Eagle Financial Bancorp, Inc. Announces Second Quarter 2022 Results

CINCINNATI – August 4, 2022, Eagle Financial Bancorp, Inc. (OTCQB: EFBI) (the "Company"), the holding company for EAGLE.bank, today announced that its Board of Directors declared a cash dividend of $0.07 per common share. The dividend will be paid on or about August 31, 2022, to stockholders of record as of the close of business on August 15, 2022.

The Company announced net income of $130 thousand, or $0.10 per common share on 1.2 million weighted-average shares outstanding for the quarter ended June 30, 2022, as compared to $124 thousand, or $0.09 per common share on 1.4 million weighted-average shares outstanding for the quarter ended June 30, 2021. The increase was largely the result of a $317 thousand increase in gain on sale of foreclosed real estate, a $252 thousand decrease in compensation and benefits, and a $175 thousand increase in net interest income, offset by a $527 thousand decrease in net gain on loan sales, a $109 thousand increase in provision for loan losses, a $49 thousand increase in foreclosed real estate impairment and expenses, net, a $24 thousand increase in legal and professional expense, and a $37 thousand increase in other operating expenses.

Net income for the six months ended June 30, 2022 decreased $382 thousand to $177 thousand, or $0.14 per common share as compared to $559 thousand, or $0.39 per common share for the six months ended June 30, 2021. The reduction was largely driven by a $954 thousand decrease in total non-interest income, and a $57 thousand increase in provision for loan loss, offset by a $434 thousand decrease in total non-interest expense, a $91 thousand decrease in total interest expense, and a $112 thousand decrease in provision for income taxes.

The increase in net interest income for the three months ended June 30, 2022 was largely driven by an increase in the weighted average yield on total interest earning assets to 3.17% for the quarter ended June 30, 2022 from 2.95% for the comparable 2021 period. This increase was primarily the result of a 103 basis point increase in the yield on interest earning deposits from 0.11% to 1.14%, and a 16 basis point decrease in the cost of interest bearing liabilities from 0.52% to 0.36% for the quarter ended June 30, 2022 as compared to the quarter ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- Net income of $130 thousand for the three months ended June 30, 2022 compared to $124 thousand for the comparable period in 2021, representing an increase of $6 thousand, or 4.8%.
- Net income of $177 thousand for the six months ended June 30, 2022 compared to $559 thousand for the comparable period in 2021, representing a decrease of $382 thousand, or 68.3%.
- Net income before taxes of $170 thousand for the quarter ended June 30, 2022 compared to $163 thousand for the comparable period in 2021, representing an increase of $7 thousand, or 4.3%.
- Net income before taxes of $225 thousand for the six months ended June 30, 2022 compared to $719 thousand for the comparable period in 2021, representing a decrease of $494 thousand, or 68.7%
- Non-interest income of $1.5 million for the six months ended June 30, 2022 compared to $2.4 million for the comparable period in 2021, representing a decrease of $900 thousand, or 39.6%.
- Capital ratios of 14.3%, 15.4% and 16.2% for the Tier 1 Leverage ratio, Tier 1 Risked Based Capital ratio and Total Risked Based Capital ratio, respectively, at June 30, 2022.

Comparison of Financial Condition at June 30, 2022 and December 31, 2021

Total assets were $168.3 million at June 30, 2022, a decrease of $6.5 million, or 3.7%, from the total assets of $174.8 million at December 31, 2021. The decrease was primarily due to a decrease in cash and cash equivalents of $31.0 million, offset by an increase in loans, net of allowance for loan losses, of $8.5 million, an increase in U.S. treasury securities of $10.0 million, and an increase in interest-bearing time deposits in other banks of $5.2 million.

Net loans totaled $119.1 million at June 30, 2022, as compared to $110.5 million at December 31, 2021, an increase of $8.5 million or 7.7%. During the six months ended June 30, 2022, we originated $66.3 million of loans, $46.4 million of which were one- to four-family residential real estate loans, and sold $26.1 million of loans in the secondary market. During the six months ended June 30, 2022, one- to four-family residential real estate loans increased $3.6 million, or 5.5%, to $67.8 million, multi-family loans decreased $213 thousand, or 18.5%, to $937 thousand, commercial real estate loans and land loans increased $2.5 million, or 11.0%, to $25.4 million, construction loans increased $5.5 million, or 34.9%, to $21.2 million, home equity and other consumer loans increased $1.1 million, or 19.3% to $6.8 million, and commercial loans increased $1.2 million, or 14.4% to $9.7 million. Management continues to emphasize the origination of high quality loans for retention in the loan portfolio.

Deposits decreased by $2.3 million, or 1.6%, to $139.2 million at June 30, 2022 from $141.5 million at December 31, 2021. Our core deposits, which are all deposits other than certificates of deposit, increased $2.1 million, or 2.1%, to $100.7 million at June 30, 2022 from $98.6 million at December 31, 2021. Certificates of deposit decreased $4.3 million, or 10.0%, to $38.6 million at June 30, 2022 from $42.9 million at December 31, 2021. During the six months ended June 30, 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 $3.6 million, or 12.0%, to $26.5 million at June 30, 2022 from $30.1 million at December 31, 2021. The decrease resulted from the repurchase of common stock of $3.8 million, offset by net income of $177 thousand during the six months ended June 30, 2022.

EAGLE FINANCIAL BANCORP, INC.
STATEMENTS OF CONDITION
June 30, 2022 and March 31, 2022 (Unaudited)
December 31, 2021 (Audited)
(In Thousands)

	6/30/2022	3/31/2022	12/31/2021
ASSETS			
Cash and cash equivalents	$ 9,960	$ 33,254	$ 41,007
Interest-bearing time deposits in other banks	8,144	3,984	2,988
Hold-to-maturity securities	10,043	----	----
Loans held for sale	5,106	1,854	2,809
Loans	120,269	114,966	111,746
Less: allowance for loan losses	(1,216)	(1,199)	(1,199)
Loans, net	119,053	113,767	110,547
Premises and equipment, net	4,006	3,974	3,999
Other assets	12,029	13,512	13,499
Total Assets	$ 168,341	$ 170,345	$ 174,849
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Non-interest bearing	$ 9,491	$ 7,894	$ 9,361
Interest bearing	129,755	132,954	132,166
Total Deposits	139,246	140,848	141,527
Other Liabilities	2,586	2,948	3,209
Total Liabilities	141,832	143,796	144,736
Total Shareholders' Equity	26,509	26,549	30,113
Total Liabilities and Shareholders' Equity	$ 168,341	$ 170,345	$ 174,849

Comparison of Operating Results for the Three Months Ended June 30, 2022 and June 30, 2021

General. Our net income for the three months ended June 30, 2022 was $130 thousand, compared to a net income of $124 thousand for the three months ended June 30, 2021, an increase of $6 thousand, or 4.8%. The increase was the result of a $317 thousand increase in gain on sale of foreclosed real estate, a $252 thousand decrease in compensation and benefits, and a $175 thousand increase in net interest income, offset by a $527 thousand decrease in net gain on loan sales, a $109 thousand increase in provision for loan losses, a $49 thousand increase in foreclosed real estate impairment and expenses, net, a $24 thousand increase in legal and professional expense, and a $37 thousand increase in other operating expenses.

Interest Income. Interest income increased $134 thousand, or 12.4%, to $1.2 million for the three months ended June 30, 2022 from $1.1 million for the three months ended June 30, 2021. The average balance of loans increased $10.3 million, or 9.6% to $117.3 million at June 30, 2022 from $107.0 million at June 30, 2021, while the average yield on loans decreased by 21 basis points to 3.80% for the three months ended June 30, 2022 from 4.01% for the three months ended June 30, 2021. The average balance of interest earning deposits and investment securities decreased $3.3 million for the three months ended June 30, 2022, or 8.4%, from the average balance for the three months ended June 30, 2021, while the average yield on interest earning deposits and investment securities increased by 103 basis points to 1.14% for the three months ended June 30, 2022 from 0.11% for the three months ended June 30, 2021.

Interest Expense. Total interest expense decreased $41 thousand, or 25.3%, to $121 thousand for the three months ended June 30, 2022 from $162 thousand for the three months ended June 30, 2021. This decrease is primarily the result of interest expense on deposits. The average balance of deposits for the three months ended June 30, 2022 increased by $8.0 million, or 6.4% from the average balance for the three months ended June 30, 2021, while the average cost of deposits decreased by 16 basis points to 0.36% for the three months ended June 30, 2022 from 0.52% for the three months ended June 30, 2021. There has been no interest expense on FHLB advances in 2022.

Net Interest Income. Net interest income increased $175 thousand, or 19.0%, to $1.1 million for the three months ended June 30, 2022, compared to $922 thousand for the three months ended June 30, 2021. The increase reflected an increase in total interest and dividend income of $134 thousand, and a decrease in total interest expense of $41 thousand. Our net interest margin increased to 2.85% for the three months ended June 30, 2022 from 2.51% for the three months ended June 30, 2021. Our net interest rate spread increased to 2.81% for the three months ended June 30, 2022 from 2.42% for the three months ended June 30, 2021. The interest rate spread and net interest margin were impacted by the rising interest rate environment during the three months ended June 30, 2022.

Provision for Loan Losses. We recorded a $109 thousand provision for loan loss for the three months ended June 30, 2022, compared to $0 for the three months ended June 30, 2021. The allowance for loan losses was $1.2 million, or 0.90% of total loans, at June 30, 2022, compared to $1.2 million, or 0.98% of total loans, at December 31, 2021. Total nonperforming loans were $1.3 million at June 30, 2022, compared to $649 thousand at December 31, 2021. Classified loans decreased to $3.1 million at June 30, 2022, compared to $3.6 million at December 31, 2021. Total loans past due 30 days or more were $552 thousand and $386 thousand at June 30, 2022 and December 31, 2021, respectively. Net charge-off totaled $92 thousand, and $0 for the three months ended June 30, 2022 and June 30, 2021.

Non-Interest Income. Non-interest income decreased $240 thousand, or 23.4%, to $787 thousand for the three months ended June 30, 2022 from $1.0 million for the three months ended June 30, 2021. The decrease was primarily due to a $527 thousand decrease in the net gain on sale of loans during the three months ended June 30, 2022 as compared to the three months ended June 30, 2021, offset by a $317 thousand gain on sale of foreclosed real estate during the three months ended June 30, 2022.

Non-Interest Expense. Non-interest expense decreased $181 thousand, or 10.1%, to $1.6 million for the three months ended June 30, 2022, compared to $1.8 million for the three months ended June 30, 2021. The decrease was primarily the result of a decrease in compensation and employee benefits of $252 thousand, offset by an increase in foreclosed real estate expenses, net of $49 thousand, and an increase in legal and professional expenses of $24 thousand during the three months ended June 30, 2022.

Federal Income Taxes. Federal income taxes increased to $40 thousand for the three months ended June 30, 2022, compared to an income tax expense of $39 thousand for the three months ended June 30, 2021.

Comparison of Operating Results for the Six Months Ended June 30, 2022 and June 30, 2021

General. Our net income for the six months ended June 30, 2022 decreased $382 thousand to $177 thousand, compared to $559 thousand for the six months ended June 30, 2021. The reduction was largely driven by a $954 thousand decrease in total non-interest income, and a $57 thousand increase in provision for loan loss, offset by a $434 thousand decrease in total non-interest expense, a $91 thousand decrease in total interest expense, and a $112 thousand decrease in provision for income taxes.

Interest Income. Interest income decreased $8 thousand, or 0.3%, to $2.3 million for the six months ended June 30, 2022 from $2.3 million for the six months ended June 30, 2022. This decrease was attributable to a $117 thousand decrease in interest income on loans receivable, offset by an increase in interest income on other interest-earning deposits of $58 thousand, an increase in FHLB stock dividends of $29 thousand, and an increase in interest income on U.S. treasury securities of $22 thousand. The average balance of loans during the six months ended June 30, 2022 decreased by $6.0 million, or 5.5%, from the average balance for the six months ended June 30, 2021, and the average yield on loans decreased by 42 basis points to 3.79% for the six months ended June 30, 2022 from 4.21% for the six months ended June 30, 2021. The average balance of interest earning deposits and investment securities increased $4.4 million, while the average yield on those deposits and investment securities increased by 55 basis points to 0.68% for the six months ended June 30, 2022 from 0.13% for the six months ended June 30, 2021.

Interest Expense. Total interest expense decreased $91 thousand, or 26.7%, to $249 thousand for the six months ended June 30, 2022 from $340 thousand for the six months ended June 30, 2021, due primarily to a decrease in interest expense on deposits. The average balance of deposits during the six months ended June 30, 2022 increased by $8.7 million, or 7.1% from the average balance for the six months ended June 30, 2021, while the average cost of deposits decreased by 17 basis points to 0.38% for the six months ended June 30, 2022 from 0.55% for the six months ended June 30, 2021.

Net Interest Income. Net interest income increased $83 thousand, or 4.2%, to $2.1 million for the six months ended June 30, 2022, compared to $2.0 million for the six months ended June 30, 2021. The increase reflected a decrease in total interest and dividend income of $8 thousand, and a decrease in total interest expense of $91 thousand. Our net interest margin decreased to 2.69% for the six months ended June 30, 2022 from 2.77% for the six months ended June 30, 2021. Our net interest rate spread decreased to 2.63% for the six months ended June 30, 2022 from 2.69% for the six months ended June 30, 2021. The interest rate spread and net interest margin were impacted by the increasing interest rate environment in the six months ended June 30, 2022.

Provision for Loan Losses. We recorded a $109 thousand provision for loan losses for the six months ended June 30, 2022, as compared to $52 thousand for the six months ended June 30, 2021. The allowance for loan losses was $1.2 million, or 0.90% of total loans, at June 30, 2022, compared to $1.2 million, or 0.98% of total loans, at December 31, 2021. Total nonperforming loans were $1.3 million at June 30, 2022, compared to $649 thousand at December 31, 2021. Classified loans decreased to $3.1 million at June 30, 2022, compared to $3.6 million at December 31, 2021. Classified loans decreased to $3.1 million at June 30, 2022, compared to $3.6 million at December 31, 2021. Total loans past due 30 days or more were $552 thousand and $386 thousand at June 30, 2022 and December 31, 2021, respectively. Net charge-offs totaled $92 thousand for the six months ended June 30, 2021, compared to $240 thousand of net loan charge-offs for the six months ended June 30, 2021.

Non-Interest Income. Non-interest income decreased $954 thousand, or 39.6%, to $1.5 million for the six months ended June 30, 2022 from $2.4 million for the six months ended June 30, 2021. The decrease was primarily due to a decrease in the net gain on sale of loans of $1.3 million, offset by an increase in the gain on sale of foreclosed real estate of $312 thousand, and a $40 thousand increase in other service charges and fees during the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

Non-Interest Expense. Non-interest expense decreased $434 thousand, or 12.0%, to $3.2 million for the six months ended June 30, 2022, compared to $3.6 million for the six months ended June 30, 2021. The decrease was primarily the result of a decrease in compensation and employee benefits of $408 thousand, and a $61 thousand decrease in data processing expenses during the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

Federal Income Taxes. Federal income taxes decreased by $112 thousand to an income tax expense of $48 thousand for the six months ended June 30, 2022, compared to an income tax expense of $160 thousand for the six months ended June 30, 2021. The decrease in income tax expense for the six months ended June 30, 2022 was a direct result of the decrease in non-interest income, and the decrease in non-interest expenses for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021, and the resulting decrease in income before income taxes.

EAGLE FINANCIAL BANCORP, INC.
STATEMENTS OF INCOME
Three and Six Months Ended June 30, 2022 and 2021 (Unaudited)
(In Thousands, except share and per share data)

	Three Months Ended 6/30/2022	Three Months Ended 6/30/2021	Six Months Ended 6/30/2022	Six Months Ended 6/30/2021
Total interest income	$ 1,218	$ 1,084	$ 2,318	$ 2,326
Total interest expense	121	162	249	340
Net interest income	1,097	922	2,069	1,986
Provision for loan losses	109	----	109	52
Net interest income after provision for loan loss	988	922	1,960	1,934
Total non-interest income	787	1,027	1,453	2,407
Compensation and benefits	981	1,233	2,105	2,513
Occupancy and equipment	100	100	175	201
Data processing	81	131	178	239
Legal and professional fees	109	85	179	207
FDIC Premium Expense	11	9	23	18
Other operating expenses	323	228	528	444
Total non-interest expense	1,605	1,786	3,188	3,622
Net Income Before Taxes	170	163	225	719
Provision for income taxes	40	39	48	160
Net Income	$ 130	$ 124	$ 177	$ 559
Basic and Diluted Earnings per Share	$ 0.10	$ 0.09	$ 0.14	$ 0.39
Weighted-average shares outstanding				
Basic	1,238,184	1,399,524	1,272,706	1,399,084
Diluted	1,247,090	1,399,524	1,279,830	1,399,084

EAGLE FINANCIAL BANCORP, INC.
OTHER FINANCIAL INFORMATION
(In Thousands)
(Unaudited)

	6/30/2022	3/31/2022	12/31/21
Asset Quality			
Allowance for Loan Losses	$ 1,216	$ 1,199	$ 1,199
Nonperforming Loans/Total Loans	0.94%	0.48%	0.54%
Nonperforming Assets/Total Assets	0.77%	1.40%	1.40%
ALLL / Nonperforming Loans	95.82%	204.61%	181.94%
ALLL / Loans, Gross	0.90%	0.97%	0.98%

Profitability (For the three months ended)			
Yield on Average Earning Assets	3.17%	2.86%	2.83%
Cost of Avg. Interest Bearing Liabilities	0.36%	0.39%	0.44%
Net Spread	2.81%	2.47%	2.39%
Net Margin	2.85%	2.52%	2.46%
	6/30/2022	3/31/2022	12/31/21
Capital (Bank Only)			
Tier 1 Capital Ratio	14.3%	14.1%	15.1%
Tier 1 Risk Based Capital Ratio	15.4%	15.5%	17.0%
Total Risk Based Capital Ratio	16.2%	16.2%	17.8%

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

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

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

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

- our ability to continue to manage our operations successfully;
- our ability to successfully implement our business plan of managed growth, diversifying our loan portfolio and increasing mortgage banking operations to improve profitability;
- our success in increasing our commercial business, commercial real estate, construction and home equity lending;
- adverse changes in the financial industry, securities, credit and national local real estate markets (including real estate values);
- significant increases in our loan losses, including as a result of our inability to resolve classified and non-performing assets or reduce risks associated with our loans, and management’s assumptions in determining the adequacy of the allowance for loan losses;
- credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and in our allowance for loan losses and provision for loan losses;
- the use of estimates in determining fair value of certain of our assets, which may prove to be incorrect and result in significant declines in valuations;
- competition among depository and other financial institutions;
- our ability to attract and maintain deposits and our success in introducing new financial products;
- our ability to maintain our asset quality even as we increase our commercial business, commercial real estate, construction, and home equity lending;
- changes in interest rates generally, including changes in the relative differences between short term and long term interest rates and in deposit interest rates, that may affect our net interest margin and funding sources;
- fluctuations in the demand for loans, which may be affected by the number of unsold homes, land and other properties in our market areas and by declines in the value of real estate in our market area;

- changes in consumer spending, borrowing and saving habits;
- declines in the yield on our assets resulting from the current low interest rate environment;
- risks related to a high concentration of loans secured by real estate located in our market area;
- the results of examinations by our regulators, including the possibility that our regulators may, among other things, require us to increase our allowance for loan losses, write down assets, change our regulatory capital position, limit our ability to borrow funds or maintain or increase deposits, or prohibit us from paying dividends, which could adversely affect our dividends and earnings;
- changes in the level of government support of housing finance;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in laws or government regulations or policies affecting financial institutions, including the Dodd-Frank Act and the JOBS Act, which could result in, among other things, increased deposit insurance premiums and assessments, capital requirements, regulatory fees and compliance costs, particularly the new capital regulations, and the resources we have available to address such changes;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our compensation and benefit plans, and our ability to retain key members of our senior management team and to address staffing needs in response to product demand or to implement our strategic plans;
- loan delinquencies and changes in the underlying cash flows of our borrowers;
- our ability to control costs and expenses, particularly those associated with operating as a publicly traded company;
- the failure or security breaches of computer systems on which we depend;
- the ability of key third-party service providers to perform their obligations to us;
- changes in the financial condition or future prospects of issuers of securities that we own; and
- other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing, products and services described elsewhere in our SEC filings.

Additionally, the COVID-19 pandemic may have further adverse impacts on the Company, its customers, and the communities where it operates, with possible adverse impacts on the Company’s business, results of operations and financial condition for an indefinite period of time. Because of these and other uncertainties, the Company’s actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements.

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

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