another Bank or corporation into the Bank or the Company, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company or the Bank immediately before the merger or consolidation;
- (2) **Acquisition of Significant Share Ownership:** A person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's or the Bank's voting securities; provided, however, this clause (2) shall not apply to beneficial ownership of

the Company's or the Bank's voting shares held in a fiduciary capacity by an entity of which the Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities;

- (3) Change in Board Composition: During any period of two consecutive years, individuals who constitute the Company's or the Bank's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's or the Bank's Board of Directors; provided, however, that for purposes of this clause (c), each director who is first elected by the board (or first nominated by the board for election by the stockholders or incorporators) by a vote of at least two-thirds (2/3) of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period; or
- (4) Sale of Assets: The Company or the Bank sells to a third party all or substantially all of its assets.
- (5) Notwithstanding anything herein to the contrary, a Change in Control shall not be deemed to have occurred in connection with a conversion of the Bank from a mutual to a stock bank and/or the Bank's reorganization as a subsidiary of the Company.

(c) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), Executive, shall receive as severance pay or liquidated damages, or both, a lump sum cash payment equal to two times the sum of (i) Executive's highest annual rate of Base Salary paid to Executive at any time under this Agreement, plus (ii) the highest bonus paid to Executive with respect to the two completed fiscal years prior to the Change in Control. Such payment shall be paid in a lump sum within ten (10) days of the Executive's Separation from Service (within the meaning of Section 409A of the Code) and shall not be reduced in the event Executive obtains other employment following the Event of Termination.

(d) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), the Bank shall pay Executive, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, a lump sum cash payment reasonably estimated to be equal to the present value of the contributions that would have been made on Executive's behalf under the Bank's defined contribution plans (e.g., 401(k) Plan, ESOP, and any other defined contribution plan maintained by the Bank), as if Executive had continued working for the Bank for twenty-four (24) months after the effective date of such termination of employment, earning the salary that would have been achieved during such period. Such payments shall be paid in a lump sum within ten (10) days of the Executive's Separation from Service and shall not be reduced in the event Executive obtains other employment following the Event of Termination. If Executive is a Specified Employee, as defined in Code Section 409A and any payment to be made under this sub-paragraph (c) or (d) of this Section 5 shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Executive's Separation from Service.

(e) Upon the occurrence of a Change in Control followed within eighteen (18) months by an Event of Termination (as defined in Section 4 hereof), the Bank (or its successor) shall provide at the Bank's (or its successor's) expense, nontaxable medical and dental coverage and life insurance coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to his termination, except to the extent such coverage may be changed in its application to all Bank employees and then the coverage provided to Executive shall be commensurate with such changed coverage. This insurance coverage shall cease upon the earlier of: (i) Executive's employment by another employer whereby the Executive receives or may elect to receive substantially similar insurance coverage (for purposes of clarity, it is understood that there may be some differences in co-pays, deductibles, premiums and policy limitations), or (ii) twenty-four (24) months following the termination of Executive's employment. Notwithstanding the foregoing, if applicable law (including, but not limited to, laws prohibiting discriminating in favor of highly compensated employees), or, if participation by the Executive is not permitted under the terms of the applicable health plans, or if providing such benefits would subject the Bank to penalties, then the Bank

shall pay the Executive a cash lump sum payment reasonably estimated to be equal to the value of such non-taxable medical and dental benefits, with such payment to be made by lump sum within) business days of the Date of Termination, or if later, the date on which the Bank determines that such insurance coverage (or the remainder of such insurance coverage) cannot be provided for the foregoing reasons.

(f) Notwithstanding the preceding paragraphs of this Section 5, in the event that the aggregate payments or benefits to be made or afforded to Executive in the event of a Change in Control would be deemed to include an “excess parachute payment” under Section 280G of the Internal Revenue Code or any successor thereto, then such payments or benefits shall be reduced to an amount, the value of which is one dollar (\$1.00) less than an amount equal to three (3) times Executive’s “base amount,” as determined in accordance with Section 280G of the Code. In the event a reduction is necessary, then the cash severance payable by the Bank pursuant to Section 5 shall be reduced by the minimum amount necessary to result in no portion of the payments and benefits payable by the Bank under Section 5 being non-deductible to the Bank pursuant to Section 280G of the Code and subject to excise tax imposed under Section 4999 of the Code.

6. TERMINATION FOR DISABILITY.

(a) Termination of Executive’s employment based on “Disability” shall be construed to comply with Section 409A of the Internal Revenue Code and shall be deemed to have occurred if: (i) Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for a continuous period of not less than 12 months; (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for a continuous period of not less than 12 months, Executive is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Bank or the Company; or (iii) Executive is determined to be totally disabled by the Social Security Administration. The provisions of Sections 6(b) and (c) shall apply upon the termination of the Executive’s employment based on Disability. Upon the determination that Executive has suffered a Disability, disability payments hereunder shall commence within thirty (30) days.

(b) Executive shall be entitled to receive benefits under all short-term or long-term disability plans maintained by the Bank for its executives. To the extent such benefits are less than Executive’s Base Salary, the Bank shall pay Executive an amount equal to the difference between such disability plan benefits and the amount of Executive’s Base Salary for the longer of one (1) year following the termination of his employment due to Disability or the remaining term of this Agreement, which shall be payable in accordance with the regular payroll practices of the Bank.

(c) The Bank shall cause to be continued life insurance coverage and non-taxable medical and dental coverage substantially comparable, as reasonably available, to the coverage maintained by the Bank for Executive prior to the termination of his employment based on Disability, except to the extent such coverage may be changed in its application to all Bank employees or not available on an individual basis to an employee terminated based on Disability.

This coverage shall cease upon the earlier of (i) the date Executive returns to the full-time employment of the Bank; (ii) Executive’s full-time employment by another employer; (iii) expiration of the remaining term of this Agreement; or (iv) Executive’s death.

7. TERMINATION UPON RETIREMENT.

Termination of Executive’s employment based on “Retirement” shall mean termination of Executive’s employment in accordance with any retirement policy, as applicable, established by the Board with Executive’s consent as it applies to him. Upon termination of Executive based on Retirement, no amounts or benefits shall be due Executive under this Agreement, and Executive shall be entitled to all benefits under any retirement plan of the Bank and other plans to which Executive is a party.

8. TERMINATION FOR CAUSE.

(a) The Bank may terminate Executive’s employment at any time, but any termination other than termination for “Cause,” as defined herein, shall not prejudice Executive’s right to compensation or other

benefits under this Agreement. Executive shall have no right to receive compensation or other benefits for any period after termination for "Cause." The term "Cause" as used herein, shall exist when there has been a good faith determination by the Board that there shall have occurred one or more of the following events with respect to the Executive:

- (1) personal dishonesty in performing Executive's duties on behalf of the Bank;
- (2) incompetence in performing Executive's duties on behalf of the Bank;
- (3) willful misconduct that in the judgment of the Board will likely cause economic damage to the Bank or injury to the business reputation of the Bank;
- (4) breach of fiduciary duty involving personal profit;
- (5) material breach of the Bank's Code of Ethics;
- (6) intentional failure to perform stated duties under this Agreement after written notice thereof from the Board;
- (7) willful violation of any law, rule or regulation (other than traffic violations or similar offenses) that reflect adversely on the reputation of the Bank, any felony conviction, any violation of law involving moral turpitude, or any violation of a final cease-and-desist order; or
- (8) material breach by Executive of any provision of this Agreement.

Notwithstanding the foregoing, Cause shall not be deemed to exist unless there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to the Executive and an opportunity for the Executive to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of conduct described above and specifying the particulars thereof. Prior to holding a meeting at which the Board is to make a final determination whether Cause exists, if the Board determines in good faith at a meeting of the Board, by not less than a majority of its entire membership, that there is probable cause for it to find that the Executive was guilty of conduct constituting Cause as described above, the Board may suspend the Executive from his duties hereunder for a reasonable period of time not to exceed fourteen (14) days pending a further meeting at which the Executive shall be given the opportunity to be heard before the Board. Upon a finding of Cause, the Board shall deliver to the Executive a Notice of Termination, as more fully described in Section 10 below.

(b) For purposes of this Section 8, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Bank. Any act, or failure to act, based upon the direction of the Board or based upon the advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Bank.

9. RESIGNATION FROM BOARDS OF DIRECTORS.

In the event of Executive's termination of employment due to an Event of Termination, Executive's service as a director of the Bank, the Company, and any affiliate of the Bank or the Company shall immediately terminate. This Section 9 shall constitute a resignation notice for such purposes.

10. NOTICE.

(a) Any purported termination by the Bank for Cause shall be communicated by Notice of Termination to Executive. If, within thirty (30) days after any Notice of Termination for Cause is given, Executive notifies the Bank that a dispute exists concerning the termination, the parties shall promptly proceed to arbitration, as provided in Section 20. Notwithstanding the pendency of any such dispute, the Bank shall discontinue paying Executive's compensation until the dispute is finally resolved in accordance with this Agreement. If it is determined that Executive is entitled to compensation and benefits under Section 4 or 5, the payment of such compensation and benefits by the Bank shall commence immediately following the date of resolution

by arbitration, with interest due Executive on the cash amount that would have been paid pending arbitration (at the prime rate as published in *The Wall Street Journal* from time to time).

(b) Any other purported termination by the Bank or by Executive shall be communicated by a “Notice of Termination” (as defined in Section 10(c)) to the other party. If, within thirty (30) days after any Notice of Termination is given, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the parties shall promptly proceed to arbitration as provided in Section 20. Notwithstanding the pendency of any such dispute, the Bank shall continue to pay Executive his Base Salary, and other compensation and benefits in effect when the notice giving rise to the dispute was given (except as to termination of Executive for Cause); provided, however, that such payments and benefits shall not continue beyond the date that is 24 months from the date the Notice of Termination is given. In the event the voluntary termination by Executive of his employment is disputed by the Bank, and if it is determined in arbitration that Executive is not entitled to termination benefits pursuant to this Agreement, he shall return all cash payments made to him pending resolution by arbitration, with interest thereon at the prime rate as published in *The Wall Street Journal* from time to time, if it is determined in arbitration that Executive’s voluntary termination of employment was not taken in good faith and not in the reasonable belief that grounds existed for his voluntary termination. If it is determined that Executive is entitled to receive severance benefits under this Agreement, then any continuation of Base Salary and other compensation and benefits made to Executive under this Section 10 shall offset the amount of any severance benefits that are due to Executive under this Agreement.

(c) For purposes of this Agreement, a “Notice of Termination” shall mean a written notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated.

11. POST-TERMINATION OBLIGATIONS.

(a) **One Year Non-Solicitation.** Executive hereby covenants and agrees that, for a period of one year following his termination of employment with the Bank, he shall not, without the written consent of the Bank, either directly or indirectly:

(i) solicit, offer employment to, or take any other action intended (or that a reasonable person acting in like circumstances would expect) to have the effect of causing any officer or employee of the Bank or the Company, or any of their respective subsidiaries or affiliates, to terminate his or her employment and accept employment or become affiliated with, or provide services for compensation in any capacity whatsoever to, any business whatsoever that competes with the business of the Bank or the Company, or any of their direct or indirect subsidiaries or affiliates or has headquarters or offices within 30 miles of the locations in which the Bank or the Company has business operations or has filed an application for regulatory approval to establish an office, or

(ii) contact (with a view toward selling any product or service competitive with any product or service sold or proposed to be sold by the Company, the Bank, or any subsidiary of such entities) any person, firm, association or corporation (A) to which the Company, the Bank, or any subsidiary of such entities sold any product or service within thirty-six months of the Executive’s termination of employment, (B) which Executive solicited, contacted or otherwise dealt with on behalf of the Company, the Bank, or any subsidiary of such entities within one year of the Executive’s termination of employment, or (C) which Executive was otherwise aware was a client of the Company, the Bank, or any subsidiary of such entities at the time of termination of employment. Executive will not directly or indirectly make any such contact, either for his own benefit or for the benefit of any other person, firm, association, or corporation.

(b) **Six Month Non-Competition.** Executive hereby covenants and agrees that, for a period of six months following his termination of employment with the Bank, he shall not, without the written consent of the Bank, either directly or indirectly become an officer, employee, consultant, director, independent contractor, agent, sole proprietor, joint venturer, greater than 5% equity owner or stockholder, partner or trustee of any savings association, savings and loan association, savings and loan holding company, credit union, bank or bank holding company, insurance company or agency, any mortgage or

loan broker or any other financial services entity or business that competes with the business of the Bank or its affiliates or has headquarters or offices within 30 miles of Cincinnati, Ohio. Notwithstanding the foregoing, this non-competition restriction shall not apply if Executive's employment is terminated following a Change in Control.

(c) As used in this Agreement, "Confidential Information" means information belonging to the Bank which is of value to the Bank in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Bank. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management of the Bank. Confidential Information includes information developed by the Executive in the course of the Executive's employment by the Bank, as well as other information to which the Executive may have access in connection with the Executive's employment. Confidential Information also includes the confidential information of others with which the Bank has a business relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain. The Executive understands and agrees that the Executive's employment creates a relationship of confidence and trust between the Executive and the Bank with respect to all Confidential Information. At all times, both during the Executive's employment with the Bank and after its termination, the Executive will keep in confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Bank, except as may be necessary in the ordinary course of performing the Executive's duties to the Bank.

(d) Executive shall, upon reasonable notice, furnish such information and assistance to the Bank as may reasonably be required by the Bank, in connection with any litigation in which it or any of its subsidiaries or affiliates is, or may become, a party; provided, however, that Executive shall not be required to provide information or assistance with respect to any litigation between the Executive and the Bank or any of its subsidiaries or affiliates.

(e) All payments and benefits to Executive under this Agreement shall be subject to Executive's compliance with this Section 11. The parties hereto, recognizing that irreparable injury will result to the Bank, its business and property in the event of Executive's breach of this Section 11, agree that, in the event of any such breach by Executive, the Bank will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Executive and all persons acting for or with Executive. Executive represents and admits that Executive's experience and capabilities are such that Executive can obtain employment in a business engaged in other lines and/or of a different nature than the Bank, and that the enforcement of a remedy by way of injunction will not prevent Executive from earning a livelihood. Nothing herein will be construed as prohibiting the Bank or the Company from pursuing any other remedies available to them for such breach or threatened breach, including the recovery of damages from Executive.

12. SOURCE OF PAYMENTS.

All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the Bank. The Company may accede to this Agreement but only for the purposed of guaranteeing payment and provision of all amounts and benefits due hereunder to Executive.

13. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS.

This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the Bank or any predecessor of the Bank and Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Executive of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that Executive is subject to receiving fewer benefits than those available to him without reference to this Agreement.

14. NO ATTACHMENT; BINDING ON SUCCESSORS.

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or

to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void, and of no effect.

(b) This Agreement shall be binding upon, and inure to the benefit of, Executive and the Bank and their respective successors and assigns.

15. MODIFICATION AND WAIVER.

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

16. REQUIRED PROVISIONS.

(a) The Bank may terminate Executive's employment at any time, but any termination by the Board other than termination for Cause shall not prejudice Executive's right to compensation or other benefits under this Agreement. Executive shall have no right to receive compensation or other benefits for any period after termination for Cause.

(b) If Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) [12 USC §1818(e)(3)] or 8(g)(1) [12 USC §1818(g)(1)] of the Federal Deposit Insurance Act, the Bank's obligations under this contract shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay Executive all or part of the compensation withheld while its contract obligations were suspended and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

(c) If Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) [12 USC §1818(e)(4)] or 8(g)(1) [12 USC §1818(g)(1)] of the Federal Deposit Insurance Act, all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

(d) If the Bank is in default as defined in Section 3(x)(1) [12 USC §1813(x)(1)] of the Federal Deposit Insurance Act, all obligations of the Bank under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the contracting parties.

(e) All obligations under this Agreement shall be terminated, except to the extent determined that continuation of the contract is necessary for the continued operation of the Bank, (i) by either the Office of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System (collectively, the "Regulator") or his or her designee, at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) [12 USC §1823(c)] of the Federal Deposit Insurance Act; or (ii) by the Regulator or his or her designee at the time the Regulator or his or her designee approves a supervisory merger to resolve problems related to operation of the Bank or when the Bank is determined by the Regulator to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.

(f) Notwithstanding anything herein contained to the contrary, any payments to Executive by the Bank or the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

17. SEVERABILITY.

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so

invalid, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

18. HEADINGS FOR REFERENCE ONLY.

The headings of sections and paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

19. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of Ohio except to the extent superseded by federal law.

20. ARBITRATION.

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by binding arbitration, as an alternative to civil litigation and without any trial by jury to resolve such claims, conducted by a panel of three arbitrators sitting in a location selected by Executive within fifty (50) miles from the main office of the Bank, in accordance with the rules of the American Arbitration Bank's National Rules for the Resolution of Employment Disputes ("National Rules") then in effect. One arbitrator shall be selected by Executive, one arbitrator shall be selected by the Bank and the third arbitrator shall be selected by the arbitrators selected by the parties. If the arbitrators are unable to agree within fifteen (15) days upon a third arbitrator, the arbitrator shall be appointed for them from a panel of arbitrators selected in accordance with the National Rules. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

21. INDEMNIFICATION.

(a) Executive shall be provided with coverage under a standard directors' and officers' liability insurance policy, and shall be indemnified for the term of this Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any affiliate (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements (such settlements must be approved by the Board), provided, however, Executive shall not be indemnified or reimbursed for legal expenses or liabilities incurred in connection with an action, suit or proceeding arising from any illegal or fraudulent act committed by Executive. Any such indemnification shall be made consistent with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. §1828(k), and the regulations issued thereunder in 12 C.F.R. Part 359.

(b) Any indemnification by the Bank shall be subject to compliance with any applicable regulations of the Federal Deposit Insurance Corporation.

22. NOTICE.

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank:

Chairman of the Board
Eagle Savings Bank
6415 Bridgetown Road
Cincinnati, Ohio 45248

To Executive:

At the address last appearing on
the personnel records of the Bank

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be executed by their duly authorized representatives, and Executive has signed this Agreement, on the date first above written.

EAGLE SAVINGS BANK

By: /s/ James W. Braun
Chairman of the Board

EAGLE FINANCIAL BANCORP, INC.

By: /s/ James W. Braun
Chairman of the Board

EXECUTIVE:

/s/ Kevin R. Schramm

**EAGLE SAVINGS BANK
AMENDED AND RESTATED
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

RECITALS:

WHEREAS, Eagle Savings Bank, an Ohio corporation, (the “Bank”), has previously adopted the Eagle Savings Bank Supplemental Executive Retirement Plan (the “Prior Plan”) effective as of July 1, 2010; and

WHEREAS, in connection with the conversion of the Bank from the mutual to the stock form of organization, the Bank desires to amend and restate the Prior Plan in order to make certain changes; and

WHEREAS, Section 6.4 of the Prior Plan provides that the plan may be amended from time to time and this Eagle Savings Bank Amended and Restated Supplemental Executive Retirement Plan (the “Plan”) shall supersede and replace the Prior Plan.

NOW, THEREFORE, the Bank hereby amends and restates the Plan as follows:

**ARTICLE I
GENERAL**

- 1.1 Purpose of the Plan.** The purpose of this Plan is to reward certain management and highly compensated employees of the Bank who have contributed to the Bank’s success and are expected to continue to contribute to such success in the future.
- 1.2 Plan Benefits Generally.** Pursuant to the Plan, the Bank may provide to each Participant such benefit as provided on the terms and conditions contained in the Plan and the Participant’s individual Participation Agreement.
- 1.3 Effective Date.** The Plan was originally effective as of July 1, 2010, and the Plan is amended and restated as of January 1, 2017.

**ARTICLE II
DEFINITIONS**

- 2.1 Accrued Benefit Liability.** Accrued Benefit Liability shall mean with respect to each Participant, the amount of accrued liability for the Participant at the time of Separation from Service. For purposes of this Plan and the Participation Agreement, the Accrued Benefit Liability shall mean the amount accrued by the Bank to fund the future benefit expense associated with this Plan and Participation Agreement as it relates to a specific Participant. The Bank shall account for this benefit using Generally Accepted Accounting Principles, regulatory accounting guidance of the Bank’s primary federal regulator, and other applicable accounting guidance, including APB 12 and FAS 106. Accordingly, the Bank shall establish a liability retirement account for the Executive into which appropriate accruals shall be made using a reasonable discount rate, which is at least equal to the Applicable Federal Rate (AFR), and which may be adjusted from time to time.
- 2.2 Administrator.** Administrator shall mean the Bank as defined herein.
- 2.3 Bank.** Eagle Savings Bank.
- 2.4 Beneficiary.** Beneficiary means the person or persons designated by a Participant as his beneficiary in accordance with the provisions of Article V and subject to the Participation Agreement. Each Participant may at any time, and from time to time, change any previous Beneficiary designation, without notice to or consent from any previously designated Beneficiary, by amending their previous designation of a form prescribed by the Administrator. If no person shall be designated by the Participant as a Beneficiary, or if the designated Beneficiary shall not survive the Participant, payment of their interest shall be made to the Participant’s estate.

- 2.5 Board.** Board means the Board of Directors of the Bank.
- 2.6 Cause.** Cause shall have the meaning set forth in Section 4.2.
- 2.7 Change in Control.** Provided that such definition shall be interpreted in a manner that is consistent with Code Section 409A and regulations thereunder, a “Change in Control” of the Bank (which, for purpose of this Section 2.7 shall mean Eagle Bank but not any of its affiliates or subsidiaries) shall mean the first to occur of any of the following:
- (a) the date that any one person or persons acting as a group acquires ownership of Bank stock constituting more than fifty percent (50%) of the total fair market value or total voting power of the Bank;
 - (b) the date that any one person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of the stock of the Bank possessing thirty percent (30%) or more of the total voting power of the stock of the Bank;
 - (c) the date that any one person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Bank that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Bank immediately prior to such acquisition; or
 - (d) the date that a majority of members of the Bank’s Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or elections.
- Notwithstanding anything in this Plan to the contrary, in no event shall a conversion of the Bank from the mutual to the stock form of organization constitute a “Change in Control for purposes of this Plan.
- 2.8 ERISA.** The Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.9 Executive.** Executive means an employee of the Bank who is considered part of a select group of management or highly compensated employee of the Bank and is designated by the Administrator as eligible to participate in the Plan.
- 2.10 Normal Retirement.** Normal Retirement means Participant’s Separation of Service for any reason, other than for Cause, after such Participant has reached their Normal Retirement Age.
- 2.11 Normal Retirement Age.** Normal Retirement Age means the normal retirement age set forth in the Participant’s Participation Agreement.
- 2.12 Participant.** Participant means any Executive who elects to participate in the Plan by entering into a Participation Agreement in accordance herewith. The Administrator may, from time to time in its sole discretion, with Cause, revoke a Participant’s participation in the Plan upon ninety (90) days’ written notice. The Administrator may from time to time, in its sole discretion without Cause, revoke a Participant’s participation upon the mutual consent of the Participant and Administrator.
- 2.13 Participation Agreement.** Participation Agreement means a written agreement between the Bank and a Participant, pursuant to which the Bank agrees to make a SERP Benefit payment, or payments, in accordance with the Plan and the Participation Agreement. Each Participation Agreement shall contain such information, terms and conditions as the Administrator in its discretion may specify, including without limitation, the following:
- (a) the effective date of the Participant’s participation in the Plan;
 - (b) the Participant’s Normal Retirement Age;
 - (c) the SERP Benefits to which the Participant is entitled under the Plan and, the form such benefits are to be paid in (i.e. installments or lump sum);

- (d) the identity of the Participant's Beneficiary; and
- (e) any other provisions which supplement the terms and conditions contained in the Plan and which are not inconsistent with the terms and conditions of the Plan.

2.14 Plan. Plan means Amended and Restated Eagle Savings Bank Supplemental Executive Retirement Plan as the same may be amended from time to time.

2.15 Plan Year. Plan Year shall mean calendar year.

2.16 Separation from Service. As provided by regulations promulgated under the Internal Revenue Code Section 409A, a Participant shall incur a Separation from Service with the Service Recipient due to death, retirement or other termination of employment with the Service Recipient unless the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not to exceed six months, or if longer, so long as the individual retains a right to reemployment with the Service Recipient under an applicable statute or by contract.

2.17 SERP Benefit. SERP Benefit means, with respect to each Participant, an annual cash benefit in the amount determined pursuant to the Participant's Participation Agreement, minus any offset amounts specified therein.

2.18 Service Recipient. As provided by regulations promulgated under Code Section 409A, Service Recipient shall mean the Bank or person for whom the services are performed and with respect to whom the legally binding right to compensation arises, and all persons with whom such person would be considered a single employer under Code Section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single employer under Code Section 414(c) (employees of partnerships, proprietorships, etc., under common control).

2.19 Vesting. The Participant's ownership rights in the SERP Benefit shall arise, or vest, solely with the occurrence of those conditions precedent to Vesting as contained in the Participation Agreement.

2.20 Year of Service. For each calendar year a Participant is employed by the Bank, such Participant shall be credited with one (1) year of service.

ARTICLE III ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. The Administrator, in its sole discretion, shall from time to time determine those Executive(s) who shall be eligible to participate in the Plan.

3.2 Participation. Each Executive who is eligible to participate in the Plan shall enroll in the Plan by entering into a Participation Agreement and completing such other forms and furnishing such other information as the Administrator may request. An Executive's participation in the Plan shall commence as of the date specified in the Participation Agreement.

ARTICLE IV BENEFITS

4.1 SERP Benefit. Each Participant, subject to the terms and conditions of his Participation Agreement, shall become entitled to receive such benefits as set forth in the executed Participation Agreement.

4.2 No Benefits Payable Upon Separation from Service for Cause. Notwithstanding anything herein or in the Participation Agreement to the contrary, no benefits shall be payable, at the discretion of the Bank, to any Participant who has a Separation from Service for Cause.

For purposes hereof, a Participant who has a Separation from Service for any of the following reasons shall be regarded as having been terminated for Cause:

- (a) engaging in willful or grossly negligent misconduct that is materially injurious to the Bank;

- (b) embezzlement or misappropriation of funds or property of the Bank;
- (c) conviction of a felony or the entrance of a plea of guilty or nolo contendere to a felony;
- (d) conviction of any crime involving fraud, dishonesty, moral turpitude or breach of trust or the entrance of a plea of guilty to such a crime;
- (e) failure or refusal by the Participant to devote full business time and attention to the performance of his or her duties and responsibilities if such breach has not been cured within fifteen (15) days after notice is given to the Participant; or
- (f) issuance of a final non-appealable order or other direction by a Federal or state regulatory agency prohibiting the Participant's employment in the business of banking.

4.3 Distributions to Specified Employee. Notwithstanding anything herein to the contrary, if any Participant is a Specified Employee upon a Separation from Service for any reason other than death, distributions to such Participant shall not commence until the first day of the seventh month following the date of Separation from Service (or, if earlier, the date of death of the Participant). If distributions are to be made in annual installments, the second installment and all those thereafter will be made on the applicable anniversaries of the Participant's Separation from Service. A "Specified Employee" means a key employee (as defined in Code Section 416(i) without regard to paragraph (5) thereof) of a corporation any stock which is publicly traded on an established securities market or otherwise.

ARTICLE V BENEFICIARY

5.1 Beneficiary. For purposes of this section, the Participant's executed Participation Agreement shall dictate the Participant's rights and responsibilities regarding the Participant's Beneficiary.

ARTICLE VI PLAN ADMINISTRATION

6.1 Administration.

(a) General. The Plan shall be administered by the Administrator. The Administrator shall have sole and absolute discretion to interpret where necessary all provisions of the Plan and each Participation Agreement (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan, a Participation Agreement, or between the Plan and a Participation Agreement), to determine the rights and status under the Plan of Participants or other persons, to resolve questions or disputes arising under the Plan and to make any determinations with respect to the benefits payable under the Plan and the persons entitled thereto as may be necessary for the purposes of the Plan. The Administrator's determination of the rights of any Executive or former Executive hereunder shall be final and binding on all persons, subject only to the claims procedures outlined in Article 7 hereof.

(b) Delegation of Duties. The Administrator may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of benefits payable hereunder, to a named administrator or administrators.

6.2 Regulations. The Administrator may promulgate any rules and regulations it deems necessary in order to carry out the purposes of the Plan or to interpret the provisions of the Plan; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by the Administrator shall, subject only to the claims procedure outlined in Article 7 hereof, be final and binding on all persons.

6.3 Revocability of Administrator/Bank Action. Any action taken by the Administrator with respect to the rights or benefits under the Plan of any Executive or former Executive shall be revocable by the Administrator as to payments not yet made to such person in order to correct any incorrect payment to a Participant or a Beneficiary, and then only to the extent necessary to correct such error. Acceptance

of any benefits under the Plan constitutes acceptance of, and agreement to, the Administrator's making any appropriate adjustments in future payments to such person (or to recover from such person) any excess payment or underpayment previously made to such person.

6.4 Amendment or Modification. The Bank may, at any time, in its sole discretion, amend or modify the Plan in whole or in part, except that no such amendment or modification shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts, and provided that such amendment or modification complies with Codes Section 409A and related regulations thereunder. The Plan replaces and supersedes the Prior Plan in its entirety.

6.5 Plan Termination. The Bank further reserves the right to terminate the Plan in whole or in part, in the following manner, except that no such termination shall have any retroactive effect to reduce any amounts allocated to a Participant's vested SERP Benefit account and provided that such termination complies with Codes Section 409A and related regulations thereunder:

(a) The Bank, in its sole discretion, may terminate the Plan and distribute Participants' vested SERP Benefit amounts no earlier than twelve (12) calendar months from the date of the Plan termination and no later than twenty-four (24) calendar months from the date of the Plan termination, provided however that all other similar arrangements are also terminated by the Bank and no other similar arrangements are adopted by the Bank within a three (3) year period from the date of termination; or

(b) The Bank may decide, in its discretion, to terminate the Plan in the event of a Change-in-Control and distribute the Participant's vested SERP Benefit no earlier than thirty (30) days prior to the Change-in-Control and no later than twelve (12) months after the effective date of the Change-in-Control, provided however that the Bank terminates all other similar arrangements; or

(c) The Bank may decide, in its sole discretion, to terminate the Plan in the event of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court, provided that the Participant's vested SERP Benefit are distributed to Participants and are included in the Participants' gross income in the latest of; (i) the calendar year in which the termination occurs; (ii) the calendar year in which the amounts deferred are no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which payment is administratively practicable.

6.6 Withholding. The Bank shall deduct from any distributions hereunder any taxes or other amounts required by law to be withheld therefrom.

ARTICLE VII CLAIMS ADMINISTRATION

7.1 General. If a Participant, Beneficiary or his or her representative is denied all or a portion of an expected Plan benefit for any reason and the Participant, Beneficiary or his or her representative desires to dispute the decision of the Administrator, he/she must file a written notification of his or her claim with the Administrator.

7.2 Claims Procedure. Upon receipt of any written claim for benefits, the Administrator shall be notified and shall give due consideration to the claim presented. If any Participant or Beneficiary claims to be entitled to benefits under the Plan and the Administrator determines that the claim should be denied in whole or in part, the Administrator shall, in writing, notify such claimant within ninety (90) days of receipt of the claim that the claim has been denied. The Administrator may extend the period of time for making a determination with respect to any claim for a period of up to ninety (90) days, provided that the Administrator determines that such an extension is necessary because of special circumstances and notifies the claimant, prior to the expiration of the initial ninety (90) day period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. If the claim is denied to any extent by the Administrator, the Administrator shall furnish the claimant with a written notice setting forth:

(a) the specific reason or reasons for denial of the claim;

- (b) a specific reference to the Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the provisions of this Article.

7.3 Right of Appeal. A claimant who has a claim denied under Section 7.2 may appeal to the Administrator for reconsideration of that claim. A request for reconsideration under this section must be filed by written notice within sixty (60) days after receipt by the claimant of the notice of denial under Section 7.2.

7.4 Review of Appeal. Upon receipt of an appeal the Administrator shall promptly take action to give due consideration to the appeal. Such consideration may include a hearing of the parties involved, if the Administrator feels such a hearing is necessary. In preparing for this appeal the claimant shall be given the right to review pertinent documents and the right to submit in writing a statement of issues and comments. After consideration of the merits of the appeal the Administrator shall issue a written decision which shall be binding on all parties subject to Section 7.7 below. The decision shall specifically state its reasons and pertinent Plan provisions on which it relies. The Administrator's decision shall be issued within sixty (60) days after the appeal is filed, except that the Administrator may extend the period of time for making a determination with respect to any claim for a period of up to sixty (60) days, provided that the Administrator determines that such an extension is necessary because of special circumstances and notifies the claimant, prior to the expiration of the initial sixty (60) day period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision.

7.5 Designation. The Administrator may designate any other person of its choosing to make any determination otherwise required under this Article. Any person so designation shall have the same authority and discretion granted to the Administrator hereunder.

7.6 Litigation Costs. If a claimant brings a lawsuit for benefits hereunder, to enforce any right hereunder or for other relief arising out of the terms of the Plan, the costs and expenses of litigation by any party shall be borne by the losing party. The prevailing party shall recover as expenses all reasonable attorney fees incurred by it in connection with the proceedings or any appeals therefrom.

ARTICLE VIII MISCELLANEOUS

8.1 Administrator. The Administrator is expressly empowered to interpret the Plan and to determine all questions arising in the administration, interpretation, and application of the Plan; to employ actuaries, accountants, counsel, and other persons it deems necessary in connection with the administration of the Plan; to request any information from the Bank it deems necessary to determine whether the Bank would be considered insolvent or subject to a proceeding in bankruptcy; and to take all other necessary and proper actions to fulfill its duties as Administrator. The Administrator is relieved of all responsibility in connection with its duties hereunder to the fullest extent permitted by law, except any breach of duty to the Participants or Beneficiaries. If any individual person shall have been delegated the duties or responsibilities as Administrator, such person shall not be liable for any actions by him or her hereunder unless due to his or her own gross negligence or willful misconduct and shall be indemnified and saved harmless by the Bank from and against all personal liability to which he or she may be subject by reason of any act done or omitted to be done in his or her official capacity as Administrator in good faith in the administration of the Plan, including all expenses reasonably incurred in his or her defense in the event the Bank fails to provide such defense upon the request.

8.2 No Assignment. No benefit under the Plan or a Participation Agreement shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any such action shall be void for all purposes of the Plan or a Participation Agreement. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements, or torts of any person, nor shall it be subject to attachments or other legal process for or against any person.

- 8.3 No Employment Rights.** Participation in this Plan and execution of a Participation Agreement shall not be construed to confer upon any Participant the legal right to be retained in the employ of the Bank, or give a Participant or Beneficiary, or any other person, any right to any payment whatsoever, except to the extent of the benefits provided for hereunder. Each Participant shall remain subject to discharge to the same extent as if this Plan had never been adopted and the Participation Agreement had never been executed.
- 8.4 Incompetence.** If the Administrator determines that any person to whom a benefit is payable under this Plan is incompetent by reason of physical or mental disability, the Administrator shall have the power to cause the payments becoming due to such person to be made to another individual for the Participant's benefit without responsibility of the Administrator to see to the application of such payments. Any payment made pursuant to such power shall, as to such payment, operate as a complete discharge of the Bank, the Administrator, and their representatives.
- 8.5 Identity.** If, at any time, any doubt exists as to the identity of any person entitled to any payment hereunder or the amount or time of such payment, the Administrator shall be entitled to hold such sum until such identity or amount or time is determined or until an order of a court of competent jurisdiction is obtained. The Administrator shall also be entitled to pay such sum into court in accordance with the appropriate rules of law. Any expenses incurred by the Bank or Administrator incident to such proceeding or litigation shall be charged against the SERP Benefit of the affected Participant.
- 8.6 No Liability.** No liability shall attach to or be incurred by any employee of the Bank or Administrator individually under or by reason of the terms, conditions, and provisions contained in this Plan, or for the acts or decisions taken or made hereunder or in connection therewith; and, as a condition precedent to the establishment of this Plan or the receipt of benefits hereunder, or both, such liability, if any, is expressly waived and released by each Participant and by any and all persons claiming under or through any Participant or any other person. Such waiver and release shall be conclusively evidenced by any act or participation in or the acceptance of benefits or the making of any election under this Plan.
- 8.7 Expenses.** Except as otherwise provided in the Plan, all expenses incurred in the administration of the Plan shall be paid by the Bank.
- 8.8 Amendment and Termination.** The Bank shall have the sole authority to modify, amend, or terminate this Plan subject to those limitations provided hereinabove.
- 8.9 Bank Determinations.** Any determinations, actions, or decisions of the Bank (including but not limited to, Plan amendments and Plan termination and the Participation Agreement) shall be made by the Board in accordance with its established procedures or by such other individuals, groups, or organizations that have been properly delegated by the Board to make such determination or decision.
- 8.10 Construction.** All questions of interpretation, construction or application arising under or concerning the terms of this Plan and any Participation Agreement shall be decided by the Administrator, in its sole and final discretion, whose decision shall be final, binding and conclusive upon all persons.
- 8.11 Governing Law.** To the extent not preempted by federal law, this Plan shall be governed by, construed and administered under the laws of the State of Ohio.
- 8.12 Severability.** Should any provision of the Plan or any regulations adopted hereunder be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions or regulations unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall immediately adopt a new provision or regulation to take the place of the one held illegal or invalid.
- 8.13 Headings.** The headings contained in the Plan are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge, or describe the scope or intent of this Plan nor in any way shall they affect this Plan or the construction of any provision thereof.
- 8.14 Terms.** Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, masculine pronouns shall be read as feminine, and vice versa, as appropriate.

- 8.15 Ownership of Assets; Relationship with Bank.** Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Bank and any Participant or any other person. To the extent that any person acquires a right to receive payments from the Bank under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Bank.
- 8.16 Deposits in Trust.** The Bank may, at its sole discretion, establish with a corporate trustee a grantor rabbi trust under which all or a portion of the assets of the Plan are to be held, administered and managed. The trust agreement evidencing the trust shall conform with the terms of Revenue Procedure 92-64 or any successor procedure. The Bank in its sole discretion may make deposits to augment the principal of such trust.
- 8.17 Right of Setoff.** The Bank may, to the extent permitted by applicable law, deduct from and setoff against any amounts payable to a Participant from this Plan such amounts as may be owed by a Participant to the Bank, although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff; provided, however, that this setoff may occur only at the date on which the amount would otherwise be distributed to the Participant as required by Code Section 409A. By electing to participate in the Plan and deferring compensation hereunder, the Participant agrees to any deduction or setoff under this Section 8.17 which is allowed by law.
- 8.18 409A Compliance.** This Plan will, at all times, be operated in good faith compliance with Code Section 409A of the Code and regulations thereunder (and any subsequent IRS notices or guidance). In the event that any provision of this Plan is inconsistent with Code Section 409A or such guidance, then the applicable provisions of Code Section 409A shall supersede such provision. Nothing herein shall be construed as an entitlement to our guarantee of any particular tax treatment to a Participant.

Executed this day of , 2017.

EAGLE SAVINGS BANK

By: _____

Title: _____

**EAGLE SAVINGS BANK
AMENDED AND RESTATED
SUPPLEMENTAL DIRECTOR RETIREMENT PLAN**

RECITALS:

WHEREAS, Eagle Savings Bank, an Ohio corporation, (the “Bank”), has previously adopted the Eagle Savings Bank Supplemental Director Retirement Plan (the “Prior Plan”) effective as of July 1, 2010; and

WHEREAS, in connection with the conversion of the Bank from the mutual to the stock form of organization, the Bank desires to amend and restate the Prior Plan in order to make certain changes; and

WHEREAS, Section 6.4 of the Prior Plan provides that the plan may be amended from time to time and this Eagle Savings Bank Amended and Restated Supplemental Director Retirement Plan (the “Plan”) shall supersede and replace the Prior Plan.

NOW, THEREFORE, the Bank hereby amends and restates the Plan as follows:

ARTICLE I

GENERAL

- 1.1 Purpose of the Plan.** The purpose of this Plan is to reward certain management and highly compensated members of the Board of Directors of the Bank who have contributed to the Bank’s success and are expected to continue to contribute to such success in the future.
- 1.2 Plan Benefits Generally.** Pursuant to the Plan, the Bank may provide to each Participant, as defined herein below, such benefit as provided on the terms and conditions contained in the Plan and the Participant’s individual Participation Agreement.
- 1.2 Effective Date.** The Plan was originally effective as of July 1, 2010, and the Plan is amended and restated as of January 1, 2017.

**ARTICLE II
DEFINITIONS**

- 2.1 Accrued Benefit Liability.** Accrued Benefit Liability shall mean with respect to each Participant, the amount of accrued liability for the Participant at the time of Separation from Service. For purposes of this Plan and the Participation Agreement, the Accrued Benefit Liability shall mean the amount accrued by the Bank to fund the future benefit expense associated with this Plan and Participation Agreement as it relates to a specific Participant. The Bank shall account for this benefit using Generally Accepted Accounting Principles, regulatory accounting guidance of the Bank’s primary federal regulator, and other applicable accounting guidance, including APB 12 and FAS 106. Accordingly, the Bank shall establish a liability retirement account for the Director into which appropriate accruals shall be made using a reasonable discount rate, which is at least equal to the Applicable Federal Rate (AFR), and which may be adjusted from time to time.
- 2.2 Administrator.** Administrator shall mean the Bank as defined herein.
- 2.3 Beneficiary.** Beneficiary means the person or persons designated by a Participant as his beneficiary in accordance with the provisions of Article V and subject to the Participation Agreement. Each Participant may at any time, and from time to time, change any previous Beneficiary designation, without notice to or consent from any previously designated Beneficiary, by amending their previous designation of a form prescribed by the Administrator. If no person shall be designated by the Participant as a Beneficiary, or if the designated Beneficiary shall not survive the Participant, payment of their interest shall be made to the Participant’s estate.

- 2.4 Board.** Board means the Board of Directors of the Bank.
- 2.5 Cause.** Cause shall have the meaning set forth in Section 4.2.
- 2.6 Change in Control.** Provided that such definition shall be interpreted in a manner that is consistent with Code Section 409A and regulations thereunder, a “Change in Control” of the Bank (which, for purpose of this Section 2.6 shall mean Eagle Savings Bank but not any of its affiliates or subsidiaries) shall mean the first to occur of any of the following;
- (a) the date that any one person or persons acting as a group acquires ownership of Bank stock constituting more than fifty percent (50%) of the total fair market value or total voting power of the Bank;
 - (b) the date that any one person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of the stock of the Bank possessing thirty percent (30%) or more of the total voting power of the stock of the Bank;
 - (c) the date that any one person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Bank that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Bank immediately prior to such acquisition; or
 - (d) the date that a majority of members of the Bank’s Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or elections.

Notwithstanding anything in this Plan to the contrary, in no event shall a conversion of the Bank from the mutual to the stock form of organization constitute a “Change in Control for purposes of this Plan.

- 2.7 ERISA.** The Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.8 Director.** Director means an employee of the Bank who is considered part of a select group of management or highly compensated employee of the Bank and is designated by the Administrator as eligible to participate in the Plan.
- 2.9 Normal Retirement.** Normal Retirement means Participant’s Separation of Service for any reason, other than for Cause, after such Participant has reached their Normal Retirement Age.
- 2.10 Normal Retirement Age.** Normal Retirement Age means the normal retirement age set forth in the Participant’s Participation Agreement.
- 2.11 Participant.** Participant means any Director who elects to participate in the Plan by entering into a Participation Agreement in accordance herewith. The Administrator may, from time to time in its sole discretion, with Cause, revoke a Participant’s participation in the Plan upon ninety (90) days’ written notice. The Administrator may from time to time, in its sole discretion without Cause, revoke a Participant’s participation upon the mutual consent of the Participant and Administrator.
- 2.12 Participation Agreement.** Participation Agreement means a written agreement between the Bank and a Participant, pursuant to which the Bank agrees to make a SERP Benefit payment, or payments, in accordance with the Plan and the Participation Agreement. Each Participation Agreement shall contain such information, terms and conditions as the Administrator in its discretion may specify, including without limitation, the following:
- (a) the effective date of the Participant’s participation in the Plan;
 - (b) the Participant’s Normal Retirement Age;
 - (c) the SERP Benefits to which the Participant is entitled under the Plan and, the form such benefits are to be paid in (i.e. installments or lump sum);

- (d) the identity of the Participant's Beneficiary; and
- (e) any other provisions which supplement the terms and conditions contained in the Plan and which are not inconsistent with the terms and conditions of the Plan.

2.13 Plan. Plan means Eagle Savings Bank Supplemental Director Retirement Plan as the same may be amended from time to time.

2.14 Plan Year. Plan Year shall mean calendar year.

2.15 Separation from Service. As provided by regulations promulgated under the Internal Revenue Code Section 409A, a Participant shall incur a Separation from Service with the Service Recipient due to death, Board retirement or other Board termination related to the status of a Participant as Director with the Service Recipient unless the relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the individual retains a right to reemployment with the Service Recipient under an applicable statute or by contract.

2.16 SERP Benefit. SERP Benefit means, with respect to each Participant, an annual cash benefit in the amount determined pursuant to the Participant's Participation Agreement, minus any offset amounts specified therein.

2.17 Service Recipient. As provided by regulations promulgated under Code Section 409A, Service Recipient shall mean the Bank or person for whom the services are performed and with respect to whom the legally binding right to compensation arises, and all persons with whom such person would be considered a single Bank under Code Section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single Bank under Code Section 414(c) (employees of partnerships, proprietorships, etc., under common control).

2.18 Vesting. The Participant's ownership rights in the SERP Benefit shall arise, or vest, solely with the occurrence of those conditions precedent to Vesting as contained in the Participation Agreement.

ARTICLE III ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. The Administrator, in its sole discretion, shall from time to time determine those Director(s) who shall be eligible to participate in the Plan.

3.2 Participation. Each Director who is eligible to participate in the Plan shall enroll in the Plan by entering into a Participation Agreement and completing such other forms and furnishing such other information as the Administrator may request. A Director's participation in the Plan shall commence as of the date specified in the Participation Agreement.

ARTICLE IV BENEFITS

4.1 SERP Benefit. Each Participant, subject to the terms and conditions of his Participation Agreement, shall become entitled to receive such benefits as set forth in the executed Participation Agreement.

4.2 No Benefits Payable Upon Separation from Service for Cause. Notwithstanding anything herein or in the Participation Agreement to the contrary, no benefits shall be payable, at the discretion of the Bank, to any Participant who has a Separation from Service for Cause. For purposes hereof, a Participant who has a Separation from Service for any of the following reasons shall be regarded as having been terminated for Cause:

- (a) engaging in willful or grossly negligent misconduct that is materially injurious to the Bank;
- (b) embezzlement or misappropriation of funds or property of the Bank;
- (c) conviction of a felony or the entrance of a plea of guilty or nolo contendere to a felony;

- (d) conviction of any crime involving fraud, dishonesty, moral turpitude or breach of trust or the entrance of a plea of guilty to such a crime;
- (e) failure or refusal by the Participant to devote full business time and attention to the performance of his or her duties and responsibilities if such breach has not been cured within fifteen (15) days after notice is given to the Participant; or
- (f) issuance of a final non-appealable order or other direction by a Federal or state regulatory agency prohibiting the Participant's employment in the business of banking.

4.3 Distributions to Specified Employee. Notwithstanding anything herein to the contrary, if any Participant is a Specified Employee upon a Separation from Service for any reason other than death, distributions to such Participant shall not commence until the first day of the seventh month following the date of Separation from Service (or, if earlier, the date of death of the Participant). If distributions are to be made in annual installments, the second installment and all those thereafter will be made on the applicable anniversaries of the Participant's Separation from Service. A "Specified Employee" means a key employee (as defined in Code Section 416(i) without regard to paragraph (5) thereof) of a corporation any stock which is publicly traded on an established securities market or otherwise.

ARTICLE V BENEFICIARY

5.1 Beneficiary. For purposes of this section, the Participant's executed Participation Agreement shall dictate the Participant's rights and responsibilities regarding the Participant's Beneficiary.

ARTICLE VI PLAN ADMINISTRATION

6.1 Administration.

(a) General. The Plan shall be administered by the Administrator. The Administrator shall have sole and absolute discretion to interpret where necessary all provisions of the Plan and each Participation Agreement (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan, a Participation Agreement, or between the Plan and a Participation Agreement), to determine the rights and status under the Plan of Participants or other persons, to resolve questions or disputes arising under the Plan and to make any determinations with respect to the benefits payable under the Plan and the persons entitled thereto as may be necessary for the purposes of the Plan. The Administrator's determination of the rights of any Director or former Director hereunder shall be final and binding on all persons, subject only to the claims procedures outlined in Article 7 hereof.

(b) Delegation of Duties. The Administrator may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of benefits payable hereunder, to a named administrator or administrators.

6.2 Regulations. The Administrator may promulgate any rules and regulations it deems necessary in order to carry out the purposes of the Plan or to interpret the provisions of the Plan; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by the Administrator shall, subject only to the claims procedure outlined in Article 7 hereof, be final and binding on all persons.

6.3 Revocability of Administrator/Bank Action. Any action taken by the Administrator with respect to the rights or benefits under the Plan of any Director or former Director shall be revocable by the Administrator as to payments not yet made to such person in order to correct any incorrect payment to a Participant or a Beneficiary, and then only to the extent necessary to correct such error. Acceptance of any benefits under the Plan constitutes acceptance of, and agreement to, the Administrator's making any appropriate adjustments in future payments to such person (or to recover from such person) any excess payment or underpayment previously made to such person.

6.4 Amendment or Modification.

The Bank may, at any time, in its sole discretion, amend or modify the Plan in whole or in part, except that no such amendment or modification shall have any retroactive effect to reduce any vested amounts allocated to a Participant's Accounts, and provided that such amendment or modification complies with Codes Section 409A and related regulations thereunder. The Plan replaces and supersedes the Prior Plan in its entirety.

6.5 Plan Termination.

The Bank further reserves the right to terminate the Plan in whole or in part, in the following manner, except that no such termination shall have any retroactive effect to reduce any amounts allocated to a Participant's vested SERP Benefit account and provided that such termination complies with Codes Section 409A and related regulations thereunder:

(a) The Bank, in its sole discretion, may terminate the Plan and distribute Participants' vested SERP Benefit amounts no earlier than twelve (12) calendar months from the date of the Plan termination and no later than twenty-four (24) calendar months from the date of the Plan termination, provided however that all other similar arrangements are also terminated by the Bank and no other similar arrangements are adopted by the Bank within a three (3) year period from the date of termination; or

(b) The Bank may decide, in its discretion, to terminate the Plan in the event of a Change-in-Control and distribute the Participant's vested SERP Benefit no earlier than thirty (30) days prior to the Change-in-Control and no later than twelve (12) months after the effective date of the Change-in-Control, provided however that the Bank terminates all other similar arrangements; or

(c) The Bank may decide, in its sole discretion, to terminate the Plan in the event of a corporate dissolution taxed under Code Section 331. or with the approval of a bankruptcy court, provided that the Participant's vested SERP Benefit are distributed to Participants and are included in the Participants' gross income in the latest of: (i) the calendar year in which the termination occurs; (ii) the calendar year in which the amounts deferred are no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which payment is administratively practicable.

6.6 Withholding. The Bank shall deduct from any distributions hereunder any taxes or other amounts required by law to be withheld therefrom.

**ARTICLE VII
MISCELLANEOUS**

7.1 Administrator. The Administrator is expressly empowered to interpret the Plan and to determine all questions arising in the administration, interpretation, and application of the Plan; to employ actuaries, accountants, counsel, and other persons it deems necessary in connection with the administration of the Plan; to request any information from the Bank it deems necessary to determine whether the Bank would be considered insolvent or subject to a proceeding in bankruptcy; and to take all other necessary and proper actions to fulfill its duties as Administrator. The Administrator is relieved of all responsibility in connection with its duties hereunder to the fullest extent permitted by law, except any breach of duty to the Participants or Beneficiaries. If any individual person shall have been delegated the duties or responsibilities as Administrator, such person shall not be liable for any actions by him or her hereunder unless due to his or her own gross negligence or willful misconduct and shall be indemnified and saved harmless by the Bank from and against all personal liability to which he or she may be subject by reason of any act done or omitted to be done in his or her official capacity as Administrator in good faith in the administration of the Plan, including all expenses reasonably incurred in his or her defense in the event the Bank fails to provide such defense upon the request.

7.2 No Assignment. No benefit under the Plan or a Participation Agreement shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any such action shall be void for all purposes of the Plan or a Participation Agreement. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements, or torts of any person, nor shall it be subject to attachments or other legal

- 7.3 No Employment Rights.** Participation in this Plan and execution of a Participation Agreement shall not be construed to confer upon any Participant the legal right to be retained in the employ of the Bank, or give a Participant or Beneficiary, or any other person, any right to any payment whatsoever, except to the extent of the benefits provided for hereunder. Each Participant shall remain subject to discharge to the same extent as if this Plan had never been adopted and the Participation Agreement had never been executed.
- 7.4 Incompetence.** If the Administrator determines that any person to whom a benefit is payable under this Plan is incompetent by reason of physical or mental disability, the Administrator shall have the power to cause the payments becoming due to such person to be made to another individual for the Participant's benefit without responsibility of the Administrator to see to the application of such payments. Any payment made pursuant to such power shall, as to such payment, operate as a complete discharge of the Bank, the Administrator, and their representatives.
- 7.5 Identity.** If, at any time, any doubt exists as to the identity of any person entitled to any payment hereunder or the amount or time of such payment, the Administrator shall be entitled to hold such sum until such identity or amount or time is determined or until an order of a court of competent jurisdiction is obtained. The Administrator shall also be entitled to pay such sum into court in accordance with the appropriate rules of law. Any expenses incurred by the Bank or Administrator incident to such proceeding or litigation shall be charged against the SERP Benefit of the affected Participant.
- 7.6 No Liability.** No liability shall attach to or be incurred by any employee of the Bank or Administrator individually under or by reason of the terms, conditions, and provisions contained in this Plan, or for the acts or decisions taken or made hereunder or in connection therewith; and, as a condition precedent to the establishment of this Plan or the receipt of benefits hereunder, or both, such liability, if any, is expressly waived and released by each Participant and by any and all persons claiming under or through any Participant or any other person. Such waiver and release shall be conclusively evidenced by any act or participation in or the acceptance of benefits or the making of any election under this Plan.
- 7.7 Expenses.** Except as otherwise provided in the Plan, all expenses incurred in the administration of the Plan shall be paid by the Bank.
- 7.8 Amendment and Termination.** The Bank shall have the sole authority to modify, amend, or terminate this Plan subject to those limitations provided hereinabove.
- 7.9 Bank Determinations.** Any determinations, actions, or decisions of the Bank (including but not limited to, Plan amendments and Plan termination and the Participation Agreement) shall be made by the Board in accordance with its established procedures or by such other individuals, groups, or organizations that have been properly delegated by the Board to make such determination or decision.
- 7.10 Construction.** All questions of interpretation, construction or application arising under or concerning the terms of this Plan and any Participation Agreement shall be decided by the Administrator, in its sole and final discretion, whose decision shall be final, binding and conclusive upon all persons.
- 7.11 Governing Law.** To the extent not preempted by federal law, this Plan shall be governed by, construed and administered under the laws of the State of Ohio.
- 7.12 Severability.** Should any provision of the Plan or any regulations adopted hereunder be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions or regulations unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall immediately adopt a new provision or regulation to take the place of the one held illegal or invalid.
- 7.13 Headings.** The headings contained in the Plan are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge, or describe the scope or intent of this Plan nor in any way shall they affect this Plan or the construction of any provision thereof.
- 7.14 Terms.** Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, masculine pronouns shall be read as feminine, and vice versa, as appropriate.

7.15 Ownership of Assets; Relationship with Bank. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Bank and any Participant or any other person. To the extent that any person acquires a right to receive payments from the Bank under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Bank.

7.16 Deposits in Trust. The Bank may, at its sole discretion, establish with a corporate trustee a grantor rabbi trust under which all or a portion of the assets of the Plan are to be held, administered and managed. The trust agreement evidencing the trust shall conform to the terms of Revenue Procedure 92-64 or any successor procedure. The Bank in its sole discretion may make deposits to augment the principal of such trust.

7.17 Right of Setoff. The Bank may, to the extent permitted by applicable law, deduct from and setoff against any amounts payable to a Participant from this Plan such amounts as may be owed by a Participant to the Bank, although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff; provided, however, that this setoff may occur only at the date on which the amount would otherwise be distributed to the Participant as required by Code Section 409A. By electing to participate in the Plan and deferring compensation hereunder, the Participant agrees to any deduction or setoff under this Section 8.17 which is allowed by law.

7.18 409A Compliance. This Plan will, at all times, be operated in good faith compliance with Code Section 409A of the Code and regulations thereunder (and any subsequent IRS notices or guidance). In the event that any provision of this Plan is inconsistent with Code Section 409A or such guidance, then the applicable provisions of Code Section 409A shall supersede such provision.

Nothing herein shall be construed as an entitlement to our guarantee of any particular tax treatment to a Participant.

Executed this ____ day of _____, 2017.

EAGLE SAVINGS BANK

By: _____

Title: _____

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement of Eagle Financial Bancorp on Form S-8 (File No. 333-227440) of our report dated March 26, 2020, on our audits of the consolidated financial statements of Eagle Financial Bancorp, Inc. as of December 31, 2019 and 2018 and for the years then ended, which report is included in this Annual Report on Form 10-K.

BKD, LLP

Cincinnati, Ohio
March 26, 2020

CERTIFICATION

I, Gary J. Koester, certify that:

1. I have reviewed this annual report on Form 10-K of Eagle Financial Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2020

/s/ Gary J. Koester

Gary J. Koester
President and Chief Executive Officer

CERTIFICATION

I, Kevin R. Schramm, certify that:

1. I have reviewed this annual report on Form 10-K of Eagle Financial Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2020

/s/ Kevin R. Schramm

Kevin R. Schramm
Vice President, Chief Financial Officer and
Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Gary J. Koester, President and Chief Executive Officer and Kevin R. Schramm, Vice President, Chief Financial Officer and Treasurer of Eagle Financial Bancorp, Inc. (the “Company”) each certify in their capacity as an officer of the Company that they have reviewed the annual report of the Company on Form 10-K for the fiscal year ended December 31, 2019 and that to the best of their knowledge:

- (1) the report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002.

Date: March 26, 2020

/s/ Gary J. Koester

Gary J. Koester
President and Chief Executive Officer

Date: March 26, 2020

/s/ Kevin R. Schramm

Kevin R. Schramm
Vice President, Chief Financial Officer and
Treasurer