Eagle Financial Bancorp, Inc. Announces Second Quarter 2023 Results

CINCINNATI – July 28, 2023, 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 $0.08 per common share. The dividend will be paid on or about August 31, 2023, to stockholders of record as of the close of business on August 15, 2023.

The Company announced net income of $57 thousand, or $0.05 per common share on 1.2 million weighted-average shares outstanding for the quarter ended June 30, 2023, as compared to $130 thousand, or $0.10 per common share on 1.2 million weighted-average shares outstanding for the quarter ended June 30, 2022. The decrease was largely the result of a $296 thousand decrease in gain on sale of foreclosed real estate, offset by a $109 thousand decrease in provision for credit losses, a $73 thousand decrease in compensation and benefits expense, and an $18 thousand decrease in provision for income taxes.

Net income for the six months ended June 30, 2023 decreased $118 thousand to $59 thousand, or $0.05 per common share as compared to $177 thousand, or $0.14 per common share for the six months ended June 30, 2022. The reduction was largely driven by a $843 thousand decrease in total non-interest income, offset by a $453 thousand increase in net interest income after provision for credit losses, a $247 thousand decrease in total non-interest expense, and a $25 thousand decrease in provision for income taxes.

The increase in net interest income for the three months ended June 30, 2023 was largely driven by an increase in the weighted average yield on total interest earning assets to 4.34% for the quarter ended June 30, 2023 from 3.17% for the comparable 2022 period. This increase was primarily the result of a 289 basis point increase in the yield on interest earning deposits from 1.14% to 4.03% for the quarter ended June 30, 2023 as compared to the quarter ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- Net income of $57 thousand for the three months ended June 30, 2023 compared to $130 thousand for the comparable period in 2022, representing a decrease of $73 thousand, or 56.2%.
- Net income of $59 thousand for the six months ended June 30, 2023 compared to $177 thousand for the comparable period in 2022, representing a decrease of $118 thousand, or 66.7%.
- Net income before taxes of $79 thousand for the quarter ended June 30, 2023 compared to $170 thousand for the comparable period in 2022, representing a decrease of $91 thousand, or 53.5%.
- Net income before taxes of $82 thousand for the six months ended June 30, 2023 compared to $225 thousand for the comparable period in 2022, representing a decrease of $143 thousand, or 63.6%
- Non-interest income of $610 million for the six months ended June 30, 2023 compared to $1.5 million for the comparable period in 2022, representing a decrease of $843 thousand, or 58.0%.
- Capital ratios of 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, at June 30, 2023.

Comparison of Financial Condition at June 30, 2023 and December 31, 2022

Total assets were $177.9 million at June 30, 2023, an increase of $4.2 million, or 2.4%, from the total assets of $173.7 million at December 31, 2022. The increase was primarily due to an increase in loans, net of allowance for credit losses, of $4.4 million.

Net loans totaled $136.4 million at June 30, 2023, as compared to $132.1 million at December 31, 2022, an increase of $4.4 million or 3.3%. During the six months ended June 30, 2023, we originated $44.2 million of loans, $31.3 million of which were one- to four-family residential real estate loans, and sold $16.5 million of loans in the secondary market. During the six months ended June 30, 2023, one- to four-family residential real estate loans increased $5.1 million, or 6.6%, to $82.6 million, multi-family loans decreased $329 thousand, or 36.4%, to $575 thousand, commercial real estate loans and land loans increased $1.0 million, or 3.7%, to $28.9 million, construction loans decreased $1.3 million, or 6.9%, to $17.0 million, home equity and other consumer loans decreased $421 thousand, or 5.5% to $7.2 million, and commercial loans decreased $565 thousand, or 6.3% to $8.4 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 June 30, 2023 from $132.8 million at December 31, 2022. Our core deposits, which are all deposits other than certificates of deposit, decreased $6.5 million, or 7.2%, to $84.0 million at June 30, 2023 from $90.5 million at December 31, 2022. Certificates of deposit increased $10 million, or 23.5%, to $52.3 million at June 30, 2023 from $42.3 million at December 31, 2022. During the six months ended June 30, 2023, the deposit base was impacted by the rising interest rate environment as customers were retained and attracted by higher interest earning certificates of deposit.

Shareholders' equity decreased $361 thousand, or 1.4%, to $26.3 million at June 30, 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 $214 thousand, offset by expense of $57 thousand related to the ESOP shares committed to be released, expense of $141 thousand related to stock-based compensation, and net income of $59 thousand during the six months ended June 30, 2023.

EAGLE FINANCIAL BANCORP, INC.
STATEMENTS OF CONDITION

June 30, 2023 and March 31, 2023 (Unaudited)
December 31, 2022 (Audited)
(In Thousands)

	6/30/2023	3/31/2023	12/31/2022
ASSETS			
Cash and cash equivalents	$ 6,988	$ 7,686	$ 7,737
Interest-bearing time deposits in other banks	4,907	5,903	7,397
Hold-to-maturity securities	9,403	10,127	10,100
Loans held for sale	3,202	417	134
Loans	138,097	135,368	133,288
Less: allowance for credit losses	(1,648)	(1,648)	(1,217)
Loans, net	136,449	133,720	132,071
Premises and equipment, net	3,853	3,898	3,917
Other assets	13,058	12,700	12,367
Total Assets	$ 177,860	$ 174,451	$ 173,723
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Non-interest bearing	$ 8,670	$ 7,923	$ 8,717
Interest bearing	127,628	128,359	124,108
Total Deposits	136,298	136,282	132,825
FHLB Advances	12,500	9,000	11,000
Other Liabilities	2,794	2,948	3,269
Total Liabilities	151,592	148,230	147,094
Total Shareholders' Equity	26,268	26,221	26,629
Total Liabilities and Shareholders' Equity	$ 177,860	$ 174,451	$ 173,723

Comparison of Operating Results for the Three Months Ended June 30, 2023 and June 30, 2022

General. Our net income for the three months ended June 30, 2023 was $57 thousand, compared to a net income of $130 thousand for the three months ended June 30, 2022, a decrease of $73 thousand, or 56.2%. The decrease was the result of a $431 thousand increase in total interest expense, and a $296 thousand decrease in gain on sale of foreclosed real estate, offset by a $525 thousand increase in total interest and dividend income, a $109 thousand decrease in provision for credit losses, and an $18 thousand decrease in provision for income taxes.

Interest Income. Interest income increased $525 thousand, or 43.1%, to $1.7 million for the three months ended June 30, 2023 from $1.2 million for the three months ended June 30, 2022. The increase is primarily the result of interest income on loans, which increased by $380 thousand. The average balance of loans increased $18.5 million, or 15.8% to $135.8 million at June 30, 2023 from $117.3 million at June 30, 2022, while the average yield on loans increased by 60 basis points to 4.40% for the three months ended June 30, 2023 from 3.80% for the three months ended June 30, 2022. The average balance of interest earning deposits and investment securities decreased $11.9 million for the three months ended June 30, 2023, or 32.4%, from the average balance for the three months ended June 30, 2022, while the average yield on interest earning deposits and investment securities increased by 289 basis points to 4.03% for the three months ended June 30, 2023 from 1.14% for the three months ended June 30, 2022.

Interest Expense. Total interest expense increased $431 thousand, or 356.2%, to $552 thousand for the three months ended June 30, 2023 from $121 thousand for the three months ended June 30, 2022. This increase is the result of interest expense on deposits, which increased by $296 thousand, and interest expense on Federal Home Loan Bank advances, which increased by $135 thousand. The average balance of deposits for the three months ended June 30, 2023 decreased by $4.4 million, or 3.3% from the average balance for the three months ended June 30, 2022, while the average cost of deposits increased by 94 basis points to 1.30% for the three months ended June 30, 2023 from 0.36% for the three months ended June 30, 2022. The average balance of FHLB advances for the three months ended June 30, 2023 increased by $10.5 million, while the average cost of FHLB advances increased by 516 basis points to 5.16% for the three months ended June 30, 2023.

Net Interest Income. Net interest income increased $94 thousand, or 8.6%, to $1.2 million for the three months ended June 30, 2023, compared to $1.1 million for the three months ended June 30, 2022. The increase reflected an increase in total interest and dividend income of $525 thousand, and an increase in total interest expense of $431 thousand. Our net interest margin increased to 2.97% for the three months ended June 30, 2023 from 2.85% for the three months ended June 30, 2022. Our net interest rate spread decreased to 2.75% for the three months ended June 30, 2023 from 2.81% for the three months ended June 30, 2022. The interest rate spread and net interest margin were impacted by the rising interest rate environment during the three months ended June 30, 2023.

Provision for Credit Losses. We recorded no provision for credit loss for the three months ended June 30, 2023, compared to $109 thousand for the three months ended June 30, 2022. The allowance for credit losses was $1.6 million, or 1.12% of total loans, at June 30, 2023, compared to $1.2 million, or 0.85% of total loans, at December 31, 2022. Total nonperforming loans were $3.2 million at June 30, 2023, compared to $1.1 million at December 31, 2022. Classified loans increased to $3.3 million at June 30, 2023, compared to $3.1 million at December 31, 2022. Total loans past due 30 days or more were $756 thousand and $608 thousand at June 30, 2023 and December 31, 2022, respectively. Net charge-off totaled $0, and $92 thousand for the three months ended June 30, 2023 and June 30, 2022.

Non-Interest Income. Non-interest income decreased $383 thousand, or 48.7%, to $404 thousand for the three months ended June 30, 2023 from $787 thousand for the three months ended June 30, 2022. The decrease was primarily due to a $296 thousand decrease in the gain on sale of foreclosed real estate, a $58 thousand decrease in other service charges and fees, and a $30 thousand decrease in net gain on loans sales during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022.

Non-Interest Expense. Non-interest expense decreased $89 thousand, or 5.5%, to $1.5 million for the three months ended June 30, 2023, compared to $1.6 million for the three months ended June 30, 2022. The decrease was primarily the result of a decrease in compensation and employee benefits of $73 thousand, a decrease in other operating expenses of $39 thousand, and a decrease in occupancy and equipment expense of $25 thousand, offset by an increase in data processing expenses of $40 thousand, and an increase in legal and professional expenses of $4 thousand during the three months ended June 30, 2023.

Federal Income Taxes. Federal income taxes decreased to $22 thousand for the three months ended June 30, 2023, compared to an income tax expense of $40 thousand for the three months ended June 30, 2022.

Comparison of Operating Results for the Six Months Ended June 30, 2023 and June 30, 2022

General. Our net income for the six months ended June 30, 2023 decreased $118 thousand to $59 thousand, compared to $177 thousand for the six months ended June 30, 2022. The reduction was largely driven by a $843 thousand decrease in total non-interest income, and an increase of $718 thousand in total interest expense, offset by a $1.1 million increase in total interest and dividend income, a $109 thousand decrease in provision for credit losses, and a $247 thousand decrease in total non-interest expense.

Interest Income. Interest income increased $1.1 million, or 45.8%, to $3.4 million for the six months ended June 30, 2023 from $2.3 million for the six months ended June 30, 2022. This increase was attributable to a $716 thousand increase in interest income on loans receivable, an increase in interest income on other interest-earning deposits of $146 thousand, an increase in FHLB stock dividends of $90 thousand, and an increase in interest income on U.S. treasury securities of $110 thousand. The average balance of loans during the six months ended June 30, 2023 increased by $19.2 million, or 16.6%, from the average balance for the six months ended June 30, 2022, and the average yield on loans increased by 53 basis points to 4.32% for the six months ended June

30, 2023 from 3.79% for the six months ended June 30, 2022. The average balance of interest earning deposits and investment securities decreased $12.5 million, while the average yield on those deposits and investment securities increased by 297 basis points to 3.65% for the six months ended June 30, 2023 from 0.68% for the six months ended June 30, 2022.

Interest Expense. Total interest expense increased $718 thousand, or 288.4%, to $967 thousand for the six months ended June 30, 2023 from $249 thousand for the six months ended June 30, 2022, due to an increase in interest expense on deposits and FHLB advances. The average balance of deposits during the six months ended June 30, 2023 decreased by $5.1 million, or 3.9% from the average balance for the six months ended June 30, 2022, while the average cost of deposits increased by 71 basis points to 1.09% for the six months ended June 30, 2023 from 0.38% for the six months ended June 30, 2022. The average balance of FHLB advances for the six months ended June 30, 2023 increased by $11.1 million, while the average cost of FHLB advances increased by 490 basis points to 4.90% for the six months ended June 30, 2023.

Net Interest Income. Net interest income increased $344 thousand, or 16.6%, to $2.4 million for the six months ended June 30, 2023, compared to $2.1 million for the six months ended June 30, 2022. The increase reflected an increase in total interest and dividend income of $1.1 million, offset by an increase in total interest expense of $718 thousand. Our net interest margin increased to 3.00% for the six months ended June 30, 20223 from 2.69% for the six months ended June 30, 2022. Our net interest rate spread increased to 2.81% for the six months ended June 30, 2023 from 2.63% for the six months ended June 30, 2022. The interest rate spread and net interest margin were impacted by the increasing interest rate environment in the six months ended June 30, 2023.

Provision for Credit Losses. We recorded no provision for credit losses for the six months ended June 30, 2023, as compared to $109 thousand for the six months ended June 30, 2022. The allowance for credit losses was $1.6 million, or 1.12% of total loans, at June 30, 2023, compared to $1.2 million, or 0.85% of total loans, at December 31, 2022. Total nonperforming loans were $3.2 million at June 30, 2023, compared to $1.1 million at December 31, 2022. Classified loans increased to $3.3 million at June 30, 2023, compared to $3.1 million at December 31, 2022. Total loans past due 30 days or more were $756 thousand and $608 thousand at June 30, 2023 and December 31, 2022 respectively. Net charge-offs totaled $0 for the six months ended June 30, 2023, compared to $92 thousand of net loan charge-offs for the six months ended June 30, 2022.

Non-Interest Income. Non-interest income decreased $843 thousand, or 58.0%, to $610 thousand for the six months ended June 30, 2023 from $1.5 million for the six months ended June 30, 2022. The decrease was primarily due to a decrease in the net gain on sale of loans of $309 thousand, a decrease in the gain on sale of foreclosed real estate of $296 thousand, and a $239 thousand decrease in other service charges and fees during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

Non-Interest Expense. Non-interest expense decreased $247 thousand, or 7.7%, to $2.9 million for the six months ended June 30, 2023, compared to $3.2 million for the six months ended June 30, 2022. The decrease was primarily the result of a decrease in compensation and employee benefits of $288 thousand, offset by a $69 thousand increase in data processing expenses during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

Federal Income Taxes. Federal income taxes decreased by $25 thousand to an income tax expense of $23 thousand for the six months ended June 30, 2023, compared to an income tax expense of $48 thousand for the six months ended June 30, 2022. The decrease in income tax expense for the six months ended June 30, 2023 was a primarily the result of the decrease in non-interest income of $843 thousand, offset by the increase in net interest income after provision for credit losses of $453 thousand, and the decrease of non-interest expense of $247 thousand for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, and the resulting decrease in income before income taxes.

EAGLE FINANCIAL BANCORP, INC.
STATEMENTS OF INCOME
Three and Six Months Ended June 30, 2023 and 2022 (Unaudited)
(In Thousands, except share and per share data)

	Three Months Ended 6/30/2023	Three Months Ended 6/30/2022	Six Months Ended 6/30/2023	Six Months Ended 6/30/2022
Total interest income	$ 1,743	$ 1,218	$ 3,380	$ 2,318
Total interest expense	552	121	967	249
Net interest income	1,191	1,097	2,413	2,069
Provision for credit losses	---	109	---	109
Net interest income after provision for credit loss	1,191	988	2,413	1,960
Total non-interest income	404	787	610	1,453
Compensation and benefits	908	981	1,817	2,105
Occupancy and equipment	75	100	164	175
Data processing	121	81	247	178
Legal and professional fees	113	109	186	179
FDIC Premium Expense	15	11	26	23
Other operating expenses	284	323	501	528
Total non-interest expense	1,516	1,605	2,941	3,188
Net Income Before Taxes	79	170	82	225
Provision for income taxes	22	40	23	48
Net Income	$ 57	$ 130	$ 59	$ 177
Basic and Diluted Earnings per Share	$ 0.05	$ 0.10	$ 0.05	$ 0.14
Weighted-average shares outstanding				
Basic	1,240,722	1,238,184	1,240,407	1,272,706
Diluted	1,240,722	1,247,090	1,242,810	1,279,830

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

	6/30/2023	3/31/2023	12/31/22
Asset Quality			
Allowance for Loan Losses	$ 1,648	$ 1,648	$ 1,217
Nonperforming Loans/Total Loans	0.68%	2.26%	0.79%
Nonperforming Assets/Total Assets	1.79%	1.77%	0.67%
ALLL / Nonperforming Loans	51.87%	53.9%	107.60%
ALLL / Loans, Gross	1.12%	1.12%	0.85%
Profitability (For the three months ended)			
Yield on Average Earning Assets	4.34%	4.07%	3.50%
Cost of Avg. Interest Bearing Liabilities	1.59%	1.21%	0.61%
Net Spread	2.75%	2.86%	3.34%
Net Margin	2.97%	3.04%	3.43%

	6/30/2023	3/31/2023	12/31/22
Capital (Bank Only)			
Tier 1 Capital Ratio	14.1%	14.1%	14.7%
Tier 1 Risk Based Capital Ratio	14.9%	14.9%	15.4%
Total Risk Based Capital Ratio	16.0%	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;
- changes in the interest rate environment that reduce the fair value of financial instruments and other assets;

- inflation and changes in the interest rate environment that reduce our ability to originate mortgage loans;
- changes in liquidity, including the size and composition of our deposit portfolio, and the percentage of uninsured deposits in the portfolio;
- 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;
- effect of the Coronavirus Disease 2019 (COVID-19), or other pandemics on our Company, the communities where we have our branches, the state of Ohio and the United States, related to the economy and overall financial stability, which may also exacerbate the effects of the other factors listed herein;
- our ability to successfully implement our business plan of managed growth, diversifying our loan portfolio and increasing mortgage banking operations to improve profitability;
- our success in increasing our commercial business, commercial real estate, construction and home equity lending;
- adverse changes in the financial industry, securities, credit and national local real estate markets (including real estate values);
- significant increases in our 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;
- effect of the Coronavirus Disease 2019 (COVID-19), or other pandemics 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;
- 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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