Eagle Financial Bancorp, Inc. Announces Second Quarter 2020 Results

CINCINNATI - Eagle Financial Bancorp, Inc. (OTCQB: EFBI) (the "Company"), the holding company for Eagle Savings Bank (the "Bank"), today announced net income of $497 thousand, or $0.34 per common share on 1.4 million shares outstanding for the quarter ended June 30, 2020, as compared to $81 thousand, or $0.05 per common share on 1.5 million shares outstanding for the quarter ended June 30, 2019. The improvement was largely driven by a $784 thousand increase in total non-interest income, offset by a $200 thousand provision for loan losses and a $118 thousand increase in income taxes.

Net income for the six months ended June 30, 2020 increased $512 thousand to $674 thousand, or $0.44 per common share as compared to $162 thousand, or $0.11 per common share for the six months ended June 30, 2019. The improvement was largely driven by a $1.1 million, or 111.2% increase in total non-interest income, offset by a $225 thousand increase in provision for loan losses, a $142 thousand increase in income taxes, and a $183 thousand decrease in net interest income.

The decrease in net interest income for the three months ended June 30, 2020 was largely driven by a decline in the weighted average yield on total interest earning assets to 3.88% for the quarter ended June 30, 2020 from 4.46% for the comparable 2019 period. This decrease was primarily the result of declining interest rates, especially interest rates on interest earning deposits which saw a decline in the weighted average yield of 203 basis points for the quarter ended June 30, 2020 as compared to the quarter ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- Net income of $497 thousand for the three months ended June 30, 2020 compared to $81 thousand for the comparable period in 2019, representing an increase of $416 thousand, or 513.6%.
- Net income of $674 thousand for the six months ended June 30, 2020 compared to $162 thousand for the comparable period in 2019, representing an increase of $512 thousand, or 316.0%.
- Net income before taxes of $637 thousand for the quarter ended June 30, 2020 compared to $103 thousand for the comparable period in 2019, representing an increase of $534 thousand, or 518.4%.
- Net income before taxes of $866 thousand for the six months ended June 30, 2020 compared to $212 thousand for the comparable period in 2019, representing an increase of $654 thousand, or 308.5%
- Non-interest income of $2.0 million for the six months ended June 30, 2020 compared to $961 thousand for the comparable period in 2019, representing an increase of $1.1 million, or 111.2%.
- Capital ratios of 14.7%, 17.1% and 18.1% for the Tier 1 Leverage ratio, Tier 1 Risked Based Capital ratio and Total Risked Based Capital ratio, respectively at June 30, 2020.

Comparison of Financial Condition at June 30, 2020 and December 31, 2019

Total assets were $154.5 million at June 30, 2020, an increase of $11.7 million, or 8.2%, over the $142.8 million at December 31, 2019. The increase was primarily due to an increase in loans, net of allowance for loan losses of $16.8 million, offset by a decrease in cash and cash equivalents of $4.6 million, and a decrease in interest-bearing time deposits in other banks of $1.5 million.

Net loans totaled $123.3 million at June 30, 2020, as compared to $106.6 million at December 31, 2019, an increase of $16.8 million or 15.7%. During the six months ended June 30, 2020, we originated $100.0 million of loans, $77.3 million of which were one- to four-family residential real estate loans, and sold $63.1 million of loans in the secondary market. During the six months ended June 30, 2020, one- to four-family residential real estate loans decreased $4.2 million, or 7.1%, to $55.6 million, multi-family loans decreased $27,000, or 2.5%, to $1.0 million, commercial real estate loans and land loans decreased $533,000, or 2.6%, to $20.3 million, construction loans increased $3.7 million, or 31.6%, to $15.4 million, home equity and other consumer loans decreased $1.5 million, or 15.8% to $8.2 million, and commercial loans increased $22.7 million, or 383.5% to $28.6 million, of which $22.3 million was due to loans made under the Small Business Administration's Payment Protection Program (or "PPP") . Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits increased by $10.8 million, or 9.6%, to $122.8 million at June 30, 2020 from $112.0 million at December 31, 2019. Our core deposits, which are all deposits other than certificates of deposit, increased $12.2 million, or 18.9%, to $76.6 million at June 30, 2020 from $64.4 million at December 31, 2019. Certificates of deposit decreased $1.4 million, or 3.0%, to $46.2 million at June 30, 2020 from $47.6 million at December 31, 2019. During the six months ended June 30, 2020, management continued its strategy of pursuing growth in demand accounts and other lower cost core deposits. Management intends to continue its efforts to increase core deposits, with a special emphasis on growth in consumer and business demand deposits.

Shareholders' equity increased $488,000, or 1.7%, to $28.4 million at June 30, 2020 from $27.9 million at December 31, 2019. The increase resulted from net income of $674,000 during the six months ended June 30, 2020, expense of $51,000 related to the ESOP shares committed to be released and expense of $123,000 related to stock based compensation, offset by a repurchase of common stock of $281,000 and dividends paid of $79,000.

EAGLE FINANCIAL BANCORP, INC.
STATEMENTS OF CONDITION

June 30, 2020 and March 31, 2020 (Unaudited)
December 31, 2019 (Audited)
(In Thousands)

	6/30/2020	3/31/2020	12/31/2019
ASSETS			
Cash and cash equivalents	$ 10,662	$ 15,396	$ 15,301
Interest-bearing time deposits in other banks	1,494	2,988	2,988
Loans held for sale	6,421	8,487	6,390
Loans	124,662	106,855	107,734
Less: allowance for loan losses	(1,319)	(1,196)	(1,166)
Loans, net	123,343	105,659	106,568
Premises and equipment, net	4,165	4,049	4,062
Other assets	8,420	7,528	7,479
Total Assets	$ 154,505	$ 144,107	$ 142,788
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Non-interest bearing	$ 7,007	$ 5,767	$ 5,967
Interest bearing	115,770	107,476	106,024
Total Deposits	122,777	113,243	111,991
Other Liabilities	3,337	2,776	2,894
Total Liabilities	126,114	116,019	114,885
Total Shareholders' Equity	28,391	28,088	27,903
Total Liabilities and Shareholders' Equity	$ 154,505	$ 144,107	$ 142,788

Comparison of Operating Results for the Three Months Ended June 30, 2020 and June 30, 2019

General. Our net income for the three months ended June 30, 2020 was $497,000, compared to a net income of $81,000 for the three months ended June 30, 2019, an increase of $416,000, or 513.6%. The increase in net income was primarily due to a $784,000 increase in noninterest income, the result of a large increase in net gain on loan sales, offset by an increase in provision for loan losses of $200,000, a decrease in net interest income of $55,000, and an increase in income taxes of $118,000.

Interest Income. Interest income decreased $51,000, or 3.7%, to $1.3 million for the three months ended June 30, 2020 from $1.4 million for the three months ended June 30, 2019. This decrease was primarily attributable to a $52,000 decrease in dividend income on Federal Home Loan Bank ("FHLB") stock and interest income on other interest earning deposits. The average balance of interest earning deposits increased $4.2 million for the three months ended June 30, 2020, or 38.7%, from the average balance for the three months ended June 30, 2019, while the average yield on interest earning deposits decreased by 203 basis points to 0.29% for the three months ended June 30, 2020 from 2.32% for the three months ended June 30, 2019.

Interest Expense. Total interest expense increased $4,000, or 1.5%, to $271,000 for the three months ended June 30, 2020 from $267,000 for the three months ended June 30, 2019. This increase is primarily the result of interest expense on FHLB advances. The average balance of deposits for the three months ended June 30, 2020 increased by $12.1 million, or 12.0% from the average balance for the three months ended June 30, 2019, while the average cost of deposits decreased by 11 basis points to 0.95% for the three months ended June 30, 2020 from 1.06% for the three months ended June 30, 2019.

Interest expense on FHLB advances was $4,000 for the three months ended June 30, 2020. The average balance of FHLB advances during the three months ended June 30, 2020 increased by $5.6 million, from the average balance for the three months ended June 30, 2019. The average cost of FHLB advances decreased by 232 basis points to 0.28% for the three months ended June 30, 2020 from 2.60% for the three months ended June 30, 2019.

Net Interest Income. Net interest income decreased $55,000, or 5.0%, to $1.0 million for the three months ended June 30, 2020, compared to $1.1 million for the three months ended June 30, 2019. The decrease reflected a decrease in total interest and dividend income of $51,000, and an increase in total interest expense of $4,000. Our net interest margin decreased to 3.08% for the three months ended June 30, 2020 from 3.59% for the three months ended June 30, 2019. Our net interest rate spread decreased to 2.96% for the three months ended June 30, 2020 from 3.40% for the three months ended June 30, 2019. The interest rate spread and net interest margin were impacted by declining interest rates in the three months ended June 30, 2020.

Provision for Loan Losses. Based on our analysis of the factors described in "Critical Accounting Policies—Allowance for Loan Losses," we recorded a provision of $200,000 for loan losses for the three months ended June 30, 2020, compared to $0 for the three months ended June 30, 2019. The allowance for loan losses was $1.3 million, or 0.98% of total loans, at June 30, 2020, compared to $1.2 million, or 1.02% of total loans, at December 31, 2019. Total nonperforming loans were $1.7 million at June 30, 2020, compared to $1.1 million at December 31, 2019. Classified loans increased to $1.7 million at June 30, 2020, compared to $1.4 million at December 31, 2019. Total loans past due 30 days or more were $1.3 million and $952,000 at June 30, 2020 and December 31, 2019, respectively. Net recovery totaled $5,000 for the three months ended June 30, 2020, compared to $4,000 of net recovery for the three months ended June 30, 2019. The allowance for loan losses reflects the estimate we believe to be appropriate to cover incurred probable losses which were inherent in the loan portfolio at June 30, 2020 and 2019. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, such estimates and assumptions could be proven incorrect in the future, and the actual amount of future provisions may exceed the amount of past provisions, and the increase in future provisions that may be required may adversely impact our financial condition and results of operations. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs, based on judgments different than those of management.

Non-Interest Income. Non-interest income increased $784,000, or 142.0%, to $1.3 million for the three months ended June 30, 2020 from $552,000 for the three months ended June 30, 2019. The increase was primarily due to a $766,000 increase in the net gain on sale of loans during the three months ended June 30, 2020 as compared to the three months ended June 30, 2019.

Non-Interest Expense. Non-interest expense decreased $5,000, or 0.3%, to $1.54 million for the three months ended June 30, 2020, compared to $1.55 million for the three months ended June 30, 2019. The increase was primarily the result of an increase in compensation and employee benefits of $51,000, offset by a $57,000 decrease in other operating expenses.

Federal Income Taxes. Federal income taxes increased by $118,000 to an income tax expense of $140,000 for the three months ended June 30, 2020, compared to an income tax expense of $22,000 for the three months ended June 30, 2019. The increase in income tax expense for the three months ended June 30, 2020 was a direct result of the increase in gain on loans sales, and the resulting increase in net income.

Comparison of Operating Results for the Six Months Ended June 30, 2020 and June 30, 2019

General. Our net income for the six months ended June 30, 2020 was $674,000, compared to a net income of $162,000 for the six months ended June 30, 2019, an increase of $512,000, or 316.0%. The increase in net income was due to an increase in non-interest income of $1.1 million, offset by an increase in provision for loan losses of $225,000, a decrease in net interest income of $183,000, and an increase in income taxes of $142,000 for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019.

Interest Income. Interest income decreased $130,000, or 4.8%, to $2.6 million for the six months ended June 30, 2020 from $2.7 million for the six months ended June 30, 2019. This decrease was attributable to an $83,000 decrease in interest income on loans receivable, a decrease on FHLB stock dividends of $13,000, and a decrease in interest income on other interest-earning deposits of $34,000. The average balance of loans during the six months ended June 30, 2020 increased by $1.4 million, or

1.2%, from the average balance for the six months ended June 30, 2019, but the average yield on loans decreased by 20 basis points to 4.41% for the six months ended June 30, 2020 from 4.61% for the six months ended June 30, 2019, and the average balance of interest earning deposits increased $6.5 million, however, the average yield on those deposits decreased by 139 basis points to 0.96% for the six months ended June 30, 2020 from 2.35% for the six months ended June 30, 2019.

Interest Expense. Total interest expense increased $53,000, or 10.5%, to $557,000 for the six months ended June 30, 2020 from $504,000 for the six months ended June 30, 2019. Interest expense on deposit accounts increased $50,000, or 9.9%, to $553,000 for the six months ended June 30, 2020 from $503,000 for the six months ended June 31, 2019. The average balance of deposits during the six months ended June 30, 2019 increased by $8.8 million, or 8.7% from the average balance for the six months ended June 30, 2019, while the average cost of deposits increased by one basis point to 1.01% for the six months ended June 30, 2020 from 1.00% for the six months ended June 30, 2019.

Interest expense on FHLB advances increased $3,000, or 300.0%, to $4,000 for the six months ended June 30, 2020 compared to $1,000 for the six months ended June 30, 2019. The average balance of FHLB advances during the six months ended June 30, 2020 increased by $2.8 million from the average balance for the six months ended June 30, 2019, while the average cost of FHLB advances decreased by 232 basis point to 0.28% for the six months ended June 30, 2020 from 2.60% for the six months ended June 30, 2019.

Net Interest Income. Net interest income decreased $183,000, or 8.3%, to $2.0 million for the six months ended June 30, 2020, compared to $2.2 million for the six months ended June 30, 2019. The decrease reflected a decrease in total interest and dividend income of $130,000, and an increase in total interest expense of $53,000. Our net interest margin decreased to 3.09% for the six months ended June 30, 2020 from 3.59% for the six months ended June 30, 2019. Our net interest rate spread decreased to 2.95% for the six months ended June 30, 2020 from 3.40% for the six months ended June 30, 2019. The interest rate spread and net interest margin were impacted by declining interest rates in the six months ended June 30, 2020.

Provision for Loan Losses. Based on our analysis of the factors described in "Critical Accounting Policies—Allowance for Loan Losses," we recorded a $225,000 provision for loan losses for the six months ended June 30, 2020, as compared to $0 for the six months ended June 30, 2019. The allowance for loan losses was $1.3 million, or 0.98% of total loans, at June 30, 2020, compared to $1.2 million, or 1.02% of total loans, at December 31, 2019. Total nonperforming loans were $1.7 million at June 30, 2020, compared to $1.1 million at December 31, 2019. Classified loans increased to $1.7 million at June 30, 2020, compared to $1.4 million at December 31, 2019. Total loans past due 30 days or more were $1.3 million and $952,000 at June 30, 2020 and December 31, 2019, respectively. Net charge-offs totaled $72,000 for the six months ended June 30, 2020, compared to $31,000 of net loan charge-off for the six months ended June 30, 2019. The allowance for loan losses reflects the estimate we believe to be appropriate to cover incurred probable losses which were inherent in the loan portfolio at June 30, 2019 and 2018. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance are reasonable, such estimates and assumptions could be proven incorrect in the future, and the actual amount of future provisions may exceed the amount of past provisions, and the increase in future provisions that may be required may adversely impact our financial condition and results of operations. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs, based on judgments different than those of management.

Non-Interest Income. Non-interest income increased $1.1 million, or 111.2%, to $2.0 million for the six months ended June 30, 2020 from $961,000 for the six months ended June 30, 2019. The increase was primarily due to an increase in the net gain on sale of loans of $1.0 million, and a $55,000 increase in other service charges and fees during the six months ended June 30, 2020 as compared to the six months ended June 30, 2019.

Non-Interest Expense. Non-interest expense increased $7,000, or 0.2%, to $2.97 million for the six months ended June 30, 2020, compared to $2.96 million for the six months ended June 30, 2019. The increase was primarily the result of an increase in compensation and employee benefits of $91,000, offset by an $83,000 decrease in other operating expenses.

Federal Income Taxes. Federal income taxes increased by $142,000 to an income tax expense of $192,000 for the six months ended June 30, 2020, compared to an income tax expense of $50,000 for the six months ended June 30, 2019. The increase in income tax expense for the six months ended June 30, 2020 was a direct result of the increase in gain on loans sales, and the resulting increase in net income.

EAGLE FINANCIAL BANCORP, INC.

STATEMENTS OF INCOME

Three and Six Months Ended June 30, 2020 and 2019 (Unaudited)

(In Thousands, except share and per share data)

	Three Months Ended 6/30/2020	Three Months Ended 6/30/2019	Six Months Ended 6/30/2020	Six Months Ended 6/30/2019
Total interest income	$ 1,312	$ 1,363	$ 2,587	$ 2,717
Total interest expense	271	267	557	504
Net interest income	1,041	1,096	2,030	2,213
Provision for loan losses	200	----	225	----
Net interest income after provision for loan loss	841	1,096	1,805	2,213
Total non-interest income	1,336	552	2,030	961
Compensation and benefits	1,109	1,058	2,112	2,021
Occupancy and equipment	63	66	121	125
Data processing	88	78	172	159
Legal and professional fees	82	86	159	167
FDIC Premium Expense	6	8	6	8
Other operating expenses	192	249	399	482
Total non-interest expense	1,540	1,545	2,969	2,962
Net Income Before Taxes	637	103	866	212
Provision for income taxes	140	22	192	50
Net Income	$ 497	$ 81	$ 674	$ 162
Basic and Diluted Earnings per Share	$ 0.34	$ 0.05	$ 0.44	$ 0.11
Weighted-average shares outstanding Basic and Diluted	1,441,264	1,486,647	1,446,015	1,487,604

EAGLE FINANCIAL BANCORP, INC.
OTHER FINANCIAL INFORMATION

(In Thousands)
(Unaudited)

	6/30/2020	3/31/2020	12/31/19
Asset Quality			
Allowance for Loan Losses	$ 1,319	$ 1,196	$ 1,166
Nonperforming Loans/Total Loans	0.77%	1.09%	0.74%
Nonperforming Assets/Total Assets	1.08%	1.06%	0.80%
ALLL / Nonperforming Loans	105.94%	115.67%	101.83%
ALLL / Loans, Gross	0.98%	1.05%	1.02%
Profitability (For the three months ended)			
Yield on Average Earning Assets	3.88%	4.00%	4.19%
Cost of Avg. Interest Bearing Liabilities	0.92%	1.08%	1.14%
Net Spread	2.96%	2.92%	3.05%
Net Margin	3.08%	3.10%	3.24%

	6/30/2020	3/31/2020	12/31/19
Capital (Bank Only)			

Tier 1 Capital Ratio	14.7%	15.7%	15.4%
Tier 1 Risk Based Capital Ratio	17.1%	16.3%	16.3%
Total Risk Based Capital Ratio	18.1%	17.2%	17.2%

Coronavirus Disease 2019 (COVID-19) Impact

Loan Modifications

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by the President on March 27, 2020. The CARES Act provides financial institutions the option of temporarily not accounting for eligible loans as troubled debt restructurings in accordance with GAAP. In addition, Interagency Statements were issued on March 22, 2020 and April 7, 2020 by bank regulatory agencies to encourage financial institutions to work prudently with borrowers. The agencies confirmed with the FASB that loans that were not more than 30 days past due as of December 31, 2019 and receive short-term modifications of six months or less, are not considered to be delinquent or troubled debt restructurings and are not reported as nonaccrual.

We began receiving requests from borrowers for loan deferrals in March 2020. Modifications include the deferral of principal and interest for generally 90 days. Requests were evaluated individually and approved modifications were based on the unique circumstances of each borrower. We are committed to working with our clients to allow time to work through the challenges of this pandemic. The Company will be using the provisions of the CARES Act and the Interagency Statements to account for the loans receiving forbearance, which means the loans will remain on accrual status unless the borrower is unable to satisfy the terms of the loans once the forbearance period ends. At this time, it is uncertain what future impact loan modifications related to COVID-19 difficulties will have on our financial condition, results of operations and reserve for loan losses. The following table shows coronavirus (COVID-19) loan modifications outstanding at June 30, 2020. Of these modifications, $11.9 million, or 100%, were performing in accordance with their modified terms. Details with respect to actual modifications are as follows:

Types of Loans	**Number of Loans**	**Balance**
Residential mortgage loans……………………………………..	**10**	**$ 1,543**
Commercial real estate and land loans……………………..	**13**	**8,200**
Home Equity and other consumer..…………………………	**---**	**---**
Residential Construction…………………………..............	**---**	**---**
Residential mortgage loans, non-owner occupied…..	**---**	**---**
Multi-family real estate loans…………………………………..	**---**	**---**
Commercial loans……………………………………………………..	**7**	**2,169**
Total……………………………………………………………………	**30**	**$11,912**

Paycheck Protection Program (PPP)

As part of the CARES Act, approved by the President on March 27, 2020, the Small Business Administration (SBA) has been authorized to guarantee loans under the PPP through June 30, 2020 for small businesses who meet the necessary eligibility requirements in order to keep their workers on the payroll. At June 30, 2020, the Bank has 85 loans for $22.4 million of loans under the PPP. At June 30, 2020, the Bank has recognized interest and fees on these loans of $101,000.

This release may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This release contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "contemplate," "continue," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- our ability to continue to manage our operations successfully;
- effect of the Coronavirus Disease 2019 (COVID-19) pandemic on our Company, the communities where we have our branches, the state of Ohio and the United States, related to the economy and overall financial stability, which may also exacerbate the effects of the other factors listed herein;
- our ability to successfully implement our business plan of managed growth, diversifying our loan portfolio and increasing mortgage banking operations to improve profitability;
- our success in increasing our commercial business, commercial real estate, construction and home equity lending;
- adverse changes in the financial industry, securities, credit and national local real estate markets (including real estate values);
- significant increases in our loan losses, including as a result of our inability to resolve classified and non-performing assets or reduce risks associated with our loans, and management's assumptions in determining the adequacy of the allowance for loan losses;
- credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and in our allowance for loan losses and provision for loan losses;
- the use of estimates in determining fair value of certain of our assets, which may prove to be incorrect and result in significant declines in valuations;
- competition among depository and other financial institutions;
- our ability to attract and maintain deposits and our success in introducing new financial products;
- our ability to maintain our asset quality even as we increase our commercial business, commercial real estate, construction, and home equity lending;
- changes in interest rates generally, including changes in the relative differences between short term and long term interest rates and in deposit interest rates, that may affect our net interest margin and funding sources;
- fluctuations in the demand for loans, which may be affected by the number of unsold homes, land and other properties in our market areas and by declines in the value of real estate in our market area;
- changes in consumer spending, borrowing and saving habits;
- declines in the yield on our assets resulting from the current low interest rate environment;
- risks related to a high concentration of loans secured by real estate located in our market area;
- the results of examinations by our regulators, including the possibility that our regulators may, among other things, require us to increase our allowance for loan losses, write down assets, change our regulatory capital position, limit our ability to borrow funds or maintain or increase deposits, or prohibit us from paying dividends, which could adversely affect our dividends and earnings;
- changes in the level of government support of housing finance;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in laws or government regulations or policies affecting financial institutions, including the Dodd-Frank Act and the JOBS Act, which could result in, among other things, increased deposit insurance premiums and assessments, capital requirements, regulatory fees and compliance costs, particularly the new capital regulations, and the resources we have available to address such changes;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our compensation and benefit plans, and our ability to retain key members of our senior management team and to address staffing needs in response to product demand or to implement our strategic plans;
- loan delinquencies and changes in the underlying cash flows of our borrowers;

- our ability to control costs and expenses, particularly those associated with operating as a publicly traded company;
- the failure or security breaches of computer systems on which we depend;
- the ability of key third-party service providers to perform their obligations to us;
- changes in the financial condition or future prospects of issuers of securities that we own; and
- other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing, products and services described elsewhere in our SEC filings.

Given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus that has caused the COVID-19 pandemic can be controlled and abated and when and how the economy may be reopened. As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, our forward-looking statements are subject to the following additional risks, uncertainties and assumptions:

- demand for our products and services may decline;
- if the economy is unable to substantially reopen, and high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value;
- our allowance for loan losses may have to be increased if borrowers experience financial difficulties;
- the net worth and liquidity of loan guarantors may decline;
- as the result of the decline in the Federal Reserve Board’s target federal funds rate to near 0%, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities;
- a material decrease in net income or a net loss over several quarters could result in a decrease in the rate of our quarterly cash dividend;
- actions taken by the federal, state or local governments to cushion the impact of COVID-19 on consumers and businesses may have a negative impact on us and our business;
- our cyber security risks are increased as the result of an increase in the number of employees working remotely; and
- FDIC premiums may increase if the agency experiences additional resolution costs.

Because of these and a wide variety of other uncertainties our actual future results may be materially different from the results indicated by these forward-looking statements.

Contacts:
Gary Koester, President & Chief Executive Officer
Patricia Walter, Executive Vice President
Kevin Schramm, Vice President & Chief Financial Officer
(513) 574-0700