Eagle Financial Bancorp, Inc. Announces Cash Dividend and Third Quarter 2022 Results

CINCINNATI – October 26, 2022, Eagle Financial Bancorp, Inc. (the "Company") (OTCQB: EFBI), 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 November 30, 2022, to stockholders of record as of the close of business on November 15, 2022.

The Company announced net income of $268,000, or $0.21 per common share on 1.2 million shares outstanding for the quarter ended September 30, 2022, as compared to $423,000 or $0.30 per common share on 1.4 million shares outstanding for the quarter ended September 30, 2021. The decline was largely driven by a $811,000 decrease in total non-interest income, offset by a $269,000 increase in net interest income, a $357,000 decrease in total non-interest expense, and a $30,000 reduction in income taxes.

The decrease in noninterest income for the three months ended September 30, 2022 was largely driven by a decrease of $645,000 in net gain on loan sales, and a decrease in other service charges and fees of $166,000.

Net income for the nine months ended September 30, 2022 decreased $538,000 to $445,000, or $0.35 per common share as compared to $983,000, or $0.69 per common share for the nine months ended September 30, 2021. The decline was largely driven by a $1.8 million, or 47.7% decrease in total non-interest income, offset by a $352,000 increase in net interest income, a $790,000 decrease in total non-interest expense, and a $141,000 decrease in income taxes.

FINANCIAL HIGHLIGHTS

- Net income of $268,000 for the three months ended September 30, 2022 compared to $423,000 for the comparable period in 2021, representing a decrease of $155,000, or 36.6%.
- Net income of $445,000 for the nine months ended September 30, 2022 compared to $983,000 for the comparable period in 2021, representing a decrease of $538,000, or 54.7%.
- Net income before taxes of $345,000 for the quarter ended September 30, 2022 compared to $530,000 for the comparable period in 2021, representing a decrease of $185,000, or 34.9%.
- Net income before taxes of $1.2 million for the nine months ended September 30, 2022 compared to $570,000 for the comparable period in 2021, representing a decrease of $679,000, or 54.4%
- Non-interest income of $1.9 million for the nine months ended September 30, 2022 compared to $3.7 million for the comparable period in 2021, representing a decrease of $1.8 million, or 47.7%.
- Capital ratios of 14.7%, 15.8% and 16.6% for the Tier 1 Leverage ratio, Tier 1 Risked Based Capital ratio and Total Risked Based Capital ratio, respectively, at September 30, 2021.

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

Total assets were $166.5 million at September 30, 2022, a decrease of $8.4 million, or 4.8%, over the $174.8 million at December 31, 2021. The decrease was primarily due to a decrease in cash and cash equivalents of $31.0 million, and loans held for sale of $2.0 million, offset by an increase in loans, net of allowance for loan losses of $10.3 million, an increase in interest bearing time deposits in other banks of $5.9 million, and an increase in US treasuries of $10.1 million.

Net loans totaled $120.8 million at September 30, 2022, as compared to $110.5 million at December 31, 2021, an increase of $10.3 million or 9.3%. During the nine months ended September 30, 2022, we originated $86.1 million of loans, $51.0 million of which were one- to four-family residential real estate loans, and sold $39.2 million of loans in the secondary market. During the nine months ended September 30, 2022, one- to four-family residential real estate loans increased $2.8 million, or 4.1%, to $70.5 million, multi-family loans decreased $229,000, or 19.9%, to $921,000, commercial real estate loans and land loans increased $5.3 million, or 23.0%, to $28.2 million, construction loans increased $2.8 million, or 18.0%, to $18.5 million, home equity and other consumer loans increased $1.2 million, or 20.6% to $6.9 million, and commercial loans increased $724,000, or 8.5% to $9.2 million. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits decreased by $4.7 million, or 3.3%, to $136.8 million at September 30, 2022 from $141.5 million at December 31, 2021. Our core deposits, which are all deposits other than certificates of deposit, increased $579,000, or 0.6%, to $99.2 million at September 30, 2022 from $98.6 million at December 31, 2021. Certificates of deposit decreased $5.3 million, or 12.3%, to $37.7

million at September 30, 2022 from $42.9 million at December 31, 2021. During the nine months ended September 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 $3.4 million, or 11.1%, to $26.8 million at September 30, 2022 from $30.1 million at December 31, 2021. The decrease resulted from the repurchase of common stock of $3.8 million, and dividends of $285,000, offset by expense of $91,000 related to the ESOP shares committed to be released, expense of $184,000 related to stock-based compensation, and net income of $445,000.

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

	9/30/2022	12/31/2021
ASSETS		
Cash and cash equivalents	$ 9,990	$ 41,007
US Treasuries	10,073	-
Interest-bearing time deposits in other banks	8,891	2,988
Loans held for sale	845	2,809
Loans	122,044	111,746
Less: Allowance for loan losses	(1,217)	(1,199)
Loans, net	120,827	110,547
Premises and equipment, net	3,967	3,999
Other assets	11,891	13,499
Total Assets	$ 166,484	$ 174,849
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 8,898	$ 9,361
Interest bearing	127,943	132,166
Total Deposits	136,841	141,527
Other Liabilities	2,887	3,209
Total Liabilities	139,728	144,736
Total Shareholders' Equity	26,756	30,113
Total Liabilities and Shareholders' Equity	$ 166,484	$ 174,849

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

General. Our net income for the three months ended September 30, 2022 was $268,000, compared to a net income of $423,000 for the three months ended September 30, 2021, a decrease of $155,000, or 36.6%. The decrease was largely driven by a $811,000 decrease in total non-interest income, offset by a $269,000 increase in net interest income, a $357,000 decrease in total non-interest expense, and a $30,000 reduction in income taxes.

Interest Income. Interest income increased $231,000, or 19.8%, to $1.4 million for the three months ended September 30, 2022 from $1.2 million for the three months ended September 30, 2021. This increase was primarily attributable to a $37,000 increase in interest on loans, an increase of $37,000 dividend income on FHLB stock, an increase of $70,000 on US treasuries, and a $87,000 increase on interest income on other interest earning deposits. The average balance of interest-earning assets increased $2.5 million for the three months ended September 30, 2022, or 1.6%, from the average balance for the three months ended September 30, 2021, while the average yield on interest-earning assets increased by 55 basis points to 3.64% for the three months ended September 30, 2022 from 3.09% for the three months ended September 30, 2021.

Interest Expense. Total interest expense decreased $38,000, or 24.8%, to $115,000 for the three months ended September 30, 2022 from $153,000 for the three months ended September 30, 2021. This decrease is primarily the result of the repricing of deposits for the three months ended September 30, 2022. The average balance of deposits for the three months ended September 30, 2022 increased by $1.0 million, or 0.8% from the average balance for the three months ended September 30, 2021, while the average cost of deposits decreased by 12 basis points to 0.36% for the three months ended September 30, 2022 from 0.48% for the three months ended September 30, 2021.

Net Interest Income. Net interest income increased $269,000, or 26.6%, to $1.3 million for the three months ended September 30, 2022, compared to $1.0 million for the three months ended September 30, 2021. The increase reflected an increase in total interest and dividend income of $231,000, and a decrease in total interest expense of $38,000. Our net interest margin increased to 3.34% for the three months ended September 30, 2022 from 2.69% for the three months ended September 30, 2021. Our net interest rate spread increased to 3.28% for the three months ended September 30, 2022 from 2.61% for the three months ended September 30, 2021. The interest rate spread and net interest margin were impacted by an increase in loan and investment related interest rates, and continued low deposit related interest rates in the three months ended September 30, 2022.

Provision for Loan Losses. We recorded no provision for loan losses for the three months ended September 30, 2022 and 2021. The allowance for loan losses was $1.2 million, or 0.91% of total loans, at September 30, 2022, compared to $1.2 million, or 0.98% of total loans, at December 31, 2021. Total nonperforming loans were $1.2 million at September 30, 2022, compared to $659,000 at December 31, 2021. Classified loans increased to $3.1 million at September 30, 2022, compared to $5.4 million at December 31, 2021. Total loans past due 30 days or more were $585,000 and $386,000 at September 30, 2022 and December 31, 2021, respectively. Net recovery totaled $1,500 for the three months ended September 30, 2022, compared to $375 of net recovery for the three months ended September 30, 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 September 30, 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 $811,000, or 62.7%, to $483,000 for the three months ended September 30, 2022 from $1.3 million for the three months ended September 30, 2021. The decrease was primarily due to a $645,000 decrease in the net gain on sale of loans during the three months ended September 30, 2022, and a decrease in other service charges and fees of $166,000. The decline in the gain on sale of loans is a result of decreased loan originations as the interest rates have risen drastically over the period.

Non-Interest Expense. Non-interest expense decreased $357,000, or 20.1%, to $1.4 million for the three months ended September 30, 2022, compared to $1.8 million for the three months ended September 30, 2021. The decrease was primarily the result of a decrease in compensation and employee benefits of $323,000, and a decrease in data processing expense of $34,000.

Federal Income Taxes. Federal income taxes decreased by $30,000 to an income tax expense of $77,000 for the three months ended September 30, 2022, compared to an income tax expense of $107,000 for the three months ended September 30, 2021. The decrease in income tax expense for the three months ended September 30, 2021 was primarily a result of the decrease in gain on loans sales and the resulting decrease in net income.

Comparison of Operating Results for the Nine Months Ended September 30, 2022 and September 30, 2021

General. Our net income for the nine months ended September 30, 2022 was $445,000, compared to a net income of $983,000 for the nine months ended September 30, 2021, a decrease of $538,000, or 54.7%. The decrease in net income was primarily due to a decrease in non-interest income of $1.8 million, offset by an increase in net interest income of $352,000, a decrease in non-interest expense of $790,000, and a decrease in income tax expense of $141,000 for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

Interest Income. Interest income increased $223,000, or 6.4%, to $3.7 million for the nine months ended September 30, 2022 from $3.5 million for the nine months ended September 30, 2021. This increase was attributable to an increase in interest income on other interest-earning deposits of $145,000, an increase in interest income on US treasuries of $92,000, and an increase in FHLB stock dividends of $66,000, offset by an $80,000 decrease in interest earned on loans. The average balance of loans during the nine months ended September 30, 2022 increased by $7.9 million, or 7.2%, from the average balance for the nine months ended September 30, 2021, and the average yield on loans decreased by 38 basis points to 3.84% for the nine months ended September 30, 2022 from 4.22% for the nine months ended September 30, 2021. The average balance of interest earning deposits decreased $462,000, however, the average yield on those deposits increased by 110 basis points to 1.27% for the nine months ended September 30, 2022 from 0.17% for the nine months ended September 30, 2021.

Interest Expense. Total interest expense decreased $129,000, or 26.2%, to $364,000 for the nine months ended September 30, 2022 from $493,000 for the nine months ended September 30, 2021. Interest expense on deposit accounts decreased $129,000, or 26.2%, to $364,000 for the nine months ended September 30, 2022 from $493,000 for the nine months ended September 30, 2021. The average balance of deposits during the nine months ended September 30, 2022 increased by $6.1 million, or 4.9% from the average balance for the nine months ended September 30, 2021, while the average cost of deposits decreased by 16 basis point to 0.37% for the nine months ended September 30, 2022 from 0.53% for the nine months ended September 30, 2021.

Net Interest Income. Net interest income increased $352,000, or 11.7%, to $3.4 million for the nine months ended September 30, 2022, compared to $3.0 million for the nine months ended September 30, 2021. The increase reflected an increase in interest income on other interest-earning deposits of $145,000, an increase in interest income on US treasuries of $92,000, and an increase in FHLB stock dividends of $66,000, and a decrease in interest expense on deposits of $129,000, offset by a decrease in interest earned on loans of $80,000. Our net interest margin increased to 2.91% for the nine months ended September 30, 2022 from 2.74% for the nine months ended September 30, 2021. Our net interest rate spread increased to 2.86% for the nine months ended September 30, 2022 from 2.66% for the nine months ended September 30, 2021. The interest rate spread and net interest margin were impacted by increasing interest rates in the nine months ended September 30, 2022.

Provision for Loan Losses. We recorded a $109,000 provision for loan losses for the nine months ended September 30, 2022, as compared to $52,000 for the nine months ended September 30, 2021. The allowance for loan losses was $1.2 million, or 0.91% of total loans, at September 30, 2022, compared to $1.2 million, or 0.98% of total loans, at December 31, 2021. Total nonperforming loans were $1.2 million at September 30, 2022, compared to $659,000 at December 31, 2021. Classified loans increased to $3.1 million at September 30, 2022, compared to $5.4 million at December 31, 2021. Total loans past due 30 days or more were $585,000 and $386,000 at September 30, 2022 and December 31, 2021, respectively. Net charge-offs totaled $91,000 for the nine months ended September 30, 2022, compared to $240,000 of net loan charge-off for the nine months ended September 30, 2021.

Non-Interest Income. Non-interest income decreased $1.8 million, or 47.7%, to $1.9 million for the nine months ended September 30, 2022 from $3.7 million for the nine months ended September 30, 2021. The decrease was primarily due to a decrease in net gain on sale of loans of $2.0 million, offset by an increase in gain on sale of foreclosed real estate of $312,000 during the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. The decline in the gain on sale of loans is a result of decreased loan originations as the interest rates have risen drastically over the period.

Non-Interest Expense. Non-interest expense decreased $790,000, or 14.6%, to $4.6 million for the nine months ended September 30, 2022, compared to $5.4 million for the nine months ended September 30, 2021. The decrease was primarily the result of a decrease in compensation and employee benefits of $731,000, and a decrease in data processing expense of $95,000.

Federal Income Taxes. Federal income taxes decreased by $141,000 to an income tax expense of $125,000 for the nine months ended September 30, 2022, compared to an income tax expense of $266,000 for the nine months ended September 30, 2021. The decrease in income tax expense for the nine months ended September 30, 2022 was primarily a result of the decrease in noninterest income, and the resulting decrease in net income.

EAGLE FINANCIAL BANCORP, INC.
STATEMENTS OF INCOME

Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)
(In Thousands, except share and per share data)

	Three Months Ended 9/30/2022	Three Months Ended 9/30/2021	Nine Months Ended 9/30/2022	Nine Months Ended 9/30/2021
Total interest income	$ 1,397	$ 1,166	$ 3,715	$ 3,492
Total interest expense	115	153	364	493
Net interest income	1,282	1,013	3,351	2,999
Provision for loan losses	---	---	109	52
Net interest income after provision for loan loss	1,282	1,013	3,242	2,947
Total non-interest income	483	1,294	1,936	3,700
Compensation and benefits	938	1,261	3,043	3,774
Occupancy and equipment	87	110	262	310
Data processing	68	102	246	341
Legal and professional fees	74	76	253	283
FDIC Premium Expense	11	10	34	28
Other operating expenses	242	218	770	662
Total non-interest expense	1,420	1,777	4,608	5,398
Net Income Before Taxes	345	530	570	1,249
Provision for income taxes	77	107	125	266
Net Income	$ 268	$ 423	$ 445	$ 983
Basic and Diluted Earnings per Share	$ 0.21	$ 0.30	$ 0.35	$ 0.69
Weighted-average shares outstanding				
Basic	1,237,167	1,400,900	1,260,860	1,399,689
Diluted	1,245,582	1,400,900	1,268,535	1,399,689

EAGLE FINANCIAL BANCORP, INC.
OTHER FINANCIAL INFORMATION

(In Thousands)
(Unaudited)

	9/30/2022	6/30/2022	3/31/2022	12/31/21
Asset Quality				
Allowance for Loan Losses	$ 1,217	$ 1,216	$ 1,199	$ 1,199
Nonperforming Loans/Total Loans	0.92%	0.94%	0.48%	0.54%
Nonperforming Assets/Total Assets	0.94%	0.77%	1.40%	1.40%
ALLL / Nonperforming Loans	98.22%	95.82%	204.61%	181.94%
ALLL / Loans, Gross	0.91%	0.90%	0.97%	0.98%
Profitability (For the three months ended)				
Yield on Average Earning Assets	3.64%	3.17%	2.86%	2.83%
Cost of Avg. Interest Bearing Liabilities	0.36%	0.36%	0.39%	0.44%
Net Spread	3.28%	2.81%	2.47%	2.39%
Net Margin	3.34%	2.85%	2.52%	2.46%

	9/30/2022	6/30/2022	3/31/2022	12/31/21
Capital (Bank Only)				
Tier 1 Capital Ratio	14.7%	14.3%	14.1%	15.1%
Tier 1 Risk Based Capital Ratio	15.8%	15.4%	15.5%	17.0%
Total Risk Based Capital Ratio	16.6%	16.2%	16.2%	17.8%.

This release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements 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 when possible, increasing our 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 changes in interest rates, 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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