

# Eagle Financial Bancorp, Inc. Announces Cash Dividend and First Quarter 2023 Results

CINCINNATI – April 20, 2023, 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 \$0.08 per common share. The dividend will be paid on or about May 31, 2023, to stockholders of record as of the close of business on May 15, 2023.

The Company announced net income of \$2 thousand, or \$0.00 per basic and diluted share for the quarter ended March 31, 2023, as compared to \$47 thousand, or \$0.04 per basic and diluted share for the quarter ended March 31, 2022. The decline was largely the result of a \$488 thousand decrease in total non-interest income, offset by a \$251 thousand increase in net interest income, and a \$187 thousand decrease in total non-interest expense. At March 31, 2023, capital ratios totaled 14.1%, 14.9% and 16.0% for the Tier 1 Leverage ratio, Tier 1 Risked Based Capital ratio and Total Risked Based Capital ratio, respectively.

## Effect of Newly Issued and Effective Accounting Standard

In June 2016, The Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which changes the impairment model for most financial assets. The underlying premise of ASU 2016-13 is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be affected for the measurement of credit losses for the newly recognized financial assets, as well as the expected increases and decreases of the expected credit losses that have taken place during the period. The Company is subject to ASU 2016-13 for its annual and interim periods beginning after December 15, 2022. With the adoption of ASU 2016-13, the allowance increased by approximately \$430 thousand. In addition, the Company recognized a liability for unfunded loan commitments of approximately \$46 thousand. The impact of adoption to regulatory capital is approximately \$376 thousand. The Company did not elect to phase in, over a three-year period, the standards impact to regulatory capital permitted by the transition rules. The Company finalized adoption during the first quarter of 2023.

## Comparison of Financial Condition at March 31, 2023 and December 31, 2022

Total assets were \$174.5 million at March 31, 2022, an increase of \$728 thousand, or 0.42%, above the \$173.7 million at March 31, 2023. The increase was primarily due to an increase in loans, net of allowance for credit loss of \$1.6 million, an increase in loans held for sale of \$283, and an increase in other assets of \$105, offset by a decrease in interest-bearing time deposits in other banks of \$1.5 million.

Net loans totaled \$133.7 million at March 31, 2023, as compared to \$132.1 million at December 31, 2022, an increase of \$1.6 million or 1.2%. During the three months ended March 31, 2023, we originated \$19.2 million of loans, \$10.7 million of which were one- to four-family residential real estate loans, and sold \$6.8 million of loans in the secondary market. During the three months ended March 31, 2023, one- to four-family residential real estate loans decreased \$966 thousand, or 1.2%, to \$77.5 million, multi-family loans decreased \$269 thousand, or 29.8%, to \$635 thousand, commercial real estate loans and land loans increased \$2.0 million, or 7.1%, to \$29.9 million, construction loans increased \$3.1 million, or 17.0%, to \$21.3 million, home equity and other consumer loans decreased \$95 thousand, or 1.2% to \$7.6 million, and commercial loans increased \$17 thousand, or 0.2%, to \$9.0 million. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits increased by \$3.5 million, or 2.6%, to \$136.3 million at March 31, 2023 from \$132.8 million at December 31, 2022. Our core deposits, which are all deposits other than certificates of deposit, decreased \$3.2 million, or 3.5%, to \$87.4 million at March 31, 2023 from \$90.5 million at December 31, 2022. Certificates of deposit increased \$6.6 million, or 15.6%, to \$48.9 million at March 31, 2023 from \$42.3 million at December 31, 2022. During the three months ended March 31, 2023, 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 \$408 thousand, or 1.5%, to \$26.2 million at March 31, 2023 from \$26.6 million at December 31, 2022. The decrease resulted primarily from the implementation of the Financial Accounting Standards Board (“FASB”) ASU 2016-13, a current expected credit loss model (“CECL”), which resulted in a \$376 thousand contribution to the allowance for credit losses, a repurchase of common stock of \$27 thousand, and dividends paid of \$107 thousand, offset by expense of \$29 thousand related to the ESOP shares committed to be released, expense of \$70 thousand related to stock-based compensation, and net income of \$2 thousand during the three months ended March 31, 2023.

**EAGLE FINANCIAL BANCORP, INC.**  
**STATEMENTS OF CONDITION**  
**March 31, 2023 (Unaudited)**  
**December 31, 2022 (Audited)**  
(In Thousands)

	<u>3/31/2023</u>	<u>12/31/2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,686	\$ 7,737
Interest-bearing time deposits in other banks	5,903	7,397
Held-to-maturity securities	10,127	10,100
Loans held for sale	417	134
Loans	135,368	133,288
Less: allowance for credit losses	<u>(1,648)</u>	<u>(1,217)</u>
Loans, net	133,720	132,071
Premises and equipment, net	3,898	3,917
Other assets	<u>12,700</u>	<u>12,367</u>
Total Assets	<u>\$ 174,451</u>	<u>\$ 173,723</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Non-interest bearing	\$ 7,923	\$ 8,717
Interest bearing	<u>128,359</u>	<u>124,108</u>
Total Deposits	136,282	132,825
FHLB advances	9,000	11,000
Other Liabilities	<u>2,948</u>	<u>3,269</u>
Total Liabilities	148,230	147,094
Total Shareholders' Equity	<u>26,221</u>	<u>26,629</u>
Total Liabilities and Shareholders' Equity	<u>\$ 174,451</u>	<u>\$ 173,723</u>

**Comparison of Operating Results for the Three Months Ended March 31, 2023 and March 31, 2022**

**General.** Our net income for the three months ended March 31, 2023 was \$2 thousand, compared to a net income of \$47 thousand for the three months ended March 31, 2022, a decrease of \$45 thousand, or 95.7%. The decrease in net income was primarily due to a \$488 thousand decrease in total noninterest income, offset by a \$251 thousand increase in net interest income, and a \$187 thousand decrease in total non-interest expense.

**Interest Income.** Interest income increased \$537 thousand, or 48.9%, to \$1.6 million for the three months ended March 31, 2023 from \$1.1 million for the three months ended March 31, 2022. This increase was attributable to a \$335 thousand increase in interest earned on loans, a \$97 thousand increase in interest earned on other interest earning deposits, a \$66 thousand increase in interest earned on debt securities, taxable, and a \$39 thousand increase on dividends earned on FHLB stock. The average balance of total interest-earning assets increased \$6.8 million for the three months ended March 31, 2023, or 4.4%, from the average balance for the three months ended March 31, 2022, while the average yield on total interest-earning assets increased by 121 basis points to 4.07% for the three months ended March 31, 2023 from 2.86% for the three months ended March 31, 2022.

**Interest Expense.** Total interest expense increased \$286 thousand, or 223.4%, to \$414 thousand for the three months ended March 31, 2023 from \$128 thousand for the three months ended March 31, 2022. This increase is the result of an increase of \$148 thousand of interest on deposits of \$148 thousand, and an increase of \$138 thousand on FHLB advances. The average balance on interest-bearing liabilities for the three months ended March 31, 2023 increased by \$6.0 million, or 4.6%, from the average balance for the three months ended March 31, 2022, while the average cost of interest-bearing liabilities increased by 82 basis points to 1.21% for the three months ended March 31, 2023 from 0.39% for the three months ended March 31, 2022.

**Net Interest Income.** Net interest income increased \$251 thousand, or 25.8%, to \$1.2 million for the three months ended March 31, 2023, compared to \$971 thousand for the three months ended March 31, 2022. The increase reflected an increase in total interest and dividend income of \$537 thousand, offset by an increase in total interest expense of \$286 thousand. Our net interest margin increased to 3.04% for the three months ended March 31, 2023 from 2.52% for the three months ended March 31, 2022. Our net interest rate spread increased to 2.86% for the three months ended March 31, 2023 from 2.47% for the three months ended March 31, 2022. The interest rate spread and net interest margin were primarily impacted by increasing yields on total interest-earning assets in the three months ended March 31, 2023.

**Provision for Credit Losses.** We recorded an adjustment to the allowance for credit losses, effective January 1, 2023, of \$430 thousand to comply with the implementation of the Financial Accounting Standards Board ("FASB") ASU 2016-13, a current expected credit loss model ("CECL"). This implementation adjustment to the allowance for credit losses was recorded through retained earnings. We recorded a provision for credit losses of \$2 thousand for the three months ended March 31, 2023, compared to no provision for the three months ended March 31, 2022. The allowance for credit losses was \$1.6 million, or 1.12% of total loans, at March 31, 2023, compared to \$1.2 million, or 0.85% of total loans, at December 31, 2022. Total nonperforming loans were \$3.1 million at March 31, 2023, compared to \$1.1 million at December 31, 2022. Classified loans increased to \$3.2 million at March 31, 2023, compared to \$3.1 million at December 31, 2022. Total loans past due 30 days or more were \$544 thousand and \$608 thousand at March 31, 2023 and December 31, 2022, respectively. There were no charge-offs during the periods ended March 31, 2023 and 2022. The allowance for credit losses reflects the estimate we believe to be appropriate to cover probable losses which were inherent in the loan portfolio at March 31, 2023 and 2022. 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. 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 credit losses and we may increase the provision for possible loan losses or the recognition of further loan charge-offs, based on revisions in management's judgements.

**Non-Interest Income.** Non-interest income decreased \$488 thousand, or 70.3%, to \$206 thousand for the three months ended March 31, 2023 from \$694 thousand for the three months ended March 31, 2022. The decrease was primarily due to a \$279 thousand decrease in the net gain on sale of loans, and a \$181 thousand decrease in other service charges and fees during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

**Non-Interest Expense.** Non-interest expense decreased \$187 thousand, or 11.6%, to \$1.4 million for the three months ended March 31, 2023, compared to \$1.6 million for the three months ended March 31, 2022. The decrease was primarily the result of a decrease in compensation and employee benefits of \$215 thousand, offset by an increase of \$28 thousand in data processing charges.

**Federal Income Taxes.** Federal income taxes decreased by \$7 thousand to an income tax expense of \$1 thousand for the three months ended March 31, 2023, compared to an income tax expense of \$8 thousand for the three months ended March 31, 2022. The decrease in income tax expense for the three months ended March 31, 2023 was a direct result of the decrease in gain on loans sales, and the resulting decrease in net income.

**EAGLE FINANCIAL BANCORP, INC.****STATEMENTS OF INCOME**

Three Months Ended March 31, 2023 and 2022 (Unaudited)

(In Thousands, except share and per share data)

	Three Months Ended <u>3/31/2023</u>	Three Months Ended <u>3/31/2022</u>
Total interest income	\$ 1,636	\$ 1,099
Total interest expense	<u>414</u>	<u>128</u>
Net interest income	1,222	971
Provision for credit losses	<u>2</u>	<u>---</u>
Net interest income after provision for credit loss	1,220	971
Total non-interest income	206	694
Compensation and benefits	909	1,124
Occupancy and equipment	89	75
Data processing	126	98
Legal and professional fees	73	70
FDIC Premium Expense	11	11
Other operating expenses	<u>215</u>	<u>232</u>
Total non-interest expense	1,423	1,610
Net Income Before Taxes	3	55
Provision for income taxes	<u>1</u>	<u>8</u>
Net Income	<u>\$ 2</u>	<u>\$ 47</u>
Earnings per share:		
Basic & Diluted	<u>\$ 0.00</u>	<u>\$ 0.04</u>
Weighted-average shares outstanding		
Basic	<u>1,240,092</u>	<u>1,307,228</u>
Diluted	<u>1,245,031</u>	<u>1,312,531</u>

**EAGLE FINANCIAL BANCORP, INC.****OTHER FINANCIAL INFORMATION**

(In Thousands)

(Unaudited)

	<u>3/31/2023</u>	<u>12/31/22</u>
<b>Asset Quality</b>		
Allowance for Credit Losses	\$ 1,648	\$ 1,217
Nonperforming Loans/Total Loans	2.26%	0.79%
Nonperforming Assets/Total Assets	1.77%	0.67%
ACL / Nonperforming Loans	53.9%	107.60%
ACL / Loans, Gross	1.12%	0.85%
<b>Profitability (For the three months ended)</b>		
Yield on Average Earning Assets	4.07%	3.50%
Cost of Avg. Interest Bearing Liabilities	1.21%	0.61%
Net Interest Spread	2.86%	3.34%
Net Interest Margin	3.04%	3.43%
	<u>3/31/2023</u>	<u>12/31/22</u>

## Capital (Bank Only)

Tier 1 Capital Ratio	14.1%	14.7%
Tier 1 Risk Based Capital Ratio	14.9%	15.4%
Total Risk Based Capital Ratio	16.0%	16.1%

## Forward Looking Statements

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

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

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

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

- our ability to continue to manage our operations successfully;
- effect of the Coronavirus Disease 2019 (COVID-19) pandemic on our Company, the communities where we have our branches, the state of Ohio and the United States, related to the economy and overall financial stability, which may also exacerbate the effects of the other factors listed herein;
- 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 credit 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 credit losses;
- credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and in our allowance for credit losses and provision for credit 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 credit 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 filings.

Given its ongoing and dynamic nature, it is difficult to predict the continuing impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments. As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, our forward-looking statements are subject to additional risks, uncertainties and assumptions.

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