

# 2023 Notice & Proxy Statement 2022 Annual Report



**EAGLE**

*Financial Bancorp, Inc.*

## STOCKHOLDER INFORMATION

### Annual Meeting

The Annual Meeting of Shareholders will be held at 3:00 p.m. on Tuesday April 18, 2023 at the Western Hills Country Club, located at 5780 Cleves Warsaw Pike, Cincinnati, Ohio 45233.

### Stock Listing

The Company's Common Stock is listed on OTCQB Market under the symbol "EFBI".

### Special Counsel

Luse Gorman, PC  
5335 Wisconsin Avenue, N.W., Suite 780  
Washington, D.C. 20015

### Independent Registered Public Accounting Firm

FORVIS, LLP  
312 Walnut Street, Suite 3000  
Cincinnati, OH 45202

### Transfer Agent

Continental Stock Transfer & Trust Company  
1 State Street  
30th Floor  
New York, New York 10004

If you have any questions concerning your stockholder account, please call our transfer agent, noted above, at 1-800-509-5586. This is the number to call if you require a change of address, records or information about lost certificates.

## DIRECTORS AND EXECUTIVE OFFICERS

### Directors

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Guy W. Cagney  
*Director*

Steven J. Dulle  
*Director*

Gary J. Koester  
*Chairman of the Board and Chief Executive Officer*

Adam B. Goetzman  
*Director*

Steven C. Kehoe  
*Director*

Patricia L. Walter  
*Director and President*

### Executive Officers

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Gary J. Koester  
*Chief Executive Officer*

Patricia L. Walter  
*President*

Kevin R. Schramm  
*Vice President, Chief Financial Officer and Treasurer*

W. Raymond McCleese  
*Vice President of Commercial Lending*

Kevin G. Strehle  
*Vice President of Residential Lending*

Mendee L. Wyenandt  
*Vice President of Operations and Chief Information Officer*

March 17, 2023

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Eagle Financial Bancorp, Inc. The meeting will be held at Western Hills Country Club, located at 5780 Cleves Warsaw Pike, Cincinnati, Ohio, 45233, at 3:00 p.m., local time, on Tuesday, April 18, 2023.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. Officers of the Company are expected to be present to respond to appropriate questions of shareholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card promptly. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

We are monitoring the effects in our region of the coronavirus disease 2019 (COVID-19) pandemic. The health and well-being of our employees, shareholders, directors, officers and other stakeholders are paramount. If public health developments warrant, we may change the date, time or location of the annual meeting, including the possibility that we may hold the annual meeting through a “virtual” or online method. Any such change will be announced as promptly as practicable, through a press release and notice on our website at [www.eagle.bank](http://www.eagle.bank), as well as any other notification required by state law.

We hope to see you at the meeting.

Sincerely,

A handwritten signature in black ink, reading "Gary J. Koester". The signature is written in a cursive, flowing style.

Gary J. Koester  
*Chief Executive Officer*



**Eagle Financial Bancorp, Inc.**  
**6415 Bridgetown Road**  
**Cincinnati, Ohio 45248**  
**(513) 574-0700**

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**NOTICE OF 2023 ANNUAL MEETING OF SHAREHOLDERS**

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**TIME AND DATE .....** 3:00 p.m. on Tuesday, April 18, 2023.

**PLACE .....** Western Hills Country Club, located at 5780 Cleves Warsaw Pike, Cincinnati, Ohio 45233.

**ITEMS OF BUSINESS .....**

- (1) To elect two directors to serve for a term of three years.
- (2) To ratify the selection of FORVIS, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2023.
- (3) To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

**RECORD DATE .....** To vote, you must have been a shareholder at the close of business on February 27, 2023.

**PROXY VOTING .....** It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card or voting instruction card sent to you. Voting instructions, including how to vote by phone or internet, are printed on your proxy or voting instruction card. You can revoke a proxy at any time before its exercise at the meeting by following the instructions in the proxy statement.

**Important Notice Regarding COVID-19**

We are monitoring the effects in our region of the coronavirus disease 2019 (COVID-19) pandemic. The health and well-being of our employees, shareholders, directors, officers and other stakeholders are paramount. If public health developments warrant, we may change the date, time or location of the annual meeting, including the possibility that we may hold the annual meeting through a “virtual” or online method. Any such change will be announced as promptly as practicable, through a press release and notice on our website at [www.eagle.bank](http://www.eagle.bank), as well as any other notification required by state law.

By Order of the Board of Directors



Kevin R. Schramm  
*Corporate Secretary*  
March 17, 2023

**The Proxy Statement, Notice and 2022 Annual Report are Available at:**  
**<https://www.cstproxy.com/eaglebank/2023>.**



# **Eagle Financial Bancorp, Inc.**

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## **Proxy Statement**

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This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Eagle Financial Bancorp, Inc. (the “Company” or “Eagle Financial”) to be used at the annual meeting of shareholders of the Company. The Company is the holding company for EAGLE.bank (the “Bank”). The annual meeting will be held at Western Hills Country Club, located at 5780 Cleves Warsaw Pike, Cincinnati, Ohio 45233 on Tuesday, April 18, 2023 at 3:00 p.m. local time. This proxy statement and the enclosed proxy card are being mailed to shareholders of record on or about March 17, 2023.

## **Voting and Proxy Procedure**

### **Who Can Vote at the Meeting**

You are entitled to vote your Company common stock if the records of the Company show that you held your shares as of the close of business on February 27, 2023. If your shares are held through a broker, bank or similar holder of record, you are considered the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker or other holder of record. As the beneficial owner, you have the right to direct your broker or other holder of record how to vote by filling out a voting instruction form that accompanies these proxy materials. Your broker or other holder of record may allow you to provide voting instructions by telephone or by the Internet. Please see the voting instruction form provided by your broker or other holder of record that accompanies this proxy statement.

As of the close of business on February 27, 2023, there were 1,343,775 shares of Company common stock outstanding. Each share of common stock has one vote. The Company’s articles of incorporation provide that record owners of Company common stock beneficially owned by a person who beneficially owns in excess of 10% of the Company’s outstanding common stock (a “10% beneficial owner”), shall not be entitled to vote, in the aggregate, shares beneficially owned by the 10% beneficial owner in excess of 10% of the Company’s outstanding common stock, unless a majority of unaffiliated directors (as defined in the articles of incorporation) grant such entitlement by resolution in advance of the acquisition of the excess shares.

### **Attending the Meeting**

If you were a shareholder as of the close of business on February 27, 2023, you may attend the meeting. However, if your shares of Company common stock are held in street name, you will need proof of ownership to be admitted to the meeting. A recent account statement or letter from your broker or other holder of record are examples of proof of ownership. If you want to vote your shares of Company common stock held in street name in person at the meeting, you will have to get a written proxy in your name from your broker or other holder of record.

## **Quorum and Vote Required for Proposals**

**Quorum.** A majority of the outstanding shares of common stock entitled to vote is required to be represented at the meeting to constitute a quorum for the transaction of business.

**Votes Required for Proposals.** At this year's annual meeting, shareholders will elect two directors to serve for a term of three years and until their successors are elected and qualified. In voting on the election of directors, you may vote in favor of the nominees, withhold votes as to all nominees, or withhold votes as to a specific nominee. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. This means that the nominees receiving the greatest number of votes will be elected.

In voting on the ratification of the appointment of FORVIS, LLP ("FORVIS") as the Company's independent registered public accounting firm, you may vote in favor of the proposal, vote against the proposal or abstain from voting. To ratify the selection of FORVIS as our independent registered public accounting firm for the fiscal year ending December 31, 2023, the affirmative vote of a majority of the votes cast on the proposal is required.

**Broker Non-Votes.** If you do not provide your broker or other record holder with voting instructions on certain non-routine matters, your broker will not have discretion to vote your shares on such matters. The election of directors is a non-routine matter. In the case of routine matters (e.g., the ratification of the appointment of the Company's independent registered public accounting firm), your broker or other holder of record is permitted to vote your shares in the record holder's discretion if you have not provided voting instructions. A "broker non-vote" occurs when your broker submits a proxy for the meeting with respect to routine matters, but does not vote on non-routine matters because you did not provide voting instructions on such matters.

**How Votes Are Counted.** If you return valid proxy instructions or attend the meeting in person, we will count your shares for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum.

In counting votes for the election of directors, votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In counting votes on the proposal to ratify the selection of the independent registered public accounting firm, abstentions will have no effect on the outcome of the vote.

## **Voting by Proxy**

The Company's Board of Directors is sending you this proxy statement to request that you allow your shares of Company common stock to be represented at the annual meeting by the persons named in the enclosed proxy card. All shares of Company common stock represented at the meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors.

The Board of Directors recommends that you vote:

- *for* each of the nominees for director; and



- *for ratification of the appointment of FORVIS, LLP as the Company's independent registered public accounting firm.*

If any matters not described in this proxy statement are properly presented at the annual meeting, the persons named in the proxy card will use their judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the meeting to solicit additional proxies. If the annual meeting is postponed or adjourned for less than 30 days, your Company common stock may be voted by the persons named in the proxy card on the new meeting date, provided you have not revoked your proxy. The Company does not currently know of any other matters to be presented at the meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must advise the Corporate Secretary of the Company in writing before your common stock has been voted at the annual meeting, deliver a later dated proxy or attend the meeting and vote your shares in person by ballot. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

### **Participants in the Eagle Savings Bank ESOP or 401(k) Plan**

If you participate in the Eagle Savings Bank Employee Stock Ownership Plan (the "ESOP"), you will receive a vote authorization form for the plan that reflects all shares you may direct the trustees to vote on your behalf under the ESOP. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, but each ESOP participant may direct the trustee how to vote the shares of common stock allocated to his or her account. The ESOP trustee, subject to the exercise of its fiduciary responsibilities, will vote all unallocated shares of Eagle Financial common stock held by the ESOP and allocated shares for which no voting instructions are received in the same proportion as shares for which it has received timely voting instructions. Under the terms of the Eagle Savings Bank 401(k) Profit Sharing Plan (the "401(k) Plan"), a participant is entitled to vote the shares credited to his or her 401(k) Plan account. Shares for which no voting instructions are given or for which instructions were not timely received may be voted by the 401(k) Plan trustee as directed in the sole discretion of the Plan Administrator, subject to the determination that such a vote is for the exclusive benefit of plan participants and beneficiaries. **The deadline for returning your ESOP and 401(k) Plan voting instructions is April 11, 2023.**

## Corporate Governance and Board Matters

The Company periodically reviews its corporate governance policies and procedures to ensure that the Company reports results with accuracy and transparency and maintains full compliance with the laws, rules and regulations that govern the Company's operations.

### Proposal 1 — Election of Directors

Eagle Financial Bancorp, Inc. and EAGLE.bank each have six directors. Directors serve three-year staggered terms so that approximately one-third of the directors are elected at each annual meeting. Directors of EAGLE.bank will be elected by Eagle Financial Bancorp, Inc. as its sole stockholder. The table below sets forth certain information regarding the composition of the Board of Directors and management as well as stock ownership of directors and executive officers as of February 27, 2023. Except as indicated herein each of the named individuals has sole voting power and sole investment power with respect to the number of shares shown. Percentages are based on 1,343,775 shares of Company common stock issued and outstanding as of February 27, 2023.

| Name   | Age as of<br>12/31/22 | Positions Held in Eagle<br>Financial Bancorp, Inc.          | Directors<br>Since | Term to<br>Expire | Shares of Common<br>Stock Beneficially<br>Owned on the<br>Record Date | Percent<br>of Class |
|--|-----------------------|---|--------------------|-------------------|---|---------------------|
| <b>Directors</b>   |                       |   |                    |                   |   |                     |
| Gary J. Koester  | 69                    | Chief Executive Officer and<br>Director                     | 1982               | 2025              | 85,736  | 6.38%               |
| Guy W. Cagney  | 70                    | Director  | 2002               | 2023              | 35,741  | 2.66%               |
| Steven J. Dulle  | 65                    | Director  | 1996               | 2023              | 37,741  | 2.81%               |
| Adam B. Goetzman   | 63                    | Director  | 2008               | 2024              | 25,741  | 1.92%               |
| Steven C. Kehoe  | 67                    | Director  | 2008               | 2025              | 27,741  | 2.06%               |
| Patricia L. Walter   | 47                    | President and Director                                      | 2021               | 2024              | 59,631  | 4.44%               |
| <b>Named Executive Officers Who Are Not Directors</b>              |                       |   |                    |                   |   |                     |
| Kevin R. Schramm   | 58                    | Vice President, Chief<br>Financial Officer and<br>Treasurer |                    |                   | 33,811  | 2.52%               |
| All directors and<br>executive officers as<br>a group (10 persons) |                       |   |                    |                   |   | 27.21%              |

### Nominees for Election as Directors

The nominees for election as directors at the 2023 annual meeting of shareholders are Guy W. Cagney and Steven J. Dulle, each of whom is a current director of the Company and the Bank.

**It is intended that the proxies solicited by the Board of Directors will be voted for the election of the nominees named above unless other instructions are provided.** If any nominee is unable to serve, the proxy committee will vote your shares to approve the election of any substitute proposed by the Board of Directors. Alternatively, the Board of Directors may adopt a resolution to reduce the size of the Board. At this time, the Board of Directors knows of no reason why any nominee might be unable to serve.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF BOTH NOMINEES.**

## **The Business Background of Nominees and Continuing Directors and Executive Officers**

The business experience for the past five years of each of our nominees and continuing directors is set forth below. Unless otherwise indicated, directors have held their positions for the past five years.

### **Nominees**

**The nominees standing for election for a term of three years are:**

***Guy W. Cagney*** is a local real estate agent with Coldwell Banker West Shell since 2012. Mr. Cagney is a licensed Real Estate Agent in Ohio, Indiana and Florida. He has built a 42 year successful real estate career and reputation mostly in residential real estate sales. He is a member of the Western Hills Lions Club, Elder High School Alumni Board and Cincinnati Area Board of Realtors Grievance Advisory Committee. Mr. Cagney offers the Board experience in marketing, community involvement and the real estate market in the Bank's lending areas.

***Steven J. Dulle*** is the founder and President of Dulle and Company, a Cincinnati based advertising and marketing firm, which he started in 1982. His experience includes a wide variety of clients in the technology, service, manufacturing, home building, health care, financial services and consumer products industries. Mr. Dulle offers the Board his experience in developing marketing strategies and branding campaigns for local, national and international clients.

### **Directors Continuing in Office**

**The following directors have terms ending in 2024:**

***Adam B. Goetzman*** is the Development Director and Zoning Administrator of Northeast Green Township Zoning District. Mr. Goetzman is responsible for zoning, code enforcement and development review services with county and/or state agencies. He performs comprehensive land use planning and promotes business development and retention. Mr. Goetzman brings the Board extensive knowledge of the building industry and business in the Bank's market.

***Patricia L. Walter*** is our President and was hired on July 6, 2016. In April 2021, Ms. Walter became a Director and was promoted to President following her service as Executive Vice President of the Bank. For 11 years prior to joining the Bank, Ms. Walter served as the Controller and then Senior Vice President of Finance for the former Cheviot Savings Bank. Ms. Walter began her career in 1997 working for six years with Grant Thornton LLP as an auditor, and then for two years with Comair, Inc., a former subsidiary of Delta Air Lines, as the Manager of Corporate Accounting.

**The following directors have terms ending in 2025:**

***Steven C. Kehoe*** is a founding member of Kehoe Financial Services, LLC, a regional office of Kestra and a former Registered Investment Advisor in Cincinnati, Ohio since 1982. Mr. Kehoe's practice is an independent fee-based financial planning practice primarily focusing on small business planning, investments, retirement planning and estate planning. Mr. Kehoe is also a CFP Emeritus with Kestra and a licensed agent with many leading insurance companies. Mr. Kehoe brings the Board extensive financial experience and will serve as the Board's audit committee financial expert.

***Gary J. Koester*** is our Chief Executive Officer and has served in those capacities with EAGLE.bank since 1996, and assumed the role of Chairman of the Board beginning in May 2021. Mr.

Koester began his career at EAGLE.bank in 1977 and has held various other positions during his time with the Bank. His experience at EAGLE.bank includes all facets of the Bank including lending, operations, and information technology.

#### **Executive Officers Who Are Not Directors**

***Kevin R. Schramm*** is our Vice President, Chief Financial Officer and Treasurer. Mr. Schramm has served as Chief Financial Officer and Treasurer with EAGLE.bank since September 2006, and was named Vice President in 2017. Mr. Schramm began his career in 1986 with Cinco Federal Credit Union where he spent 17 years in various positions, including Operations Manager and Controller. Mr. Schramm's experience also includes service as the Chief Financial Officer of the former Cottage Savings Bank.

***W. Raymond McCleese*** is our Vice President of Commercial Lending since being hired in May 2016. Prior to joining EAGLE.bank, he served two years as a Vice President of Commercial Lending for First Financial Bank, and for over four years as a Vice President and a part of senior management with the former Merchants Bank and Trust, heading up the Commercial and Industrial division. He has also served as a Federal SBSE Agent for the Internal Revenue Service, Chief Financial Officer of a mid-sized interior design firm, and as a staff accountant for a well-established local CPA firm.

***Kevin G. Strehle*** is our Vice President of Residential Lending and was promoted to this position in November 2021. Mr. Strehle joined the Bank in January 2015 as a Mortgage Loan Originator and prior to his promotion served as the Residential Lending Operations Manager. He has also held previous origination and managerial positions throughout his career with Fifth Third bank and Third Federal Savings & Loan.

***Mendee L. Wyenandt*** is our Vice President of Operations and Chief Information Officer. Ms. Wyenandt was promoted to Vice President of Operations in November 2021. Ms. Wyenandt started her career with the Bank in 2001 and has held various other positions during her time with the Bank. Her experience includes lending and deposit operations and served as the Information Security Officer until she was promoted to Chief Information Officer 2015.

## **Proposal 2 — Ratification of Independent Audit Firm**

The Audit Committee of the Board of Directors has appointed FORVIS, LLP to be the Company's independent audit firm for the year ending December 31, 2023, subject to ratification by shareholders.

If the ratification of the appointment of FORVIS, LLP is not approved by a majority of the votes cast by shareholders at the annual meeting, other independent audit firms may be considered by the Audit Committee of the Board of Directors.

Even if the selection of FORVIS, LLP is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent audit firm at any time during the year if it determines that such change is in the best interest of the Company and its shareholders.

**The Board of Directors recommends a vote "FOR" the ratification of FORVIS, LLP as independent audit firm for the year ending December 31, 2023.**

### **Submission of Business Proposals and Shareholder Nominations**

The Company's bylaws provide that, in order for a shareholder to make nominations for the election of directors or proposals for business to be brought before the annual meeting, a shareholder must deliver notice of such nominations and/or proposals to the Secretary not less than 110 days nor more than 120 days prior to the anniversary of the prior year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 days prior to the anniversary of the preceding year's annual meeting, a stockholder's written notice shall be timely only if delivered or mailed to and received by the Secretary of the Company no earlier than the day on which public disclosure of the date of such annual meeting is first made and no later than the tenth day following the day on which public disclosure of the date of such annual meeting is first made. The bylaws provide specific requirements for the contents of the notice regarding any such nomination or proposal.

### **Miscellaneous**

The Company's Annual Report to Shareholders has been included with this proxy statement. Any shareholder who has not received a copy of the Annual Report may obtain a copy by writing to the Corporate Secretary of the Company. The Annual Report is not to be treated as part of the proxy solicitation material or as having been incorporated by reference into this proxy statement.

Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning the enclosed proxy card in the enclosed envelope.

BY ORDER OF THE BOARD OF DIRECTORS



Kevin R. Schramm  
*Corporate Secretary*

Cincinnati, Ohio  
March 17, 2023



Message from Our Chief Executive Officer:

On behalf of Eagle Financial Bancorp, Inc. (the Company), and its wholly owned subsidiary, EAGLE.Bank (the Bank), I am pleased to present our 2022 annual financial report. The board of directors, officers and employees are optimistic regarding opportunities for our Company in the future.

**Financial highlights:**

- Net income available to common shareholders totaled \$452,000 for 2022 as compared to \$1.0 million for 2021 representing a decrease of \$626,000, or 58.1%.
- Basic earnings per share available to common shareholders totaled \$0.36 per share for the year ended December 31, 2022 compared to \$0.76 per share for 2021.
- Total assets of the Company were \$173.7 million at December 31, 2022, a decrease of \$1.1 million from \$174.8 million at December 31, 2021.
- Net loans receivable increased \$20.1 million to \$132.1 million at December 31, 2022, from \$111.9 million at December 31, 2021.
- Deposits decreased \$8.7 million to \$132.8 million at December 31, 2022, from \$141.5 million at December 31, 2021.
- Non-accrual loans decreased \$1.4 million to \$357,000 at December 31, 2022, from \$1.8 million at December 31, 2021.
- Classified substandard assets decreased \$1.9 million to \$3.1 million at December 31, 2022, from \$5.0 million at December 31, 2021.
- The Bank's Tier 1 leverage capital ratio, risked-based common equity Tier 1 capital ratio, Tier 1 capital ratio and risk-based total capital ratios of 14.6%, 15.4%, 15.4% and 16.1%, respectively, at December 31, 2022 exceeded all regulatory requirements and categorize the Bank as well capitalized under applicable regulations.

Total assets were \$173.7 million at December 31, 2022, a decrease of \$1.1 million, or 0.6%, below the \$174.8 million at December 31, 2021. The decrease was primarily due to a decrease in cash and cash equivalents of \$33.3 million, a decrease in loans held for sale of \$2.7 million, offset by an increase in loans, net of allowance for loan losses of \$20.1 million, an increase in interest bearing time deposits in other banks of \$4.4 million, and an increase in held-to-maturity securities net of (discount)/premium of \$10.1 million.

Net loans totaled \$132.1 million at December 31, 2022, as compared to \$111.9 million at December 31, 2021, an increase of \$20.1 million or 18.0%. During the year ended December 31, 2022, we originated \$112.7 million of loans, \$77.2 million of which were one- to four-family residential real estate loans, and sold \$46.0 million of loans in the secondary market. During the year ended December 31, 2022, one- to four-family residential real estate loans increased \$12.4 million, or 18.3%, to \$80.1 million, multi-family loans decreased \$246,000, or 21.4%, to \$904,000, commercial real estate loans and land loans increased \$3.6 million, or 14.7%, to \$27.9 million, construction loans increased \$2.5 million, or 16.0% to 18.2 million, home equity and other consumer loans increased \$2.0 million, or 34.5% to \$7.6 million, and commercial loans increased \$437,000, or 5.1% to \$9.0 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits decreased by \$8.7 million, or 6.1%, to \$132.8 million at December 31, 2022 from \$141.5 million at December 31, 2021. Our core deposits, which are all deposits other than certificates of deposit, decreased \$8.1 million, or 8.2%, to \$90.5 million at December 31, 2022 from \$98.6 million at December 31, 2021. Certificates of deposit decreased \$614,000, or 1.4%, to \$42.3 million at December 31, 2022 from \$42.9 million at December 31, 2021. During the year ended December 31, 2022, 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 decreased \$3.5 million, or 11.6%, to \$26.6 million at December 31, 2022 from \$30.1 million at December 31, 2021. The decrease resulted from a repurchase of 185,911 shares of common stock for \$3.9 million, and dividends paid of \$379,000, offset by net income of \$452,000 during the year ended December 31, 2022, expense of \$121,000 related to the ESOP shares committed to be released and expense of \$247,000 related to stock-based compensation.

Our net income for the year ended December 31, 2022 was \$452,000, compared to a net income of \$1.1 million for the year ended December 31, 2021, a decrease of \$626,000, or 58.1%. The decrease in net income was due to a decrease in non-interest income of \$2.6 million, offset by an increase in total interest and dividend income of \$662,000, a decrease in total non-interest expense of \$1.1 million, and a decrease in total income tax of \$191,000 for the year ended December 31, 2022 as compared to the year ended December 31, 2021.

## ANNUAL REPORT TO STOCKHOLDERS

### 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 years ended December 31, 2022 and 2021. The following information is only a summary, and should be read in conjunction with the financial and other information contained elsewhere in this annual report. The information at and for the years ended December 31, 2022 and 2021 is derived in part from, and should be read together with, the audited consolidated financial statements and notes thereto of the Company and Bank in this report.

|  | At December 31, |            |
|--|-----------------|------------|
|  | 2022            | 2021       |
|  | (In thousands)  |            |
| Selected Financial Condition Data:                     |                 |            |
| Total assets .....                                     | \$ 173,723      | \$ 174,849 |
| Cash and cash equivalents.....                         | 7,737           | 41,007     |
| Interest-bearing time deposits in other<br>banks ..... | 7,397           | 2,988      |
| Held-to-maturity securities .....                      | 10,100          | -          |
| Loans held for sale .....                              | 134             | 2,809      |
| Loans, net .....                                       | 132,071         | 111,930    |
| Premises and equipment at depreciated<br>cost .....    | 3,917           | 3,999      |
| Bank-owned life insurance.....                         | 2,920           | 2,855      |
| FHLB lender risk account receivable.....               | 4,631           | 4,767      |
| Deposits .....   | 132,825         | 141,527    |
| FHLB Advances.....                                     | 11,000          | -          |
| Total shareholders' equity.....                        | 26,629          | 30,113     |



|   | For the Years Ended<br>December 31, |                 |
|---|-------------------------------------|-----------------|
|   | 2022                                | 2021            |
|   | (In thousands)                      |                 |
| Selected Operations Data:                                   |                                     |                 |
| Interest and dividend income.....                           | \$ 5,251                            | \$ 4,589        |
| Interest expense.....                                       | <u>565</u>                          | <u>636</u>      |
| Net interest income.....                                    | 4,686                               | 3,953           |
| Provision for loan losses.....                              | <u>109</u>                          | <u>65</u>       |
| Net interest income after provision<br>for loan losses..... | 4,577                               | 3,888           |
| Non-interest income.....                                    | 2,088                               | 4,724           |
| Non-interest expense.....                                   | <u>6,093</u>                        | <u>7,223</u>    |
| Income before income taxes.....                             | 572                                 | 1,389           |
| Income tax.....   | <u>120</u>                          | <u>311</u>      |
| Net Income.....   | <u>\$ 452</u>                       | <u>\$ 1,078</u> |

| At or For the Years Ended<br>December 31, |      |
|---|------|
| 2022                                      | 2021 |

**Selected Financial Ratios and Other Data:**

**Performance Ratios:**

|  |         |         |
|--|---------|---------|
| Return on average assets .....   | 0.27%   | 0.64%   |
| Return on average equity .....   | 1.66%   | 3.64%   |
| Interest rate spread (1) .....   | 2.98%   | 2.59%   |
| Net interest margin (2) .....  | 3.04%   | 2.67%   |
| Efficiency ratio (3) .....   | 89.95%  | 83.24%  |
| Non-interest expense to average total assets .....                               | 3.59%   | 4.30%   |
| Average interest-earning assets to average<br>interest-bearing liabilities ..... | 117.36% | 117.25% |
| Average equity to average total assets .....                                     | 16.03%  | 17.63%  |

**Asset Quality Ratios:**

|  |         |        |
|--|---------|--------|
| Non-performing assets to total assets .....  | 0.67%   | 1.40%  |
| Non-performing loans to total loans .....  | 0.79%   | 1.66%  |
| Non-performing assets excluding accruing troubled debt<br>restructurings to total assets ..... | 0.22%   | 1.25%  |
| Non-performing loans excluding accruing troubled debt<br>restructurings to total loans .....   | 0.25%   | 1.44%  |
| Allowance for loan losses to non-performing loans .....  | 107.60% | 58.72% |
| Allowance for loan losses to total loans .....   | 0.85%   | 0.97%  |

**Capital Ratios:**

|  |       |       |
|--|-------|-------|
| Total capital (to risk-weighted assets) .....                | 16.1% | 17.8% |
| Common equity Tier 1 capital (to risk-weighted assets) ..... | 15.4% | 17.0% |
| Tier 1 capital (to risk-weighted assets) .....               | 15.4% | 17.0% |
| Tier 1 capital (to average assets) .....                     | 14.7% | 15.1% |

**Other Data:**

|                                      |   |   |
|--------------------------------------|---|---|
| Number of full service offices ..... | 3 | 3 |
|--------------------------------------|---|---|

- (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.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion is intended to help investors understand the financial performance of the Company through a discussion of the factors affecting our financial condition at December 31, 2022 and 2021 and our results of operations for the years ended December 31, 2022 and 2021. This information should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements that appear in this annual report.

### Cautionary Note Regarding Forward-Looking Statements

This quarterly report 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:

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;
- financial markets may be adversely impacted by the current or anticipated impact of military conflict, including escalating military tension and actions between Russia and Ukraine, terrorism, or other geopolitical events;
- 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;
- the impact of a U.S. government debt default on our business and financial performance, including a decrease in the value of Treasury bonds and other government securities held by us, which could negatively impact the Bank's capital position and its ability to meet regulatory requirements. Other negative impacts could be volatile capital markets, an adverse impact on the U.S. economy and the U.S. dollar, as well as increased default rates among borrowers in light of increased economic uncertainty. Some of these impacts might occur even in the absence of an actual default but as a consequence of extended political negotiations around the threat of such a default and a government shutdown.
- 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 intend to increase our commercial real estate and multi-family and commercial business 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.

#### **Comparison of Financial Condition at December 31, 2022 and December 31, 2021**

**Total Assets.** Total assets were \$173.7 million at December 31, 2022, a decrease of \$1.1 million, or 0.6%, below the \$174.8 million at December 31, 2021. The decrease was primarily due to a decrease in cash and cash equivalents of \$33.3 million, a decrease in loans held for sale of \$2.7 million, offset by an increase in loans, net of allowance for loan losses of \$20.1 million, an increase in interest bearing time deposits in other banks of \$4.4 million, and an increase in held-to-maturity securities net of (discount)/premium of \$10.1 million.

**Net Loans.** Net loans totaled \$132.1 million at December 31, 2022, as compared to \$111.9 million at December 31, 2021, an increase of \$20.1 million or 18.0%. During the year ended December 31, 2022, we originated \$112.7 million of loans, \$77.2 million of which were one- to four-family residential real estate loans, and sold \$46.0 million of loans in the secondary market. During the year ended December 31, 2022, one- to four-family residential real estate loans increased \$12.4 million, or 18.3%, to \$80.1 million, multi-family loans decreased \$246,000, or 21.4%, to \$904,000, commercial real estate loans and land loans increased \$3.6 million, or 14.7%, to \$27.9 million, construction loans increased \$2.5 million, or 16.0% to 18.2 million, home equity and other consumer loans increased \$2.0 million, or 34.5% to \$7.6 million, and commercial loans increased \$437,000, or 5.1% to \$9.0 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

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

|                                      | At December 31,        |                |                   |                |
|--------------------------------------|------------------------|----------------|-------------------|----------------|
|                                      | 2022                   |                | 2021              |                |
|                                      | Amount                 | Percent        | Amount            | Percent        |
|                                      | (Dollars in thousands) |                |                   |                |
| One- to four-family residential:     |                        |                |                   |                |
| Owner occupied .....                 | \$ 77,499              | 53.91%         | \$ 64,227         | 52.16%         |
| Non-owner occupied.....              | 2,633                  | 1.83           | 3,524             | 2.86           |
| Commercial real estate and land..... | 27,885                 | 19.40          | 24,304            | 19.74          |
| Home equity and other consumer ..... | 7,649                  | 5.32           | 5,685             | 4.62           |
| Construction .....                   | 18,234                 | 12.68          | 15,716            | 12.76          |
| Multi-family real estate.....        | 904                    | 0.63           | 1,150             | 0.94           |
| Commercial .....                     | 8,957                  | 6.23           | 8,520             | 6.92           |
| Total gross loans receivable.....    | 143,761                | <u>100.00%</u> | 123,126           | <u>100.00%</u> |
| Deferred loan (fees) costs .....     | 102                    |                | (25)              |                |
| Loans in process.....                | (10,575)               |                | (9,972)           |                |
| Allowance for loan losses .....      | <u>(1,217)</u>         |                | <u>(1,199)</u>    |                |
| Total loans receivable, net .....    | <u>\$ 132,071</u>      |                | <u>\$ 111,930</u> |                |

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, Franklin American Mortgage Company, and to other investors. We sold \$46.0 million of loans in fiscal 2022. Loans serviced for these investors were \$478,000 at December 31, 2022. 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 increased by \$4.4 million to a total of \$7.4 million at December 31, 2022, compared to \$3.0 million at December 31, 2021.

**Held-to-Maturity Securities.** The Bank purchased \$10.0 million in held-to-maturity securities net of (discount) premium in 2022. The balance of held-to-maturity securities net of (discount) premium at December 31, 2022 was \$10.1 million.

**Federal Home Loan Bank Stock.** We hold common stock of the FHLB-Cincinnati in connection with our FHLB borrowing activities totaling (at cost) \$3.5 million and \$2.6 million at December 31, 2022 and 2021. 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.

**Foreclosed Real Estate Held for Sale, Net.** Foreclosed assets decreased to \$25,000, at December 31, 2022, from \$409,000 at December 31, 2021. The foreclosed real estate consisted of one nonowner-occupied one-to four-family residential property.

**Deposits.** Deposits decreased by \$8.7 million, or 6.1%, to \$132.8 million at December 31, 2022 from \$141.5 million at December 31, 2021. Our core deposits, which are all deposits other than certificates of deposit, decreased \$8.1 million, or 8.2%, to \$90.5 million at December 31, 2022 from \$98.6 million at December 31, 2021. Certificates of deposit decreased \$614,000, or 1.4%, to \$42.3 million at December 31, 2022 from \$42.9 million at December 31, 2021. During the year ended December 31, 2022, 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.

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,    |                   |                       |                 |                   |                       |       |
|-------------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-------|
| 2022                                |                   |                       | 2021            |                   |                       |       |
| Average Balance                     | Percent           | Weighted Average Rate | Average Balance | Percent           | Weighted Average Rate |       |
| (Dollars in thousands)              |                   |                       |                 |                   |                       |       |
| Non-interest-bearing checking ..... | \$ 8,228          | 5.96%                 | ---             | \$ 8,443          | 6.26%                 | ---   |
| Interest-bearing checking .....     | 30,826            | 22.32                 | 0.17            | 28,319            | 20.99                 | 0.17  |
| Savings.....                        | 28,367            | 20.54                 | 0.14            | 24,874            | 18.43                 | 0.14  |
| Money market demand.....            | 31,016            | 22.46                 | 0.24            | 30,395            | 22.53                 | 0.24  |
| Certificates of deposit.....        | <u>39,656</u>     | <u>28.72</u>          | 0.86            | <u>42,900</u>     | <u>31.79</u>          | 1.11  |
| Total deposits .....                | <u>\$ 138,093</u> | <u>100.00%</u>        | 0.43%           | <u>\$ 134,931</u> | <u>100.00%</u>        | 0.50% |

**Federal Home Loan Bank Advances.** The Bank had \$11.0 million of advances from the Federal Home Loan Bank at December 31, 2022, compared to \$0 at December 31, 2021. At December 31, 2022 the Bank had a \$25.0 million line of credit with the Federal Home Loan Bank of which \$14.0 million remained available.

Our Federal Home Loan Bank 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, 2022, we had \$11.0 million in outstanding advances from the FHLB-Cincinnati. At December 31, 2022, 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 \$40.3 million.

**Shareholders' Equity.** Shareholders' equity decreased \$3.5 million, or 11.6%, to \$26.6 million at December 31, 2022 from \$30.1 million at December 31, 2021. The decrease resulted from a repurchase of 185,911 shares of common stock for \$3.9 million, and dividends paid of \$379,000, offset by net income of \$452,000 during the year ended December 31, 2022, expense of \$121,000 related to the ESOP shares committed to be released and expense of \$247,000 related to stock-based compensation.

#### Comparison of Operating Results for the Years Ended December 31, 2022 and December 31, 2021

**General.** Our net income for the year ended December 31, 2022 was \$452,000, compared to a net income of \$1.1 million for the year ended December 31, 2021, a decrease of \$626,000, or 58.1%. The decrease in net income was due to a decrease in non-interest income of \$2.6 million, offset by an increase in total interest and dividend income of \$662,000, a decrease in total non-interest expense of \$1.1 million, and a decrease in total income tax of \$191,000 for the year ended December 31, 2022 as compared to the year ended December 31, 2021.

**Interest Income.** Interest income increased \$662,000, or 14.4%, to \$5.3 million for the year ended December 31, 2022 from \$4.6 million for the year ended December 31, 2021. This increase was attributable to a \$155,000 increase in interest income on loans receivable, an increase in interest income on other interest-earning deposits of \$239,000, an increase in dividend income on FHLB stock of \$108,000, and an increase in interest income on held-to-maturity securities of \$160,000. The average balance of loans for the year ended December 31, 2022 increased by \$11.0 million, or 10.1%, from the average balance for the year ended December 31, 2021, and the average yield on loans decreased by 26 basis points to 3.91% for the year ended December 31, 2022 from 4.17% for the year ended December 31, 2021. The average balance of interest earning deposits decreased \$5.3 million, however, the average yield on those deposits increased by 149 basis points to 1.67% for the year ended December 31, 2022 from 0.18% for the year ended December 31, 2021.

**Interest Expense.** Total interest expense decreased \$71,000, or 11.2%, to \$565,000 for the year ended December 31, 2022 from \$636,000 for the year ended December 31, 2021. Interest expense on deposit accounts decreased \$127,000, or 20.0%, to \$509,000 for the year ended December 31, 2022 from \$636,000 for the year ended December 31, 2021. The average balance of deposits during the year ended December 31, 2022 increased by \$3.4 million, or 2.7% from the average balance for the year ended December 31, 2021, while the average cost of deposits decreased by 11 basis points to 0.39% for the year ended December 31, 2022 from 0.50% for the year ended December 31, 2021.

Interest expense on FHLB advances increased \$56,000, or 100.0%, to \$56,000 for the year ended December 31, 2022 from \$0 for the year ended December 31, 2021. The average balance of FHLB advances during the year ended December 31, 2022 increased by \$1.3 million, or 133.3% from the average balance for the year ended December 31, 2021, while the average cost of FHLB advances increased by 392 basis points to 4.20% for the year ended December 31, 2022 from 0.28% for the year ended December 31, 2021. The increase in interest expense on FHLB advances was a result of an increase in FHLB borrowings of \$11.0 million.

**Net Interest Income.** Net interest income increased \$733,000, or 18.5%, to \$4.7 million for the year ended December 31, 2022, compared to \$4.0 million for the year ended December 31, 2021. The increase reflected an increase in total interest and dividend income of \$662,000, and a decrease in total interest expense of \$71,000. Our net interest margin increased to 3.04% for the year ended December 31, 2022 from 2.67% for the year ended December 31, 2021. Our net interest rate spread increased to 2.98% for the year ended December 31, 2022 from 2.59% for the year ended December 31, 2021. The interest rate spread and net interest margin were again impacted by increasing interest rates in the year ended December 31, 2022.

**Provision for Loan Losses.** We recorded a \$109,000 provision for loan losses for the year ended December 31, 2022, as compared to \$65,000 for the year ended December 31, 2021. The allowance for loan losses was \$1.2 million, or 0.85% of total loans, at December 31, 2022, compared to \$1.2 million, or 0.97% of total loans, at December 31, 2021. Total nonperforming loans were \$1.1 million at December 31, 2022, compared to \$2.0 million at December 31, 2021. Classified loans decreased to \$3.1 million at December 31, 2022, compared to \$5.0 million at December 31, 2021. Total loans past due 30 days or more were \$608,000 and \$1.8 million at December 31, 2022 and December 31, 2021, respectively. Net charge-offs totaled \$91,000 for the year ended December 31, 2022, compared to \$252,000 of net loan charge-off for the year ended December 31, 2021. 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 December 31, 2022 and 2021. 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 decreased \$2.6 million, or 55.8%, to \$2.1 million for the year ended December 31, 2022 from \$4.7 million for the year ended December 31, 2021. The decrease was primarily due to a decrease in the net gain on sale of loans of \$2.5 million, and a decrease of \$476,000 in other service charges and fees, offset by an increase in gain on sale of foreclosed real estate of \$311,000 during the year ended December 31, 2022 as compared to the year ended December 31, 2021.

**Non-Interest Expense.** Non-interest expense decreased \$1.1 million, or 15.6%, to \$6.1 million for the year ended December 31, 2022, compared to \$7.2 million for the year ended December 31, 2021. The decrease was primarily the result of a decrease in compensation and employee benefits of \$1.0 million.

**Federal Income Taxes.** Federal income taxes decreased by \$191,000 to an income tax expense of \$120,000 for the year ended December 31, 2022, compared to an income tax expense of \$311,000 for the year ended December 31, 2021. The decrease in income tax expense for the year ended December 31, 2022 was a direct result of the \$2.6 million decrease in noninterest income, offset by an increase in net interest income of \$733,000, and a decrease of \$1.1 million in non-interest expense.



## 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<br>December 31,<br>2022 | For the Year Ended December 31,   |                 |                    |                                   |                 |                    |
|---|----------------------------|-----------------------------------|-----------------|--------------------|-----------------------------------|-----------------|--------------------|
|   |                            | 2022                              |                 |                    | 2021                              |                 |                    |
|   | Yield/ Cost                | Average<br>Outstanding<br>Balance | Interest        | Yield/ Rate<br>(1) | Average<br>Outstanding<br>Balance | Interest        | Yield/ Rate<br>(1) |
| (Dollars in thousands)  |                            |                                   |                 |                    |                                   |                 |                    |
| <b>Interest-earning assets:</b>   |                            |                                   |                 |                    |                                   |                 |                    |
| Loans, net.....   | 4.17%                      | \$ 119,434                        | \$ 4,674        | 3.91%              | \$ 108,444                        | \$ 4,519        | 4.17%              |
| Other interest-earning assets.....                                      | 3.45                       | 34,540                            | 577             | 1.67               | 39,860                            | 70              | 0.18               |
| Total interest-earning assets.....                                      | 4.04                       | 153,974                           | 5,251           | 3.41               | 148,304                           | 4,589           | 3.09               |
| Non-interest-earning assets.....  |                            | 15,777                            |                 |                    | 19,555                            |                 |                    |
| Total assets .....  |                            | <u>169,751</u>                    |                 |                    | <u>167,859</u>                    |                 |                    |
| <b>Interest-bearing liabilities:</b>                                    |                            |                                   |                 |                    |                                   |                 |                    |
| Interest-bearing checking .....   | 0.17%                      | 30,826                            | 53              | 0.17               | 28,319                            | 48              | 0.17               |
| Savings.....  | 0.15                       | 28,367                            | 41              | 0.14               | 24,874                            | 36              | 0.14               |
| Money market demand .....   | 0.48                       | 31,016                            | 74              | 0.24               | 30,395                            | 74              | 0.24               |
| Certificates of deposit.....  | 1.58                       | 39,656                            | 341             | 0.86               | 42,900                            | 478             | 1.11               |
| Total interest-bearing deposits.....                                    | 0.70                       | 129,865                           | 509             | 0.39               | 126,488                           | 636             | 0.50               |
| FHLB advances .....   |                            | 1,334                             | 56              | 4.20               | 1                                 | -               | 0.28               |
| Total interest-bearing liabilities.....                                 |                            | 131,199                           | 565             | 0.43               | 126,489                           | 636             | 0.50               |
| Other non-interest-bearing liabilities..                                |                            | 11,341                            |                 |                    | 11,783                            |                 |                    |
| Total liabilities.....  |                            | <u>142,540</u>                    |                 |                    | <u>138,272</u>                    |                 |                    |
| Shareholders' Equity .....  |                            | 27,211                            |                 |                    | 29,587                            |                 |                    |
| Total liabilities and shareholders' equity .....                        |                            | <u>\$ 169,751</u>                 |                 |                    | <u>\$ 167,859</u>                 |                 |                    |
| Net interest income.....  |                            |                                   | <u>\$ 4,686</u> |                    |                                   | <u>\$ 3,953</u> |                    |
| Net interest rate spread (1).....                                       | 3.34                       |                                   |                 | <u>2.98%</u>       |                                   |                 | <u>2.59%</u>       |
| Net interest-earning assets (2) .....                                   |                            | <u>\$ 22,775</u>                  |                 |                    | <u>\$ 21,815</u>                  |                 |                    |
| Net interest margin (3).....  |                            |                                   |                 | <u>3.04%</u>       |                                   |                 | <u>2.67%</u>       |
| Average of interest-earning assets to interest-bearing liabilities..... |                            | <u>117.36%</u>                    |                 |                    | <u>117.25%</u>                    |                 |                    |

- (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.

## 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 200 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, 2022, 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) |                                    |
|---|-------------------|--------------------------------------|-----------|--|------------------------------------|
|   |                   | NPV                                  |           | NPV Ratio (4)                                      | Increase (Decrease) (basis points) |
|   |                   | Amount                               | Percent   |  |                                    |
|   |                   | (Dollars in thousands)               |           |  |                                    |
| +300  | \$48,810          | \$(6,933)                            | (12.44) % | 29.23%   | (345)                              |
| +200  | 50,909            | (4,834)                              | (8.67) %  | 30.27%   | (241)                              |
| +100  | 53,201            | (2,542)                              | (4.56) %  | 31.41%   | (127)                              |
| —   | 55,743            | —                                    | —         | 32.68%   | -----                              |
| -100  | 52,288            | (3,455)                              | (6.20) %  | 30.44%   | (224)                              |
| -200  | 46,752            | (8,991)                              | (16.13) % | 27.02%   | (566)                              |

(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, 2022, in the event of an instantaneous parallel 100 basis point decrease in interest rates, we would experience a 6.20% decrease in net portfolio value. In the event of an instantaneous 100 basis point increase in interest rates, we would experience a 4.56% 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, 2022 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.

| Rate Shift (1) | Net Interest Income<br>Year 1 Forecast<br>(Dollars in thousands) | Year 1 Change<br>from Level |
|----------------|--|-----------------------------|
| +400           | \$6,577  | (14.70) %                   |
| +300           | 6,869  | (10.93) %                   |
| +200           | 7,155  | (7.22) %                    |
| +100           | 7,429  | (3.66) %                    |
| Level          | 7,711  | -----                       |
| -100           | 7,251  | (5.97) %                    |
| -200           | 6,703  | (15.04) %                   |

(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, 2022, we had the capacity to borrow approximately \$40.3 million from the FHLB-Cincinnati. At December 31, 2022, we had \$11 million in 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 provided by operating activities was \$3.8 million for the year ended December 31, 2022, while net cash provided by operating activities was \$12.2 million for the year ended December 31, 2021. Net cash used by investing activities was \$35.0 million for the year ended December 31, 2022, while the net cash provided by investing activities was \$2.4 million for the year ended December 31, 2021. Net cash used by financing activities was \$2.0 million for the year ended December 31, 2022, while net cash provided by financing activities was \$12.8 million for the years ended December 31, 2021.

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, 2022, we exceeded all of our regulatory capital requirements with a Tier 1 leverage capital level of \$24.8 million, or 14.6% of adjusted total assets, which is above the well-capitalized required level of \$8.5 million, or 5.0%; and total risk-based capital of \$26.0 million, or 16.1% of risk-weighted assets, which is above the well-capitalized required level of \$16.2 million, or 10.0%. Accordingly, EAGLE.bank was categorized as well capitalized at December 31, 2022 and 2021. Management is not aware of any conditions or events since the most recent notification that would change our category.

#### **Delinquencies, Classified Assets and Non-Performing Assets**

***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, 2022, we had five loans totaling \$774,000 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, 2022 and during the twelve months then ended, there were no non-accruing troubled debt restructurings. For the year ended December 31, 2022, we recognized \$50,000 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   |               |                  |                 |          |                 |
|---------------------------------------|------------------------|---------------|------------------|-----------------|----------|-----------------|
|                                       | 30-89 Days             |               | 90 Days and Over |                 | Total    |                 |
|                                       | Number                 | Amount        | Number           | Amount          | Number   | Amount          |
|                                       | (Dollars in thousands) |               |                  |                 |          |                 |
| <u>At December 31, 2022</u>           |                        |               |                  |                 |          |                 |
| One- to four-family residential:      |                        |               |                  |                 |          |                 |
| Owner occupied .....                  | 1                      | \$ 185        | 5                | \$ 346          | 6        | \$ 531          |
| Non-owner occupied .....              | —                      | —             | —                | —               | —        | —               |
| Commercial real estate and land ..... | —                      | —             | —                | —               | —        | —               |
| Home equity and other consumer .....  | 1                      | 66            | 1                | 11              | 2        | 77              |
| Construction .....                    | —                      | —             | —                | —               | —        | —               |
| Multi-family real estate .....        | —                      | —             | —                | —               | —        | —               |
| Commercial .....                      | —                      | —             | —                | —               | —        | —               |
| Total .....                           | <u>2</u>               | <u>\$ 251</u> | <u>6</u>         | <u>\$ 357</u>   | <u>8</u> | <u>\$ 608</u>   |
| <u>At December 31, 2021</u>           |                        |               |                  |                 |          |                 |
| One- to four-family residential:      |                        |               |                  |                 |          |                 |
| Owner occupied .....                  | —                      | \$ —          | 7                | \$ 385          | 7        | \$ 385          |
| Non-owner occupied .....              | —                      | —             | —                | —               | —        | —               |
| Commercial real estate and land ..... | —                      | —             | 1                | 1,383           | 1        | 1,383           |
| Home equity and other consumer .....  | —                      | —             | —                | —               | —        | —               |
| Construction .....                    | —                      | —             | —                | —               | —        | —               |
| Multi-family real estate .....        | —                      | —             | —                | —               | —        | —               |
| Commercial .....                      | —                      | —             | —                | —               | —        | —               |
| Total .....                           | <u>—</u>               | <u>\$ —</u>   | <u>8</u>         | <u>\$ 1,768</u> | <u>8</u> | <u>\$ 1,768</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 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:

|   | At December 31,        |                 |
|---|------------------------|-----------------|
|   | 2022                   | 2021            |
|   | (Dollars in thousands) |                 |
| Classified loans:                         |                        |                 |
| Substandard.....                          | \$ 3,093               | \$ 5,028        |
| Doubtful assets.....                      | —                      | —               |
| Loss assets.....                          | —                      | —               |
| Total classified assets.....              | <u>\$ 3,093</u>        | <u>\$ 5,028</u> |
| Special mention loans .....               | <u>\$ ---</u>          | <u>\$ ---</u>   |
| Foreclosed real estate held for sale..... | <u>\$ 25</u>           | <u>\$ 409</u>   |

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

|   | <b>At December 31,</b>        |                 |
|---|-------------------------------|-----------------|
|   | <b>2022</b>                   | <b>2021</b>     |
|   | <b>(Dollars in thousands)</b> |                 |
| Non-accrual loans:  |                               |                 |
| One- to four-family residential:  |                               |                 |
| Owner occupied.....   | \$ 346                        | \$ 385          |
| Non-owner occupied .....  | —                             | —               |
| Commercial real estate and land .....   | —                             | 1,383           |
| Home equity and other consumer.....   | 11                            | —               |
| Construction.....   | —                             | —               |
| Multi-family real estate .....  | —                             | —               |
| Commercial.....   | —                             | —               |
| Total .....   | <u>357</u>                    | <u>1,768</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.....   | —                             | —               |
| 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.....   | \$ —                          | \$ 64           |
| Non-owner occupied .....  | 72                            | 166             |
| Commercial real estate and land .....   | —                             | —               |
| Home equity and other consumer.....   | 12                            | 44              |
| Construction.....   | —                             | —               |
| Multi-family real estate .....  | —                             | —               |
| Commercial.....   | <u>690</u>                    | <u>—</u>        |
| Total .....   | <u>\$ 774</u>                 | <u>\$ 274</u>   |
| Total non-performing loans .....  | \$ 1,131                      | \$ 2,042        |
| Foreclosed real estate.....   | <u>25</u>                     | <u>409</u>      |
| Total non-performing assets .....   | <u>\$ 1,156</u>               | <u>\$ 2,451</u> |
| Ratios:   |                               |                 |
| Total non-performing loans to total loans .....   | 0.79%                         | 1.66%           |
| Total non-performing assets to total assets .....   | 0.67%                         | 1.40%           |
| Non-performing assets excluding accruing troubled debt restructurings to total assets ..... | 0.22%                         | 1.25%           |
| Non-performing loans excluding accruing troubled debt restructurings to total loans .....   | 0.25%                         | 1.44%           |

**Other Loans of Concern.** There were no other loans at December 31, 2022 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.** The following table sets forth activity in our allowance for loan losses for the years indicated.

|   | At or For the Years Ended<br>December 31, |          |
|---|---|----------|
|   | 2022                                      | 2021     |
|   | (Dollars in thousands)                    |          |
| Balance at beginning of year .....  | \$ 1,199                                  | \$ 1,386 |
| Charge-offs:  |   |          |
| One- to four-family residential:  |   |          |
| Owner occupied.....   | —   | —        |
| Non-owner occupied .....  | —   | (13)     |
| Commercial real estate and land.....                                      | (92)                                      | (189)    |
| Home equity and other consumer .....                                      | —   | —        |
| Construction .....  | —   | —        |
| Multi-family real estate.....   | —   | —        |
| Commercial .....  | —   | (52)     |
| Total charge-offs .....   | (92)                                      | (254)    |
| Recoveries:   |   |          |
| One- to four-family residential:  |   |          |
| Owner occupied.....   | —   | —        |
| Non-owner occupied .....  | —   | 2        |
| Commercial real estate and land.....                                      | —   | —        |
| Home equity and other consumer .....                                      | 1   | —        |
| Construction .....  | —   | —        |
| Multi-family real estate.....   | —   | —        |
| Commercial .....  | —   | —        |
| Total recoveries.....   | 1   | 2        |
| Net charge-offs.....  | (91)                                      | (252)    |
| Provision for loan losses .....   | 109                                       | 65       |
| Balance at end of year .....  | \$ 1,217                                  | \$ 1,199 |
| Ratios:   |   |          |
| Net charge-offs to average total loans<br>outstanding.....                | (0.07)%                                   | (0.23)%  |
| Allowance for loan losses to non-<br>performing loans at end of year..... | 107.60%                                   | 58.72%   |
| Allowance for loan losses to total<br>loans at end of year.....           | 0.85%                                     | 0.97%    |

There were \$91,000 in net loan charge-offs for the year ended December 31, 2022 and \$252,000 in net loan charge-offs during the year ended December 2021, respectively.

At December 31, 2022 and 2021, our allowance for loan losses represented 0.85% and 0.97% of total loans and 107.60% and 58.72% 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.bank management. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

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## Independent Auditor's Report

Board of Directors  
Eagle Financial Bancorp, Inc.  
Cincinnati, Ohio

### ***Opinion***

We have audited the consolidated financial statements of Eagle Financial Bancorp, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Eagle Financial Bancorp, Inc. and its subsidiary as December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Eagle Financial Bancorp, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Financial Bancorp, Inc.'s ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eagle Financial Bancorp, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Financial Bancorp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Other Information Included in the Annual Report***

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**FORVIS, LLP**

Cincinnati, Ohio  
March 8, 2023

**Eagle Financial Bancorp, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2022 and 2021**  
(Amounts in thousands, except share and per share data)

| <b>Assets</b>   | <b>December 31,</b> |                   |
|---|---------------------|-------------------|
|   | <b>2022</b>         | <b>2021</b>       |
| Cash and due from banks   | \$ 541              | \$ 577            |
| Federal Reserve and Federal Home Loan Bank (FHLB)<br>demand accounts  | 7,196               | 40,430            |
| Cash and cash equivalents   | 7,737               | 41,007            |
| Interest-bearing time deposits in other banks   | 7,397               | 2,988             |
| Held-to-maturity securities   | 10,100              | -                 |
| Loans held for sale   | 134                 | 2,809             |
| Loans, net of allowance for loan losses of \$1,217 and<br>\$1,199 for 2022 and 2021, respectively   | 132,071             | 111,930           |
| Premises and equipment - at depreciated cost  | 3,917               | 3,999             |
| FHLB stock - at cost  | 3,514               | 2,637             |
| Foreclosed real estate held for sale, net   | 25                  | 409               |
| Bank-owned life insurance (BOLI)  | 2,920               | 2,855             |
| FHLB lender risk account receivable   | 4,631               | 4,767             |
| Accrued interest receivable   | 472                 | 240               |
| Deferred federal tax asset  | 447                 | 407               |
| Prepaid federal income taxes  | 84                  | 74                |
| Other assets  | 274                 | 727               |
| Total assets  | <u>\$ 173,723</u>   | <u>\$ 174,849</u> |
| <b>Liabilities and Shareholders' Equity</b>   |                     |                   |
| <b>Liabilities</b>  |                     |                   |
| Deposits  |                     |                   |
| Noninterest-bearing   | \$ 8,717            | \$ 9,361          |
| Interest-bearing  | 124,108             | 132,166           |
| Total deposits  | 132,825             | 141,527           |
| Advances from borrowers for taxes and insurance   | 880                 | 901               |
| FHLB Advances   | 11,000              | -                 |
| Accrued interest payable  | 38                  | 2                 |
| Accrued supplemental retirement plans   | 1,914               | 1,788             |
| Other liabilities   | 437                 | 518               |
| Total liabilities   | <u>147,094</u>      | <u>144,736</u>    |
| <b>Shareholders' Equity</b>   |                     |                   |
| Preferred stock, \$0.01 par value, 5,000,000 shares<br>authorized; none issued and outstanding  | -                   | -                 |
| Common stock, \$0.01 par value, 50,000,000 shares<br>authorized, 1,343,775 and 1,524,153 shares issued and<br>outstanding at December 31, 2022 and 2021 | 16                  | 16                |
| Additional paid-in capital  | 9,998               | 13,620            |
| Retained earnings   | 17,518              | 17,445            |
| Unearned Employee Stock Ownership Plan ("ESOP") shares  | (903)               | (968)             |
| Total shareholders' equity  | <u>26,629</u>       | <u>30,113</u>     |
| Total liabilities and shareholders' equity  | <u>\$ 173,723</u>   | <u>\$ 174,849</u> |

See Notes to the Consolidated Financial Statements

**Eagle Financial Bancorp, Inc.**  
**Consolidated Statements of Income and Comprehensive Income**  
**Years Ended December 31, 2022 and 2021**  
(Amounts in thousands, except share and per share data)

|  | 2022             | 2021             |
|--|------------------|------------------|
| <b>Interest and Dividend Income</b>                        |                  |                  |
| Interest earned on loans                                   | \$ 4,674         | \$ 4,519         |
| Dividends on FHLB stock                                    | 149              | 41               |
| Debt securities, taxable                                   | 160              | -                |
| Other interest-earning deposits                            | 268              | 29               |
|  | <u>5,251</u>     | <u>4,589</u>     |
| <b>Interest Expense</b>                                    |                  |                  |
| Interest on deposits                                       | 509              | 636              |
| Interest on FHLB advances                                  | 56               | -                |
|  | <u>565</u>       | <u>636</u>       |
| <b>Net Interest Income</b>                                 | 4,686            | 3,953            |
| <b>Provision for Loan Losses</b>                           | 109              | 65               |
| <b>Net Interest Income After Provision for Loan Losses</b> | <u>4,577</u>     | <u>3,888</u>     |
| <b>Noninterest Income</b>                                  |                  |                  |
| Net gains on loan sales                                    | 1,176            | 3,656            |
| Other service charges and fees                             | 531              | 1,007            |
| Income from BOLI   | 65               | 56               |
| Gain on sale of foreclosed real estate                     | 316              | 5                |
|  | <u>2,088</u>     | <u>4,724</u>     |
| <b>Noninterest Expense</b>                                 |                  |                  |
| Compensation and benefits                                  | 4,037            | 5,085            |
| Occupancy and equipment, net                               | 362              | 428              |
| Data processing  | 327              | 397              |
| Legal and professional services                            | 305              | 389              |
| FDIC premium expense                                       | 45               | 39               |
| Foreclosed real estate impairments and expenses, net       | 25               | 15               |
| Franchise and other taxes                                  | 151              | 135              |
| Advertising  | 89               | 49               |
| ATM processing expense                                     | 103              | 91               |
| Other expenses   | 649              | 595              |
|  | <u>6,093</u>     | <u>7,223</u>     |
| <b>Income Before Income Taxes</b>                          | <u>572</u>       | <u>1,389</u>     |
| <b>Income Taxes</b>  |                  |                  |
| Current  | 160              | 469              |
| Deferred   | (40)             | (158)            |
|  | <u>120</u>       | <u>311</u>       |
| <b>Net Income and Comprehensive Income</b>                 | <u>\$ 452</u>    | <u>\$ 1,078</u>  |
| <br>Earnings per share - basic                             | <br>\$ 0.36      | <br>\$ 0.76      |
| Weighted-average shares outstanding - basic                | <u>1,256,554</u> | <u>1,402,284</u> |
| Earnings per share - diluted                               | <u>\$ 0.35</u>   | <u>\$ 0.76</u>   |
| Weighted-average shares outstanding - diluted              | <u>1,265,016</u> | <u>1,402,284</u> |

See Notes to the Consolidated Financial Statements

**Eagle Financial Bancorp, Inc.**  
**Consolidated Statements of Shareholders' Equity**  
**Years Ended December 31, 2022 and 2021**  
**(Amounts in thousands, except share and per share data)**

|   | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Unearned<br>ESOP<br>Shares | Total     |
|---|-----------------|----------------------------------|----------------------|----------------------------|-----------|
| <b>Balance at January 1, 2021</b>           | \$ 16           | \$ 13,361                        | \$ 16,671            | \$ (1,032)                 | \$ 29,016 |
| Net income                                  | -               | -                                | 1,078                | -                          | 1,078     |
| ESOP shares earned                          | -               | 52                               | -                    | 64                         | 116       |
| Stock based compensation expense            | -               | 246                              | -                    | -                          | 246       |
| Dividends on common stock, \$0.20 per share | -               | -                                | (304)                | -                          | (304)     |
| Repurchase of common stock                  | -               | (39)                             | -                    | -                          | (39)      |
| <b>Balance at December 31, 2021</b>         | \$ 16           | \$ 13,620                        | \$ 17,445            | \$ (968)                   | \$ 30,113 |
| Net income                                  | -               | -                                | 452                  | -                          | 452       |
| ESOP shares earned                          | -               | 56                               | -                    | 65                         | 121       |
| Stock based compensation expense            | -               | 247                              | -                    | -                          | 247       |
| Dividends on common stock, \$0.28 per share | -               | -                                | (379)                | -                          | (379)     |
| Repurchase of common stock                  | -               | (3,925)                          | -                    | -                          | (3,925)   |
| <b>Balance at December 31, 2022</b>         | \$ 16           | \$ 9,998                         | \$ 17,518            | \$ (903)                   | \$ 26,629 |

*See Notes to the Consolidated Financial Statements*

**Eagle Financial Bancorp, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2022 and 2021**  
(Amounts in thousands, except share and per share data)

|  | <b>2022</b>     | <b>2021</b>      |
|--|-----------------|------------------|
| <b>Operating Activities</b>  |                 |                  |
| Net income   | \$ 452          | \$ 1,078         |
| Items not requiring (providing) cash:                                  |                 |                  |
| Depreciation   | 203             | 202              |
| Amortization and accretion, net  | (58)            | (296)            |
| Proceeds on sale of loans in the secondary market                      | 47,209          | 118,410          |
| Loans originated for sale in the secondary market                      | (43,358)        | (103,543)        |
| Gain on sale of loans  | (1,176)         | (3,656)          |
| Provision for loan losses  | 109             | 65               |
| Gain on sale of foreclosed real estate                                 | (316)           | (5)              |
| Deferred federal taxes   | (40)            | (158)            |
| Increase in cash surrender value of BOLI                               | (65)            | (56)             |
| Stock based compensation expense                                       | 247             | 246              |
| ESOP compensation expense  | 121             | 116              |
| Changes in:  |                 |                  |
| FHLB lender risk account receivable                                    | 136             | (347)            |
| Accrued interest receivable  | (232)           | 205              |
| Other assets   | 453             | (186)            |
| Prepaid federal income taxes   | (10)            | (11)             |
| Accrued supplemental retirement plans                                  | 126             | 116              |
| Accrued expenses and other liabilities                                 | (45)            | 53               |
| Net cash flows provided by operating activities                        | <u>3,756</u>    | <u>12,233</u>    |
| <b>Investing Activities</b>  |                 |                  |
| Net increase in interest-bearing time deposits in other banks          | (4,409)         | (2,739)          |
| Purchase of held-to-maturity securities                                | (10,035)        | -                |
| Net decrease (increase) in loans                                       | (20,257)        | 7,290            |
| Purchase of FHLB stock   | (877)           | (1,343)          |
| Purchase of premises and equipment                                     | (121)           | (103)            |
| Purchase of BOLI   | -               | (750)            |
| Proceeds from sale of foreclosed real estate                           | 700             | 39               |
| Net cash (used in) provided by investing activities                    | <u>(34,999)</u> | <u>2,394</u>     |
| <b>Financing Activities</b>  |                 |                  |
| Net (decrease) increase in deposits                                    | (8,702)         | 13,087           |
| Proceeds from FHLB advances  | 11,000          | -                |
| Repurchase of common stock   | (3,925)         | (39)             |
| Dividends paid   | (379)           | (304)            |
| (Decrease) increase in advances from borrowers for taxes and insurance | (21)            | 51               |
| Net cash (used in) provided by financing activities                    | <u>(2,027)</u>  | <u>12,795</u>    |
| <b>(Decrease) Increase in Cash and Cash Equivalents</b>                | <u>(33,270)</u> | <u>27,422</u>    |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                    | <u>41,007</u>   | <u>13,585</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                          | <u>\$ 7,737</u> | <u>\$ 41,007</u> |

(Continued)

**Eagle Financial Bancorp, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2022 and 2021**  
(Amounts in thousands, except share and per share data)

(Continued)

**Supplemental Cash Flows Information:**

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Interest paid                                     | \$ 565      | \$ 636      |
| Income taxes paid                                 | 170         | 480         |
| Transfers to foreclosed real estate held for sale | -           | 409         |

*See Notes to the Consolidated Financial Statements*

**Eagle Financial Bancorp, Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
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**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.bank (the “Bank”). The Bank, then an Ohio chartered savings and loan association, completed its mutual-to-stock conversion on July 20, 2017. The Bank has since made a universal charter election and the Company has become a registered bank holding company. 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 years ended December 31, 2022 and 2021 include Eagle Financial Bancorp, Inc. and its wholly-owned subsidiary, EAGLE.bank, together referred to as “the Company”. Intercompany transactions and balances have been eliminated in consolidation.



**Eagle Financial Bancorp, Inc.**  
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***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.

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:

Service charges on deposit accounts - 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

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funds in banks that exceeded federally insured limits at December 31, 2022. Funds of \$2,642 held at Federal Home Loan Bank, and \$3,965 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.

***Debt Investments***

Debt securities held by the Company generally are classified and recorded in the consolidated financial statements as follows:

| <u><b>Classified as</b></u> | <u><b>Description</b></u>  | <u><b>Recorded at</b></u>  |
|-----------------------------|--|--|
| Held to maturity (HTM)      | Certain Debt securities that management has the positive intent and ability to hold to maturity  | Amortized cost   |
| Trading                     | Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time | Fair value, with unrealized value included in earnings   |
| Available for sale (AFS)    | Securities not classified as HTM or trading  | Fair Value, with unrealized gains and losses excluded from earnings and reported in other comprehensive Income |

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific identification method.

When the fair value of securities is below the amortized cost, the Company's accounting treatment for an other-than-temporary impairment (OTTI) is as follows:

| <u><b>Circumstances of Impairment Considerations</b></u>  | <u><b>Accounting Treatment for OTTI Components</b></u> |  |
|---|--|--|
|   | <u><b>Credit Component</b></u>                         | <u><b>Remaining Portion</b></u>          |
| Not intended for sale and more likely than not the Company will not have to sell before recovery of cost basis    | Recognized in earnings                                 | Recognized in other comprehensive income |
| Intended for sale or more likely than not that The Company will be required to sell before recovery of cost basis | Recognized in earnings                                 |  |

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For held-to-maturity debt securities, the amount of OTTI recorded in other comprehensive income for the noncredit portion of a previous OTTI is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

When a credit loss component is separately recognized in earnings, the amount is identified as the total of principal cash flows not expected to be received over the remaining term of the security, as projected based on cash flow projections.

***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 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

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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 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.

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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, 2022 and 2021.

***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.

***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 statements 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

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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:

|                      | <b>December 31,</b> |               |
|----------------------|---------------------|---------------|
|                      | <b>2022</b>         | <b>2021</b>   |
| Loans                | \$ 361              | \$ 228        |
| FHLB stock and other | 111                 | 12            |
|                      | <u>\$ 472</u>       | <u>\$ 240</u> |

***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

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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 2019. At December 31, 2022 and 2021, 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.

***Repurchase of Common Stock***

Common shares repurchased are at related cost. Cost of shares retired or reissued is determined using the weighted-average method.

**Revisions**

Certain revisions have been made to the 2021 consolidated financial statements related to the classification on the consolidated balance sheet of one loan in the amount of \$1,383 to increase loans and decrease foreclosed real estate held for sale, net. Revisions to the supplemental information in the consolidated statement of cash flows and disclosures in the loan footnote were also made. These revisions did not have a significant impact on the consolidated financial statement line items impacted and had no effect on net income.



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**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 shareholders’ 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, 2021.

The computation for the years ended December 31, 2022 and December 31, 2021 are as follows:

|   | Year Ended<br>December 31, 2022 | Year Ended<br>December 31, 2021 |
|---|---------------------------------|---------------------------------|
| Net Income  | \$ 452                          | \$ 1,078                        |
| Less allocation of earnings to participating securities   | 5                               | 17                              |
| Net income allocated to common shareholders   | \$ 447                          | \$ 1,061                        |
| Shares Outstanding for basic earnings per common share:   |                                 |                                 |
| Weighted Average shares outstanding:  | 1,349,830                       | 1,502,011                       |
| Less: Average Unearned ESOP shares:   | 93,276                          | 99,727                          |
| Weighted average number of shares outstanding used in the calculation of basic earnings per common share    | 1,256,554                       | 1,402,284                       |
| Basic earnings per common share:  | \$ 0.36                         | \$ 0.76                         |
| Effect of dilutive securities:  |                                 |                                 |
| Stock Options   | 8,462                           | -                               |
| Weighted average number of shares outstanding used in the calculation of dilutive earnings per common share | 1,265,016                       | 1,402,284                       |
| Diluted earnings per common share:  | \$ 0.35                         | \$ 0.76                         |



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**Note 3: Securities**

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities as follows:

|                                     | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Fair<br/>Value</b> |
|-------------------------------------|---------------------------|---------------------------------------|--|-----------------------|
| <b>Held-to-Maturity Securities:</b> |                           |                                       |  |                       |
| December 31, 2022:                  |                           |                                       |  |                       |
| U.S. treasury notes                 | \$ 10,100                 | \$ -                                  | \$ (237)                               | \$ 9,863              |
|                                     | <u>\$ 10,100</u>          | <u>\$ -</u>                           | <u>\$ (237)</u>                        | <u>\$ 9,863</u>       |

The amortized cost and fair value of held-to-maturity securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

|                   | <b>Amortized<br/>Cost</b> | <b>Fair<br/>Value</b> |
|-------------------|---------------------------|-----------------------|
| Within one year   | \$ 3,713                  | \$ 3,652              |
| One to five years | 6,387                     | 6,211                 |
|                   | <u>\$ 10,100</u>          | <u>\$ 9,863</u>       |

Certain investments in debt securities have a fair value that is less than their historical cost. Total fair value of these investments at December 31, 2022 was \$9.9 million, which is approximately 100% of the Company's investment portfolio. These declines resulted from changes in market interest rates.

Management believes the declines in fair value for these securities are temporary.

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The following table shows the Company's investments' gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022:

|                                       | Less than 12 Months |                   | December 31, 2022<br>12 Months or More |                   | Total           |                   |
|---------------------------------------|---------------------|-------------------|--|-------------------|-----------------|-------------------|
|                                       | Fair Value          | Unrealized Losses | Fair Value                             | Unrealized Losses | Fair Value      | Unrealized Losses |
| <b>Held-to-Maturity Securities:</b>   |                     |                   |  |                   |                 |                   |
| U.S treasury notes                    | \$ 9,863            | \$ (237)          | \$ -                                   | \$ -              | \$ 9,863        | \$ (237)          |
| Total temporarily impaired securities | <u>\$ 9,863</u>     | <u>\$ (237)</u>   | <u>\$ -</u>                            | <u>\$ -</u>       | <u>\$ 9,863</u> | <u>\$ (237)</u>   |

**U.S. Treasury Notes**

The unrealized losses on the Company's investments in U.S. Treasury obligations were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2022.

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**Note 4: Loans and Allowance for Loan Losses**

The composition of the loan portfolio at December 31, 2022 and 2021 was as follows:

|  | <b>December 31,</b>      |                          |
|--|--------------------------|--------------------------|
|  | <b>2022</b>              | <b>2021</b>              |
| Residential mortgage loans                     | \$ 77,499                | \$ 64,227                |
| Commercial real estate and land loans          | 27,885                   | 24,304                   |
| Home equity and other consumer                 | 7,649                    | 5,685                    |
| Construction loans                             | 18,234                   | 15,716                   |
| Residential mortgage loans, non-owner occupied | 2,633                    | 3,524                    |
| Multi-family real estate loans                 | 904                      | 1,150                    |
| Commercial loans                               | 8,957                    | 8,520                    |
|  | <u>143,761</u>           | <u>123,126</u>           |
| Net deferred loan fees                         | 102                      | (25)                     |
| Loans in process                               | (10,575)                 | (9,972)                  |
| Allowance for loan losses                      | <u>(1,217)</u>           | <u>(1,199)</u>           |
| Net loans                                      | <u><u>\$ 132,071</u></u> | <u><u>\$ 111,930</u></u> |

Loans serviced for the benefit of others at December 31, 2022 and 2021 amounted to \$478 and \$515, respectively. Loans in process relates to primarily residential mortgage loans.

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

**Residential Mortgage Loans, Construction Loans and Land Loans:** The residential 1-4 family real estate loans and residential construction loans are generally secured by owner-occupied 1-4 family residences. Commercial Construction 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. 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 Loans, Construction Loans 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.

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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, 2022 and 2021:

|   | Residential<br>Mortgage<br>Loans | Commercial<br>Real Estate<br>and Land<br>Loans | Home Equity<br>and Other<br>Consumer | Construction<br>Loans | Residential<br>Mortgage<br>Loans Non-<br>Owner<br>Occupied | Multi-<br>Family Real<br>Estate<br>Loans | Commercial<br>Loans | Total             |
|---|----------------------------------|--|--------------------------------------|-----------------------|--|--|---------------------|-------------------|
| <b>December 31, 2022</b>                              |                                  |  |                                      |                       |  |  |                     |                   |
| <b>Allowance for loan losses:</b>                     |                                  |  |                                      |                       |  |  |                     |                   |
| Balance, beginning of year                            | \$ 409                           | \$ 416   | \$ 97                                | \$ 154                | \$ 23  | \$ 14                                    | \$ 86               | \$ 1,199          |
| Provision (credit) charged to expense                 | 370                              | (75)   | (46)                                 | (99)                  | (19)   | (13)                                     | (9)                 | 109               |
| Losses charged off                                    | -                                | (92)   | -                                    | -                     | -  | -  | -                   | (92)              |
| Recoveries  | -                                | -  | 1                                    | -                     | -  | -  | -                   | 1                 |
| Balance, end of year                                  | <u>\$ 779</u>                    | <u>\$ 249</u>                                  | <u>\$ 52</u>                         | <u>\$ 55</u>          | <u>\$ 4</u>  | <u>\$ 1</u>                              | <u>\$ 77</u>        | <u>\$ 1,217</u>   |
| Ending balance: individually evaluated for impairment | <u>\$ -</u>                      | <u>\$ -</u>                                    | <u>\$ -</u>                          | <u>\$ -</u>           | <u>\$ -</u>  | <u>\$ -</u>                              | <u>\$ -</u>         | <u>\$ -</u>       |
| Ending balance: collectively evaluated for impairment | <u>\$ 779</u>                    | <u>\$ 249</u>                                  | <u>\$ 52</u>                         | <u>\$ 55</u>          | <u>\$ 4</u>  | <u>\$ 1</u>                              | <u>\$ 77</u>        | <u>\$ 1,217</u>   |
| <b>Loans:</b>   |                                  |  |                                      |                       |  |  |                     |                   |
| Ending balance  | <u>\$ 77,499</u>                 | <u>\$ 27,885</u>                               | <u>\$ 7,649</u>                      | <u>\$ 18,234</u>      | <u>\$ 2,633</u>  | <u>\$ 904</u>                            | <u>\$ 8,957</u>     | <u>\$ 143,761</u> |
| Ending balance: individually evaluated for impairment | <u>\$ -</u>                      | <u>\$ -</u>                                    | <u>\$ 12</u>                         | <u>\$ -</u>           | <u>\$ 72</u>   | <u>\$ -</u>                              | <u>\$ 690</u>       | <u>\$ 774</u>     |
| Ending balance: collectively evaluated for impairment | <u>\$ 77,499</u>                 | <u>\$ 27,885</u>                               | <u>\$ 7,637</u>                      | <u>\$ 18,234</u>      | <u>\$ 2,561</u>  | <u>\$ 904</u>                            | <u>\$ 8,267</u>     | <u>\$ 142,987</u> |
|   |                                  |  |                                      |                       |  |  |                     |                   |
|   | Residential<br>Mortgage<br>Loans | Commercial<br>Real Estate<br>and Land<br>Loans | Home Equity<br>and Other<br>Consumer | Construction<br>Loans | Residential<br>Mortgage<br>Loans Non-<br>Owner<br>Occupied | Multi-<br>Family Real<br>Estate<br>Loans | Commercial<br>Loans | Total             |
| <b>December 31, 2021</b>                              |                                  |  |                                      |                       |  |  |                     |                   |
| <b>Allowance for loan losses:</b>                     |                                  |  |                                      |                       |  |  |                     |                   |
| Balance, beginning of year                            | \$ 422                           | \$ 551   | \$ 174                               | \$ 135                | \$ 23  | \$ 17                                    | \$ 64               | \$ 1,386          |
| Provision (credit) charged to expense                 | (13)                             | 54   | (77)                                 | 19                    | 11   | (3)                                      | 74                  | 65                |
| Losses charged off                                    | -                                | (189)  | -                                    | -                     | (13)   | -  | (52)                | (254)             |
| Recoveries  | -                                | -  | -                                    | -                     | 2  | -  | -                   | 2                 |
| Balance, end of year                                  | <u>\$ 409</u>                    | <u>\$ 416</u>                                  | <u>\$ 97</u>                         | <u>\$ 154</u>         | <u>\$ 23</u>   | <u>\$ 14</u>                             | <u>\$ 86</u>        | <u>\$ 1,199</u>   |
| Ending balance: individually evaluated for impairment | <u>\$ -</u>                      | <u>\$ -</u>                                    | <u>\$ -</u>                          | <u>\$ -</u>           | <u>\$ -</u>  | <u>\$ -</u>                              | <u>\$ -</u>         | <u>\$ -</u>       |
| Ending balance: collectively evaluated for impairment | <u>\$ 409</u>                    | <u>\$ 416</u>                                  | <u>\$ 97</u>                         | <u>\$ 154</u>         | <u>\$ 23</u>   | <u>\$ 14</u>                             | <u>\$ 86</u>        | <u>\$ 1,199</u>   |
| <b>Loans:</b>   |                                  |  |                                      |                       |  |  |                     |                   |
| Ending balance  | <u>\$ 64,227</u>                 | <u>\$ 24,304</u>                               | <u>\$ 5,685</u>                      | <u>\$ 15,716</u>      | <u>\$ 3,524</u>  | <u>\$ 1,150</u>                          | <u>\$ 8,520</u>     | <u>\$ 123,126</u> |
| Ending balance: individually evaluated for impairment | <u>\$ 64</u>                     | <u>\$ 1,383</u>                                | <u>\$ 44</u>                         | <u>\$ -</u>           | <u>\$ 166</u>  | <u>\$ -</u>                              | <u>\$ -</u>         | <u>\$ 1,657</u>   |
| Ending balance: collectively evaluated for impairment | <u>\$ 64,163</u>                 | <u>\$ 22,921</u>                               | <u>\$ 5,641</u>                      | <u>\$ 15,716</u>      | <u>\$ 3,358</u>  | <u>\$ 1,150</u>                          | <u>\$ 8,520</u>     | <u>\$ 121,469</u> |

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***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 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.

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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, 2022 and 2021

| <b>December 31, 2022</b> | <b>Residential<br/>Mortgage<br/>Loans</b> | <b>Commercial<br/>Real Estate<br/>and Land<br/>Loans</b> | <b>Home Equity<br/>and Other<br/>Consumer</b> | <b>Construction<br/>Loans</b> | <b>Residential<br/>Mortgage Loans<br/>Non-Owner<br/>Occupied</b> | <b>Multi-Family<br/>Real Estate<br/>Loans</b> | <b>Commercial<br/>Loans</b> | <b>Total</b>      |
|--------------------------|---|--|---|-------------------------------|--|---|-----------------------------|-------------------|
| Rating                   |   |  |   |                               |  |   |                             |                   |
| Satisfactory (5-8)       | \$ 77,153                                 | \$ 26,183  | \$ 7,586                                      | \$ 18,234                     | \$ 2,633   | \$ 904  | \$ 7,975                    | \$ 140,668        |
| Special mention (1)      | -   | -  | -   | -                             | -  | -   | -                           | -                 |
| Substandard (2)          | 346                                       | 1,702  | 63  | -                             | -  | -   | 982                         | 3,093             |
| Doubtful (3)             | -   | -  | -   | -                             | -  | -   | -                           | -                 |
| Loss (4)                 | -   | -  | -   | -                             | -  | -   | -                           | -                 |
| Total                    | <u>\$ 77,499</u>                          | <u>\$ 27,885</u>   | <u>\$ 7,649</u>                               | <u>\$ 18,234</u>              | <u>\$ 2,633</u>  | <u>\$ 904</u>                                 | <u>\$ 8,957</u>             | <u>\$ 143,761</u> |

| <b>December 31, 2021</b> | <b>Residential<br/>Mortgage<br/>Loans</b> | <b>Commercial<br/>Real Estate<br/>and Land<br/>Loans</b> | <b>Home Equity<br/>and Other<br/>Consumer</b> | <b>Construction<br/>Loans</b> | <b>Residential<br/>Mortgage Loans<br/>Non-Owner<br/>Occupied</b> | <b>Multi-Family<br/>Real Estate<br/>Loans</b> | <b>Commercial<br/>Loans</b> | <b>Total</b>      |
|--------------------------|---|--|---|-------------------------------|--|---|-----------------------------|-------------------|
| Rating                   |   |  |   |                               |  |   |                             |                   |
| Satisfactory (5-8)       | \$ 63,712                                 | \$ 21,019  | \$ 5,579                                      | \$ 15,716                     | \$ 3,524   | \$ 1,150                                      | \$ 7,398                    | \$ 118,098        |
| Special mention (1)      | -   | -  | -   | -                             | -  | -   | -                           | -                 |
| Substandard (2)          | 515                                       | 3,285  | 106   | -                             | -  | -   | 1,122                       | 5,028             |
| Doubtful (3)             | -   | -  | -   | -                             | -  | -   | -                           | -                 |
| Loss (4)                 | -   | -  | -   | -                             | -  | -   | -                           | -                 |
| Total                    | <u>\$ 64,227</u>                          | <u>\$ 24,304</u>   | <u>\$ 5,685</u>                               | <u>\$ 15,716</u>              | <u>\$ 3,524</u>  | <u>\$ 1,150</u>                               | <u>\$ 8,520</u>             | <u>\$ 123,126</u> |

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The following tables present the Company's loan portfolio aging analysis as of December 31, 2022 and 2021:

| <b>December 31, 2022</b>                       | <b>30-59 Days<br/>Past Due</b> | <b>60-89 Days<br/>Past Due</b> | <b>90 Days<br/>Past Due or<br/>More</b> | <b>Total<br/>Past<br/>Due</b> | <b>Current</b>    | <b>Total<br/>Loans<br/>Receivable</b> | <b>Recorded<br/>Investment 90<br/>Days and<br/>Accruing</b> |
|--|--------------------------------|--------------------------------|---|-------------------------------|-------------------|---------------------------------------|---|
| Residential mortgage loans                     | \$ 185                         | \$ -                           | \$ 346                                  | \$ 531                        | \$ 76,968         | \$ 77,499                             | \$ -  |
| Commercial real estate and land loans          | -                              | -                              | -                                       | -                             | 27,885            | 27,885                                | -   |
| Home equity and other consumer                 | -                              | 66                             | 11                                      | 77                            | 7,572             | 7,649                                 | -   |
| Construction loans                             | -                              | -                              | -                                       | -                             | 18,234            | 18,234                                | -   |
| Residential mortgage loans, non-owner occupied | -                              | -                              | -                                       | -                             | 2,633             | 2,633                                 | -   |
| Multi-family real estate loans                 | -                              | -                              | -                                       | -                             | 904               | 904                                   | -   |
| Commercial loans                               | -                              | -                              | -                                       | -                             | 8,957             | 8,957                                 | -   |
| <b>Total</b>                                   | <b>\$ 185</b>                  | <b>\$ 66</b>                   | <b>\$ 357</b>                           | <b>\$ 608</b>                 | <b>\$ 143,153</b> | <b>\$ 143,761</b>                     | <b>\$ -</b>   |

| <b>December 31, 2021</b>                       | <b>30-59 Days<br/>Past Due</b> | <b>60-89 Days<br/>Past Due</b> | <b>90 Days<br/>Past Due or<br/>More</b> | <b>Total<br/>Past<br/>Due</b> | <b>Current</b>    | <b>Total<br/>Loans<br/>Receivable</b> | <b>Recorded<br/>Investment 90<br/>Days and<br/>Accruing</b> |
|--|--------------------------------|--------------------------------|---|-------------------------------|-------------------|---------------------------------------|---|
| Residential mortgage loans                     | \$ -                           | \$ -                           | \$ 385                                  | \$ 385                        | \$ 63,842         | \$ 64,227                             | \$ -  |
| Commercial real estate and land loans          | -                              | -                              | 1,383                                   | 1,383                         | 22,921            | 24,304                                | -   |
| Home equity and other consumer                 | -                              | -                              | -                                       | -                             | 5,685             | 5,685                                 | -   |
| Construction loans                             | -                              | -                              | -                                       | -                             | 15,716            | 15,716                                | -   |
| Residential mortgage loans, non-owner occupied | -                              | -                              | -                                       | -                             | 3,524             | 3,524                                 | -   |
| Multi-family real estate loans                 | -                              | -                              | -                                       | -                             | 1,150             | 1,150                                 | -   |
| Commercial loans                               | -                              | -                              | -                                       | -                             | 8,520             | 8,520                                 | -   |
| <b>Total</b>                                   | <b>\$ -</b>                    | <b>\$ -</b>                    | <b>\$ 1,768</b>                         | <b>\$ 1,768</b>               | <b>\$ 121,358</b> | <b>\$ 123,126</b>                     | <b>\$ -</b>   |

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, 2022 and 2021:

| <b>December 31, 2022</b>                       | <b>Recorded<br/>Balance</b> | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Allocated<br/>Allowance</b> | <b>Average<br/>Investment<br/>in Impaired<br/>Loans</b> | <b>Interest<br/>Income<br/>Recognized</b> |
|--|-----------------------------|---|--------------------------------|---|---|
| Loans without an allocated allowance:          |                             |   |                                |   |   |
| Residential mortgage loans                     | \$ -                        | \$ -                                    | \$ -                           | \$ 52   | \$ 3                                      |
| Commercial real estate and land loans          | 690                         | 690                                     | -                              | 408   | 41  |
| Home equity and other consumer                 | 12                          | 12                                      | -                              | 21  | 1   |
| Construction loans                             | -                           | -                                       | -                              | -   | -   |
| Residential mortgage loans, non-owner occupied | 72                          | 72                                      | -                              | 106   | 5   |
| Multi-family real estate loans                 | -                           | -                                       | -                              | -   | -   |
| Commercial loans                               | -                           | -                                       | -                              | -   | -   |
| Loans with an allocated allowance:             |                             |   |                                |   |   |
| Residential mortgage loans                     | -                           | -                                       | -                              | -   | -   |
| Commercial real estate and land loans          | -                           | -                                       | -                              | -   | -   |
| Home equity and other consumer                 | -                           | -                                       | -                              | -   | -   |
| Construction loans                             | -                           | -                                       | -                              | -   | -   |
| Residential mortgage loans, non-owner occupied | -                           | -                                       | -                              | -   | -   |
| Multi-family real estate loans                 | -                           | -                                       | -                              | -   | -   |
| Commercial loans                               | -                           | -                                       | -                              | -   | -   |
| <b>Total</b>                                   | <b>\$ 774</b>               | <b>\$ 774</b>                           | <b>\$ -</b>                    | <b>\$ 587</b>   | <b>\$ 50</b>                              |

| <b>December 31, 2021</b>                       | <b>Recorded<br/>Balance</b> | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Allocated<br/>Allowance</b> | <b>Average<br/>Investment<br/>in Impaired<br/>Loans</b> | <b>Interest<br/>Income<br/>Recognized</b> |
|--|-----------------------------|---|--------------------------------|---|---|
| Loans without an allocated allowance:          |                             |   |                                |   |   |
| Residential mortgage loans                     | \$ 64                       | \$ 64                                   | \$ -                           | \$ 75   | \$ 4                                      |
| Commercial real estate and land loans          | 1,383                       | 1,383                                   | -                              | 1,414   | -   |
| Home equity and other consumer                 | 44                          | \$ 44                                   | -                              | 34  | 2   |
| Construction loans                             | -                           | -                                       | -                              | -   | -   |
| Residential mortgage loans, non-owner occupied | 166                         | 166                                     | -                              | 169   | 7   |
| Multi-family real estate loans                 | -                           | -                                       | -                              | -   | -   |
| Commercial loans                               | -                           | -                                       | -                              | -   | -   |
| Loans with an allocated allowance:             |                             |   |                                |   |   |
| Residential mortgage loans                     | -                           | -                                       | -                              | -   | -   |
| Commercial real estate and land loans          | -                           | -                                       | -                              | -   | -   |
| Home equity and other consumer                 | -                           | -                                       | -                              | -   | -   |
| Construction loans                             | -                           | -                                       | -                              | -   | -   |
| Residential mortgage loans, non-owner occupied | -                           | -                                       | -                              | -   | -   |
| Multi-family real estate loans                 | -                           | -                                       | -                              | -   | -   |
| Commercial loans                               | -                           | -                                       | -                              | -   | -   |
| <b>Total</b>                                   | <b>\$ 1,657</b>             | <b>\$ 1,657</b>                         | <b>\$ -</b>                    | <b>\$ 1,692</b>   | <b>\$ 13</b>                              |

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, 2022 and 2021. This table excludes performing troubled debt restructurings.

|  | <b>December 31,</b> |                 |
|--|---------------------|-----------------|
|  | <b>2022</b>         | <b>2021</b>     |
| Residential mortgage loans                     | \$ 346              | \$ 385          |
| Commercial real estate and land loans          | -                   | 1,383           |
| Home equity and other consumer                 | 11                  | -               |
| Construction loans                             | -                   | -               |
| Residential mortgage loans, non-owner occupied | -                   | -               |
| Multi-family real estate loans                 | -                   | -               |
| Commercial loans                               | -                   | -               |
|  | <hr/>               | <hr/>           |
| Total  | <u>\$ 357</u>       | <u>\$ 1,768</u> |

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Following is a summary of troubled debt restructurings at December 31, 2022 and 2021:

Newly classified troubled debt restructurings:

|   | Number of<br>Contracts | Pre-modification<br>Outstanding<br>Recorded Investment | Post-modification<br>Outstanding<br>Recorded Investment |
|---|------------------------|--|---|
| <b>During the Year Ended December 31, 2022</b>    |                        |  |   |
| Residential mortgage loans                        | -                      | -  | -   |
| Commercial real estate and land loans             | -                      | -  | -   |
| Home equity and other consumer                    | -                      | -  | -   |
| Construction loans                                | -                      | -  | -   |
| Residential mortgage loans, non-owner<br>occupied | -                      | -  | -   |
| Multi-family real estate loans                    | -                      | -  | -   |
| Commercial loans                                  | 1                      | 717  | 717   |

Troubled debt restructurings as of each year-end:

|   | Number of<br>Contracts | Recorded<br>Investment |
|---|------------------------|------------------------|
| <b>At December 31, 2022</b>                       |                        |                        |
| Residential mortgage loans                        | -                      | \$ -                   |
| Commercial real estate and land loans             | -                      | -                      |
| Home equity and other consumer                    | 2                      | 12                     |
| Construction loans                                | -                      | -                      |
| Residential mortgage loans, non-owner<br>occupied | 2                      | 72                     |
| Multi-family real estate loans                    | -                      | -                      |
| Commercial loans                                  | 1                      | 690                    |
|   | <u>5</u>               | <u>\$ 774</u>          |
| <b>At December 31, 2021</b>                       |                        |                        |
| Residential mortgage loans                        | 1                      | \$ 64                  |
| Commercial real estate and land loans             | -                      | -                      |
| Home equity and other consumer                    | 3                      | 44                     |
| Construction loans                                | -                      | -                      |
| Residential mortgage loans, non-owner<br>occupied | 4                      | 166                    |
| Multi-family real estate loans                    | -                      | -                      |
| Commercial loans                                  | -                      | -                      |
|   | <u>8</u>               | <u>\$ 274</u>          |

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As of December 31, 2022, the Company had total troubled debt restructurings of \$774. There were two residential non-owner occupied mortgage loans totaling \$72 in troubled debt restructurings with the largest totaling \$39. There is one commercial loan for \$690 and the remaining \$12 in troubled debt restructurings consisted of two home equity loans. As of December 31, 2021, the Company had total troubled debt restructurings of \$274. There were five residential mortgage loans and residential non-owner occupied loans totaling \$230 in troubled debt restructurings with the largest totaling \$64. The remaining \$44 in troubled debt restructurings consisted of three 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.

During the year ended December 31, 2022 one commercial loan for \$717 was modified as a troubled debt restructuring. During the year ended December 31, 2021 one home equity loan for \$13 was modified as a troubled debt restructuring.

Loans to executive officers, directors and their affiliates of the Company for the years ended December 31, 2022 and 2021 are summarized as follows:

|                            | <b>December 31,</b> |              |
|----------------------------|---------------------|--------------|
|                            | <b>2022</b>         | <b>2021</b>  |
| Balance, beginning of year | \$ 52               | \$ 55        |
| Loan disbursements         | -                   | -            |
| Principal repayments       | (52)                | (3)          |
| Balance, end of year       | <u>\$ -</u>         | <u>\$ 52</u> |

At December 31, 2022 and 2021, there was an additional \$50 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.

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**Note 5: Premises and Equipment**

Major classifications of premises and equipment, stated at cost, at December 31, 2022 and 2021, are as follows:

|                                   | <b>December 31,</b> |                 |
|-----------------------------------|---------------------|-----------------|
|                                   | <b>2022</b>         | <b>2021</b>     |
| Land                              | \$ 1,169            | \$ 1,169        |
| Buildings and improvements        | 3,865               | 3,715           |
| Furniture, fixtures and equipment | 1,493               | 2,113           |
|                                   | <u>6,527</u>        | <u>6,997</u>    |
| Less accumulated depreciation     | <u>2,610</u>        | <u>2,998</u>    |
| Net premises and equipment        | <u>\$ 3,917</u>     | <u>\$ 3,999</u> |

Depreciation expense for the years ended December 31, 2022 and 2021 was \$203 and \$202, respectively.

**Note 6: 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 \$7,085 and \$7,336 at December 31, 2022 and 2021, 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 \$4,631 and \$4,767 at December 31, 2022 and 2021, respectively. The Company had mandatory delivery contracts outstanding of \$969 at December 31, 2022.

**Note 7: Foreclosed Real Estate Held for Sale, Net**

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

|                                      | <b>December 31,</b> |               |
|--------------------------------------|---------------------|---------------|
|                                      | <b>2022</b>         | <b>2021</b>   |
| Foreclosed real estate held for sale | \$ 25               | \$ 409        |
|                                      | <u>\$ 25</u>        | <u>\$ 409</u> |

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At December 31, 2022 foreclosed real estate totaled \$25. It consisted of one non-owner-occupied residential property totaling \$25. At December 31, 2021 foreclosed real estate included one non-owner-occupied residential property totaling \$25, and one non-owner occupied non-residential real estate property totaling \$384.

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

|                            | <b>December 31,</b> |               |
|----------------------------|---------------------|---------------|
|                            | <b>2022</b>         | <b>2021</b>   |
| Balance, beginning of year | \$ 409              | \$ 34         |
| Foreclosures               | -                   | 409           |
| Proceeds from sale         | (700)               | (39)          |
| Loans to facilitate sales  | -                   | -             |
| Impairment                 | -                   | -             |
| Gain on sale               | 316                 | 5             |
| Balance, end of year       | <u>\$ 25</u>        | <u>\$ 409</u> |

At December 31, 2022 the Company had no loans in the process of foreclosure.

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**Note 8: Deposits**

Deposits are summarized as follows:

Description and weighted-average interest rates:

|   | <b>December 31,</b> |                   |
|---|---------------------|-------------------|
|   | <b>2022</b>         | <b>2021</b>       |
| Non-interest bearing checking accounts            |                     |                   |
| 2022 - 0.00%                                      | \$ 8,717            |                   |
| 2021 - 0.00%                                      |                     | \$ 9,361          |
| Interest bearing checking accounts                |                     |                   |
| 2022 - 0.17%                                      | 29,726              |                   |
| 2021 - 0.18%                                      |                     | 30,350            |
| Savings accounts                                  |                     |                   |
| 2022 - 0.15%                                      | 28,568              |                   |
| 2021 - 0.15%                                      |                     | 27,290            |
| Money market demand accounts                      |                     |                   |
| 2022 - 0.48%                                      | 23,503              |                   |
| 2021 - 0.23%                                      |                     | 31,601            |
| Total checking, savings and money market deposits | <u>90,514</u>       | <u>98,602</u>     |
| Certificates of deposits                          |                     |                   |
| 0.00 - 0.99%                                      | 22,840              | 31,735            |
| 1.00 - 1.99%                                      | 3,040               | 4,894             |
| 2.00 - 2.99%                                      | 6,393               | 5,420             |
| 3.00 - 3.99%                                      | 9,236               | 876               |
| 4.00 - 4.99%                                      | 802                 | -                 |
| Total certificates - average rate 1.58% and 0.88% | <u>42,311</u>       | <u>42,925</u>     |
| Total deposits - average rate 0.70% and 0.41%     | <u>\$ 132,825</u>   | <u>\$ 141,527</u> |

At December 31, 2022, the scheduled maturities of certificates of deposits are summarized as follows:

|      | <b>December 31,</b> |
|------|---------------------|
|      | <b>2022</b>         |
| 2023 | \$ 29,914           |
| 2024 | 5,011               |
| 2025 | 3,403               |
| 2026 | 3,180               |
| 2027 | 803                 |
|      | <u>\$ 42,311</u>    |

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Certificates of deposits in denominations of \$250 or more were \$8,514 and \$5,099 at December 31, 2022 and 2021, respectively. There were no brokered deposits at December 31, 2022 and 2021. 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, 2022 and 2021 totaled \$1,126 and \$1,074, respectively.

Interest expense on deposits is summarized as follows:

|                              | <b>Years Ended December 31,</b> |               |
|------------------------------|---------------------------------|---------------|
|                              | <b>2022</b>                     | <b>2021</b>   |
| Checking accounts            | \$ 53                           | \$ 48         |
| Savings accounts             | 41                              | 36            |
| Money market demand accounts | 74                              | 74            |
| Certificates of deposits     | 341                             | 478           |
|                              | <u>\$ 509</u>                   | <u>\$ 636</u> |

**Note 9: FHLB Advances**

The Bank had advances from the Federal Home Loan Bank of \$11.0 million and \$0 at December 31, 2022 and 2021, respectively. At December 31, 2022, the Bank had an additional \$40.3 million of available borrowing capacity.

| <b>Maturity Date</b> | <b>Interest Rate</b> | <b>December 31,</b> |             |
|----------------------|----------------------|---------------------|-------------|
|                      |                      | <b>2022</b>         | <b>2021</b> |
| 2023                 | 4.42%                | <u>\$ 11,000</u>    | <u>\$ -</u> |

At December 31, 2022 the Bank had an unused line of credit with the Federal Home Loan Bank of \$14.0 million. The Federal Home Loan Bank advances are secured by qualifying 1-4 family residential mortgage loans. Certain advances are subject to restrictions or penalties in the event of prepayment.



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**Note 10: Income Taxes**

The provision for income taxes includes these components:

|                                 | <b>Years Ended December 31,</b> |               |
|---------------------------------|---------------------------------|---------------|
|                                 | <b>2022</b>                     | <b>2021</b>   |
| Federal taxes currently payable | \$ 160                          | \$ 469        |
| Federal deferred income taxes   | <u>(40)</u>                     | <u>(158)</u>  |
| Federal income tax expense      | <u>\$ 120</u>                   | <u>\$ 311</u> |

In lieu of state income taxes, the Company pays a financial institution tax. Financial institution taxes for 2022 and 2021 were \$196 and \$180, respectively.

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

|                                       | <b>Years Ended December 31,</b> |               |
|---------------------------------------|---------------------------------|---------------|
|                                       | <b>2022</b>                     | <b>2021</b>   |
| Computed at the statutory rate of 21% | \$ 120                          | \$ 292        |
| Increase (decrease) resulting from    |                                 |               |
| Tax-exempt BOLI income                | (14)                            | (11)          |
| Incentive Stock Options               | 16                              | 16            |
| ESOP                                  | 12                              | 11            |
| Other                                 | (14)                            | 3             |
| Actual federal income tax expense     | <u>\$ 120</u>                   | <u>\$ 311</u> |

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

|                                    | <b>December 31,</b> |               |
|------------------------------------|---------------------|---------------|
|                                    | <b>2022</b>         | <b>2021</b>   |
| Deferred tax assets                |                     |               |
| Allowance for loan losses          | \$ 256              | \$ 252        |
| Deferred compensation              | 365                 | 339           |
| Non-Incentive Stock Options        | 33                  | 25            |
| Restricted stock and 83B elections | 6                   | 4             |
|                                    | <u>660</u>          | <u>620</u>    |
| Deferred tax liabilities           |                     |               |
| FHLB stock basis difference        | (87)                | (87)          |
| Depreciation                       | (121)               | (118)         |
| Prepaid expenses                   | (5)                 | (8)           |
|                                    | <u>(213)</u>        | <u>(213)</u>  |
| Net deferred federal tax asset     | <u>\$ 447</u>       | <u>\$ 407</u> |

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Retained earnings at December 31, 2022 and 2021, includes approximately \$559, 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 at December 31, 2022 and 2021.

**Note 11: 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 1 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, 2022 and 2021, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2022 and 2021, 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 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 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 "community bank leverage ratio" has been set at 9%.

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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.

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

| As of December 31, 2022                                   | Actual           |       | Minimum Capital Requirement |       | Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions |       |
|---|------------------|-------|-----------------------------|-------|--|-------|
|   | Amount           | Ratio | Amount                      | Ratio | Amount   | Ratio |
| Equity  | \$ 24,821        |       |                             |       |  |       |
| Allowance for loan losses                                 | <u>1,217</u>     |       |                             |       |  |       |
| Total risk-based capital<br>(to risk-weighted assets)     | <u>\$ 26,038</u> | 16.1% | \$ 12,922                   | 8.0%  | \$ 16,153  | 10.0% |
| Tier I capital<br>(to risk-weighted assets)               | 24,821           | 15.4% | 9,692                       | 6.0%  | 12,922   | 8.0%  |
| Common equity Tier I capital<br>(to risk-weighted assets) | 24,821           | 15.4% | 7,269                       | 4.5%  | 10,500   | 6.5%  |
| Tier I capital<br>(to adjusted total assets)              | 24,821           | 14.6% | 6,778                       | 4.0%  | 8,472  | 5.0%  |

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| As of December 31, 2021                                   | Actual           |       | Minimum Capital Requirement |       | Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions |       |
|---|------------------|-------|-----------------------------|-------|--|-------|
|   | Amount           | Ratio | Amount                      | Ratio | Amount   | Ratio |
| Equity  | \$ 26,102        |       |                             |       |  |       |
| Allowance for loan losses                                 | <u>1,199</u>     |       |                             |       |  |       |
| Total risk-based capital<br>(to risk-weighted assets)     | <u>\$ 27,301</u> | 17.8% | \$ 12,266                   | 8.0%  | \$ 15,333  | 10.0% |
| Tier I capital<br>(to risk-weighted assets)               | 26,102           | 17.0% | 9,200                       | 6.0%  | 12,266   | 8.0%  |
| Common equity Tier I capital<br>(to risk-weighted assets) | 26,102           | 17.0% | 6,900                       | 4.5%  | 9,967  | 6.5%  |
| Tier I capital<br>(to adjusted total assets)              | 26,102           | 15.1% | 6,931                       | 4.0%  | 8,664  | 5.0%  |

**Note 12: Employee Benefits**

The Company has supplemental retirement plans for directors, certain senior officers and key employees. Participants in the director 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 2022 and 2021 for both plans was approximately \$152 and \$133, 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, 2022 and December 31, 2021. The resulting liability at December 31, 2022 and 2021 for both plans was approximately \$1,914 and \$1,788, respectively. The Company purchased life insurance on the participants. The cash surrender value of such insurance was \$2,920 and \$2,855 at December 31, 2022 and 2021, 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. In 2020 the Bank added a Safe Harbor Qualified Matching provision to the plan. This is an annual election made by the Company, at its sole discretion each Plan Year, which provides a matching contribution to participating employees equal to 100% on the first 3% of compensation deferred, and 50% on the next 2% of compensation deferred.

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Certain individuals deemed highly compensated per the Internal Revenue Code may be excluded from this contribution. The Company has elected to keep the Safe Harbor provision in effect for the 2023 plan year. The Company may, at its sole discretion, make a Profit Sharing Contribution to the Profit Sharing Plan. Employees will be eligible to receive an allocation if they have completed at least 500 hours of service during the Plan Year or 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 if the Board elects to do so. The Company's contributions to the plan are determined annually by the Board of Directors. Contributions to the plan were \$81 and \$74 for the years ended December 31, 2022 and 2021, respectively.

**Note 13:      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

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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.

In December 2022, the Company granted stock options for 14,196 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 December 2022 have an exercise price \$18.95, 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 December 2022 using the following assumptions: expected volatility of 24.63%, a risk free interest rate of 3.44%, 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 December 2022 was \$5.24 per share.

At December 31, 2022, 25,804 of the stock options granted to the Board of Directors were exercisable at an average price of \$15.89, and 55,484 of the stock options granted to the Executive Officers were exercisable at an average price of \$15.75. At December 31, 2022, no stock options were exercised. The total intrinsic value of options outstanding as of December 31, 2022 and 2021, was \$295 and \$232, respectively. The total intrinsic value of options exercisable as of December 31, 2022 and 2021, was \$239 and \$136, respectively.

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

|  | <u>Options</u> | <u>Weighted-Average<br/>Exercise Price</u> | <u>Remaining<br/>Contractual Life<br/>(Years)</u> |
|--|----------------|--|---|
| Options outstanding at January 1, 2022   | 101,611        | \$ 15.79                                   | 1.7   |
| Granted                                  | 14,196         | 18.95                                      | 10.0  |
| Exercised                                | -              | -  | -   |
| Forfeited                                | -              | -  | -   |
| Expired                                  | -              | -  | -   |
| Options outstanding at December 31, 2022 | <u>115,807</u> | <u>\$ 16.18</u>                            | <u>1.9</u>  |
| Options Exercisable at December 31, 2022 | <u>81,288</u>  | <u>\$ 15.79</u>                            | <u>0.3</u>  |
| Options outstanding at January 1, 2021   | 101,611        | \$ 15.79                                   | 2.7   |
| Granted                                  | -              | -  | -   |
| Exercised                                | -              | -  | -   |
| Forfeited                                | -              | -  | -   |
| Expired                                  | -              | -  | -   |
| Options outstanding at December 31, 2021 | <u>101,611</u> | <u>15.79</u>                               | <u>1.7</u>  |
| Options Exercisable at December 31, 2021 | <u>60,967</u>  | <u>\$ 15.79</u>                            | <u>1.7</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, 2022 and 2021, 10,320 and 7,740, respectively, 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. In December 2022, the Company awarded 5,533 additional shares to Executive Officers. 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, 2022 and 2021, 23,240 and 17,430, respectively, restricted shares awarded to Executive Officers were vested.



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

|                                 | <u>Restricted<br/>stock awards</u> | <u>Weighted-Average<br/>grant date<br/>fair value</u> |
|---------------------------------|------------------------------------|---|
| Non-vested at January 1, 2022   | 16,780                             | \$ 15.79  |
| Granted                         | 5,533                              | 18.95   |
| Vested                          | 8,390                              | 18.47   |
| Forfeited                       | -                                  | -   |
| Non-vested at December 31, 2022 | <u>13,923</u>                      | <u>\$ 17.05</u>                                       |
|                                 | <u>Restricted<br/>stock awards</u> | <u>Weighted-Average<br/>grant date<br/>fair value</u> |
| Non-vested at January 1, 2021   | 25,170                             | \$ 15.79  |
| Granted                         | -                                  | -   |
| Vested                          | 8,390                              | 18.12   |
| Forfeited                       | -                                  | -   |
| Non-vested at December 31, 2021 | <u>16,780</u>                      | <u>\$ 15.79</u>                                       |

Total compensation cost recognized in the income statement for share-based payment arrangements during 2022 and 2021 was \$247 and \$246, respectively.

As of December 31, 2022, there was approximately \$356 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 2.8 years.

**Note 14: 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

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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 \$121 and \$116 for the years ended December 31, 2022 and 2021, respectively.

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

|                                     | <u>Year Ended</u><br><u>December 31, 2022</u> | <u>Year Ended</u><br><u>December 31, 2021</u> |
|-------------------------------------|---|---|
| Shares released to participants     | 6,451   | 6,451   |
| Shares allocated to participants    | 32,255  | 25,804  |
| Unreleased shares                   | 90,318  | 96,769  |
| Total                               | <u>129,024</u>                                | <u>129,024</u>                                |
| <br>Fair value of unreleased shares | <br><u>\$ 1,707,010</u>                       | <br><u>\$ 1,756,357</u>                       |

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 15: Operating Leases (Lessee)**

The Company has a noncancellable operating lease for a branch that expires in 2025. The remaining future minimum lease payments for 2023 through 2025 are \$105. Rental expense for this lease was \$48 for both years ended December 31, 2022 and 2021.

Future minimum lease payments at December 31, 2022 are:

|                              |               |
|------------------------------|---------------|
| 2023                         | 42            |
| 2024                         | 42            |
| 2025                         | <u>21</u>     |
| Total minimum lease payments | <u>\$ 105</u> |

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In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option. The Company adopted the standard in 2021 as a public business entity after the Company's emerging growth company election expired. Due to immateriality, certain disclosures under ASC 842 have been omitted.

**Note 16: Operating Leases (Lessor)**

The Company has entered into agreements as lessor for office space for its corporate building spaces. The leases all have an initial term between three and 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 \$102 and \$58 for the years ended December 31, 2022 and 2021, respectively.

Future minimum payments to be received at December 31, 2022 are:

|                              |             |
|------------------------------|-------------|
| 2023                         | 122         |
| 2024                         | 117         |
| 2025                         | 80          |
| 2026                         | 33          |
|                              | <hr/>       |
| Total minimum lease receipts | \$ 352      |
|                              | <hr/> <hr/> |

**Note 17: 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

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***Fair Value Measurements***

There were no recurring or nonrecurring fair value measurements as of December 31, 2022 and 2021.

***Fair Value of financial instruments***

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

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

The carrying amount approximates fair value.

***Held-to-Maturity Securities***

The fair value of held-to-maturity securities have been obtained from independent vendor services, which we believe to be reliable.

***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.

***Loans***

The estimated fair value of loans as of December 31, 2022 and 2021 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.

***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.

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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.

***Advances from Borrowers for Taxes and Insurance***

The carrying amount approximates fair value.

***FHLB Advances***

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 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, 2022 and 2021, the fair value of such commitments was not material.

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The following tables present estimated fair values of the Company's financial instruments at December 31, 2022 and 2021.

| December 31, 2022                                  | Carrying<br>Amount | Fair<br>Value | Fair Value Measurements Using |           |           |
|--|--------------------|---------------|-------------------------------|-----------|-----------|
|  |                    |               | (Level 1)                     | (Level 2) | (Level 3) |
|  |                    |               |                               |           |           |
| Financial Assets                                   |                    |               |                               |           |           |
| Cash and cash equivalents                          | \$ 7,737           | \$ 7,737      | \$ 7,737                      | \$ -      | \$ -      |
| Interest-bearing time deposits                     | 7,397              | 7,397         | 7,397                         | -         | -         |
| Held-to-maturity securities                        | 10,100             | 9,863         | 9,863                         | -         | -         |
| Loans held for sale                                | 134                | 134           | -                             | -         | 134       |
| Loans, net of allowance<br>for losses              | 132,071            | 126,045       | -                             | -         | 126,045   |
| FHLB stock   | 3,514              | 3,514         | -                             | 3,514     | -         |
| FHLB lender risk account receivable                | 4,631              | 4,155         | -                             | -         | 4,155     |
| Interest receivable                                | 472                | 472           | -                             | 472       | -         |
| Financial Liabilities                              |                    |               |                               |           |           |
| Deposits   | 132,825            | 131,523       | 90,514                        | 41,009    | -         |
| Advances from borrowers<br>for taxes and insurance | 880                | 880           | -                             | 880       | -         |
| FHLB advances                                      | 11,000             | 11,000        | -                             | 11,000    | -         |
| Interest payable                                   | 38                 | 38            | -                             | 38        | -         |

| December 31, 2021                                  | Carrying<br>Amount | Fair<br>Value | Fair Value Measurements Using |           |           |
|--|--------------------|---------------|-------------------------------|-----------|-----------|
|  |                    |               | (Level 1)                     | (Level 2) | (Level 3) |
|  |                    |               |                               |           |           |
| Financial Assets                                   |                    |               |                               |           |           |
| Cash and cash equivalents                          | \$ 41,007          | \$ 41,007     | \$ 41,007                     | \$ -      | \$ -      |
| Interest-bearing time deposits                     | 2,988              | 2,988         | 2,988                         | -         | -         |
| Loans held for sale                                | 2,809              | 2,809         | -                             | -         | 2,809     |
| Loans, net of allowance<br>for losses              | 111,930            | 111,609       | -                             | -         | 111,609   |
| FHLB stock   | 2,637              | 2,637         | -                             | 2,637     | -         |
| FHLB lender risk account receivable                | 4,767              | 5,052         | -                             | -         | 5,052     |
| Interest receivable                                | 240                | 240           | -                             | 240       | -         |
| Financial Liabilities                              |                    |               |                               |           |           |
| Deposits   | 141,527            | 141,517       | 98,602                        | 42,915    | -         |
| Advances from borrowers<br>for taxes and insurance | 901                | 901           | -                             | 901       | -         |
| Interest payable                                   | 2                  | 2             | -                             | 2         | -         |

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**Note 18: 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 4 regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk.

At December 31, 2022 and 2021, the Company held \$27,885 and \$24,304, 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 19: 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, 2022 the bank had no loans that had been closed but were yet to fund. At December 31, 2021 the Bank had 2 loans for \$1.0 million that had closed but yet to fund. They had interest rates ranging from 3.00% to 3.25%. At December 31, 2022 and 2021, the Company had undisbursed loans in process of \$10,575 with interest rate ranges of 3.000% - 7.500% and \$9,972 with interest rate ranges of 3.00% - 4.875%, 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.

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Lines of credit at December 31, 2022 were as follows:

|                           |                         |
|---------------------------|-------------------------|
| Unused lines of credit    | \$ 4,785                |
| Standby letters of credit | -                       |
| Unused home equity lines  | <u>13,973</u>           |
| Total commitments         | <u><u>\$ 18,758</u></u> |

***Impact of COVID-19 on the Company***

In March 2020, the COVID-19 coronavirus was identified as a global pandemic and began affecting the health of large populations around the world. As a result of the spread of COVID-19, economic uncertainties arose which can ultimately affect the financial position, results of operations and cash flows of the Company as well as the Company's customers. In response to economic concerns over COVID-19, in March 2020 the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed into law by Congress. The CARES Act included relief for individual Americans, health care workers, small businesses and certain industries hit hard by the COVID-19 pandemic. The 2021 Consolidated Appropriations Act, passed by Congress in December 2020, extended certain provisions of the CARES Act affecting the Company into 2021.

The CARES Act included several provisions designed to help financial institutions like the Company in working with their customers. Section 4013 of the CARES Act, as extended, allows a financial institution to elect to suspend generally accepted accounting principles and regulatory determinations with respect to qualifying loan modifications related to COVID-19 that would otherwise be categorized as a troubled debt restructuring (TDR) until January 1, 2022. The Company had taken advantage of this provision to extend certain payment modifications to loan customers in need. As of December 31, 2022, the Company has no outstanding loans that were modified under the CARES Act guidance, that remain on modified terms.

The CARES Act also approved the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA) with funding provided by financial institutions. The 2021 Consolidated Appropriations Act approved a new round of PPP loans in 2021. The PPP provides loans to eligible businesses through financial institutions like the Company, with loans being eligible for forgiveness of some or all of the principal amount by the SBA if the borrower meets certain requirements. The SBA guarantees repayment of the loans to the Company if the borrower's loan is not forgiven and is then not repaid by the customer. The Company earned a 1% interest rate on PPP loans, plus a processing fee from the SBA for processing and originating a loan. The Company originated approximately \$2.9 million during 2021, of which all have been forgiven at December 31, 2021.



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**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**

|   | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
| <b>Assets</b>                               |                  |                  |
| Cash  | \$ 796           | \$ 2,965         |
| Prepaid expenses                            | 14               | 14               |
| Loan receivable - ESOP                      | 986              | 1,037            |
| Investment in EAGLE.bank                    | 24,821           | 26,102           |
| Prepaid federal income tax                  | 23               | 21               |
| Total assets                                | <u>\$ 26,640</u> | <u>\$ 30,139</u> |
| <b>Liabilities and Shareholders' Equity</b> |                  |                  |
| <b>Liabilities</b>                          |                  |                  |
| Total liabilities                           | <u>\$ 11</u>     | <u>\$ 26</u>     |
| <b>Shareholder' Equity</b>                  |                  |                  |
| Total shareholders' equity                  | <u>26,629</u>    | <u>30,113</u>    |
| Total liabilities and shareholders' equity  | <u>\$ 26,640</u> | <u>\$ 30,139</u> |

**Condensed Statement of Income and Comprehensive Income**

|   | <b>2022</b>    | <b>2021</b>     |
|---|----------------|-----------------|
| <b>Income</b>                                   |                |                 |
| Interest Income - ESOP                          | 44             | 46              |
| Dividends from EAGLE.bank                       | 2,186          | -               |
| Total income                                    | <u>2,230</u>   | <u>46</u>       |
| <b>Expense</b>                                  |                |                 |
| Legal and professional services                 | 67             | 90              |
| Other expense                                   | 85             | 89              |
| Total expense                                   | <u>152</u>     | <u>179</u>      |
| Income (loss) before federal income tax benefit | 2,078          | (133)           |
| Federal income tax benefit                      | (23)           | (21)            |
| Equity in operations of subsidiary              | <u>(1,649)</u> | <u>1,190</u>    |
| <b>Net Income and Comprehensive Income</b>      | <u>\$ 452</u>  | <u>\$ 1,078</u> |

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**Condensed Statement of Cash Flows**

|   | <u>2022</u>    | <u>2021</u>     |
|---|----------------|-----------------|
| <b>Operating Activities</b>                               |                |                 |
| Net income  | \$ 452         | \$ 1,078        |
| Items not requiring (providing) cash:                     |                |                 |
| Equity in operations of subsidiary                        | 1,649          | (1,190)         |
| Changes in:   |                |                 |
| Accrued expenses and other liabilities                    | (15)           | 7               |
| Other assets and prepaid federal income taxes             | (2)            | 28              |
|   | <u>2,084</u>   | <u>(77)</u>     |
| Net cash flows provided by (used in) operating activities |                |                 |
| <b>Investing Activities</b>                               |                |                 |
| Payments received on ESOP loan                            | 51             | 48              |
|   | <u>51</u>      | <u>48</u>       |
| Net cash provided by investing activities                 |                |                 |
| <b>Financing Activities</b>                               |                |                 |
| Dividends paid  | (379)          | (304)           |
| Repurchase of common stock                                | (3,925)        | (39)            |
|   | <u>(4,304)</u> | <u>(343)</u>    |
| Net cash used in financing activities                     |                |                 |
| <b>Decrease in Cash and Cash Equivalents</b>              | (2,169)        | (372)           |
| <b>Cash and Cash Equivalents, Beginning of Year</b>       | <u>2,965</u>   | <u>3,337</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>             | <u>\$ 796</u>  | <u>\$ 2,965</u> |

**Note 21: Subsequent Events**

**Future Changes**

**Accounting for Financial Instruments – Credit Losses**

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The ASU introduces a new credit loss model, the current expected credit loss model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. The CECL model utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing

**Eagle Financial Bancorp, Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
**(Amounts in thousands, except share and per share data)**

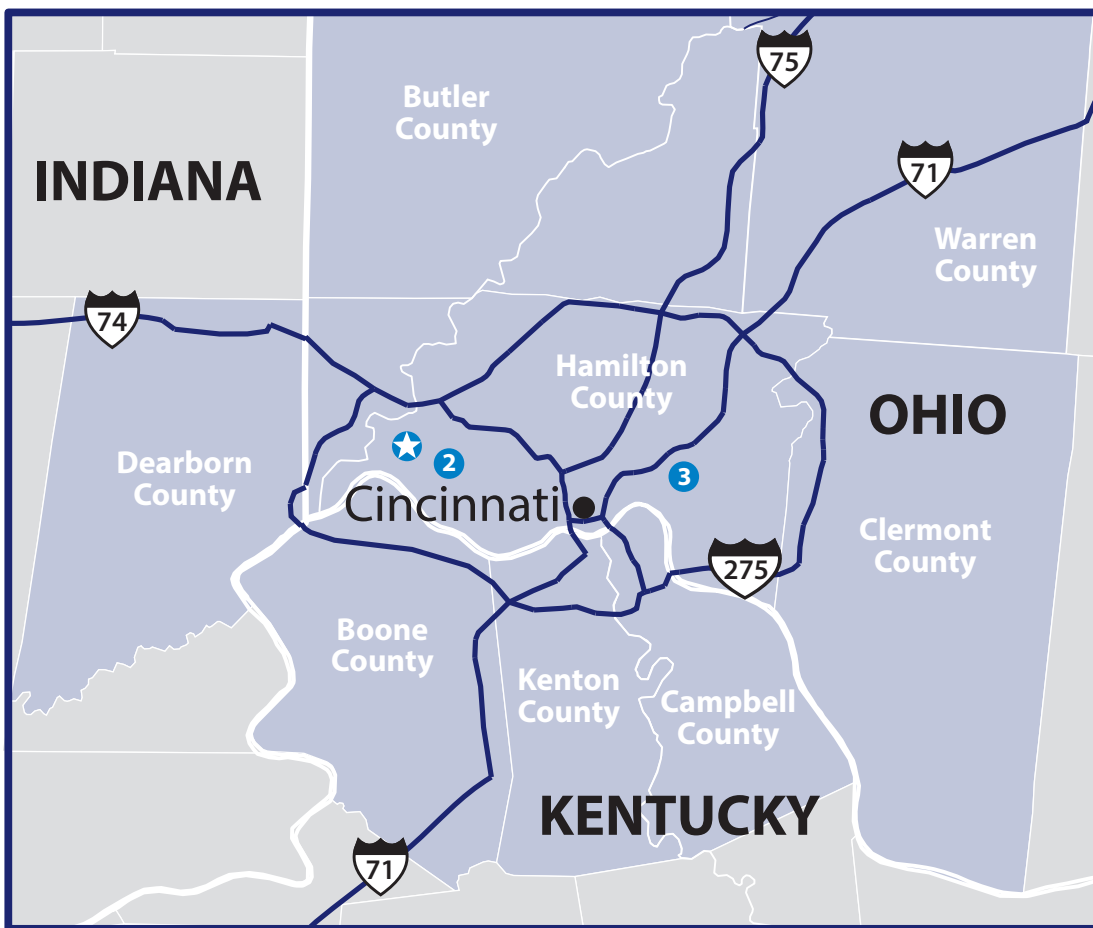
impairment models, which generally require that a loss be incurred before it is recognized. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years.

Subsequent events have been evaluated through March 8, 2023 which is the date the financial statements were available to be issued.

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