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

CINCINNATI – October 30, 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 November 30, 2023, to stockholders of record as of the close of business on November 15, 2023.

The Company announced net income of $30,000, or $0.02 per common share on 1.2 million shares outstanding for the quarter ended September 30, 2023, as compared to $268,000 or $0.21 per common share on 1.2 million shares outstanding for the quarter ended September 30, 2022. The decline was largely driven by a $563,000 increase in total interest expense, offset by a $358,000 increase in total interest and dividend income, and a $63,000 reduction in provision for income taxes.

Net income for the nine months ended September 30, 2023 decreased $356,000 to $89,000, or $0.07 per common share as compared to $445,000, or $0.35 per common share for the nine months ended September 30, 2022. The decline was largely driven by a $1.3 million increase in total interest expense, and a $843,000 decrease in total non-interest income, offset by a $1.4 million increase in total interest and dividend income, a $109,000 decrease in provision for credit losses, and a $88,000 decrease in provision for income taxes.

FINANCIAL HIGHLIGHTS

- Net income of $30,000 for the three months ended September 30, 2023 compared to $268,000 for the comparable period in 2022, representing a decrease of $238,000, or 88.8%.
- Net income of $89,000 for the nine months ended September 30, 2023 compared to $445,000 for the comparable period in 2022, representing a decrease of $356,000, or 80.0%.
- Net income before taxes of $44,000 for the quarter ended September 30, 2023 compared to $345,000 for the comparable period in 2022, representing a decrease of $301,000, or 87.2%.
- Net income before taxes of $126 million for the nine months ended September 30, 2023 compared to $570,000 for the comparable period in 2022, representing a decrease of $444,000, or 77.9%
- Non-interest income of $1.1 million for the nine months ended September 30, 2023 compared to $1.9 million for the comparable period in 2022, representing a decrease of $843,000, or 43.5%.
- Capital ratios of 14.3%, 14.9% and 15.9% for the Tier 1 Leverage ratio, Tier 1 Risked Based Capital ratio and Total Risked Based Capital ratio, respectively, at September 30, 2023.

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

Total assets were $175.8 million at September 30, 2023, an increase of $2.0 million, or 1.2%, over the $173.7 million at December 31, 2022. The increase was primarily due to an increase in loans, net of allowance for credit losses of $7.1 million, and an increase in loans held for sale of $2.3 million, offset by a decrease in cash and cash equivalents of $3.0 million, a decrease in interest bearing time deposits in other banks of $3.5 million, and a decrease in US treasuries of $2.2 million.

Net loans totaled $139.2 million at September 30, 2023, as compared to $132.1 million at December 31, 2022, an increase of $7.1 million or 5.4%. During the nine months ended September 30, 2023, we originated $72.4 million of loans, $53.3 million of which were one- to four-family residential real estate loans, and sold $29.8 million of loans in the secondary market. During the nine months ended September 30, 2023, one- to four-family residential real estate loans increased $5.8 million, or 7.5%, to $83.3 million, multi-family loans decreased $349,000, or 38.6%, to $555,000, commercial real estate loans and land loans increased $3.7 million, or 13.2%, to $31.6 million, construction loans increased $1.2 million, or 6.7%, to $19.5 million, home equity and other consumer loans decreased $328,000, or 4.3% to $7.3 million, and commercial loans decreased $807,000, or 9.0% to $8.2 million. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits increased by $2.1 million, or 1.6%, to $135.0 million at September 30, 2023 from $132.8 million at December 31, 2022. Our core deposits, which are all deposits other than certificates of deposit, decreased $10.9 million, or 12.1%, to $79.6 million at September 30, 2023 from $90.5 million at December 31, 2022. Certificates of deposit increased $13.1 million, or 30.9%, to $55.4 million at September 30, 2023 from $42.3 million at December 31, 2022. During the nine months ended September 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 $346,000, or 1.3%, to $26.3 million at September 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 $376,000 contribution to the allowance for credit losses, a repurchase of common stock of $27,000, and dividends paid of $322,000, offset by expense of $85,000 related to the ESOP shares committed to be released, expense of $205,000 related to stock-based compensation, and net income of $89,000 during the nine months ended September 30, 2023.

EAGLE FINANCIAL BANCORP, INC.
STATEMENTS OF CONDITION

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

	9/30/2023	12/31/2022
ASSETS		
Cash and cash equivalents	$ 4,746	$ 7,737
Interest-bearing time deposits in other banks	3,911	7,397
Held-to-maturity securities	7,927	10,100
Loans held for sale	2,408	134
Loans	140,840	133,288
Less: Allowance for credit losses	(1,643)	(1,217)
Loans, net	139,197	132,071
Premises and equipment, net	3,844	3,917
Other assets	13,732	12,367
Total Assets	$ 175,765	$ 173,723
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Deposits:		
Non-interest bearing	$ 6,825	$ 8,717
Interest bearing	128,149	124,107
Total Deposits	134,974	132,825
FHLB Advances	10,500	11,000
Other Liabilities	4,008	3,269
Total Liabilities	149,482	147,094
Total Shareholders’ Equity	26,283	26,629
Total Liabilities and Shareholders’ Equity	$ 175,765	$ 173,723

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

General. Our net income for the three months ended September 30, 2023 was $30,000, compared to a net income of $268,000 for the three months ended September 30, 2022, a decrease of $238,000, or 88.8%. The decrease was largely driven by a $563,000 increase in total interest expense, offset by a $358,000 increase in total interest and dividend income, and a $63,000 reduction in provision for income taxes.

Interest Income. Total interest income increased $358,000, or 25.6%, to $1.8 million for the three months ended September 30, 2023 from $1.4 million for the three months ended September 30, 2022. This increase was primarily attributable to a $340,000 increase in interest on loans, and an increase of $31,000 in dividend income on FHLB stock. The average balance of interest-earning assets increased $6.5 million for the three months ended September 30, 2023, or 4.3%, from the average balance for the three months ended September 30, 2022, while the average yield on interest-earning assets increased by 75 basis points to 4.39% for the three months ended September 30, 2023 from 3.64% for the three months ended September 30, 2022.

Interest Expense. Total interest expense increased $563,000, or 489.6%, to $678,000 for the three months ended September 30, 2023 from $115,000 for the three months ended September 30, 2022. This increase is the result of interest expense on deposits, which increased by $412,000, and interest expense on Federal Home Loan Bank advances, which increased by $151,000. The average balance of deposits for the three months ended September 30, 2023 decreased by $1.2 million, or 1.0% from the average balance for the three months ended September 30, 2022, while the average cost of deposits increased by 128 basis points to 1.64% for the three months ended September 30, 2023 from 0.36% for the three months ended September 30, 2022. The average balance of FHLB advances for the three months ended September 30, 2023 increased by $11.0 million, while the average cost of FHLB advances increased by 551 basis points to 5.51% for the three months ended September 30, 2023.

Net Interest Income. Net interest income decreased $205,000, or 16.0%, to $1.1 million for the three months ended September 30, 2023, compared to $1.3 million for the three months ended September 30, 2022. The decrease reflected an increase in total interest and dividend income of $358,000, and an increase in total interest expense of $563,000. Our net interest margin decreased to 2.69% for the three months ended September 30, 2023 from 3.34% for the three months ended September 30, 2022. Our net interest rate spread decreased to 2.44% for the three months ended September 30, 2023 from 3.28% for the three months ended September 30, 2022. The interest rate spread and net interest margin were impacted by the rising interest rate environment during the three months ended September 30, 2023.

Provision for Credit Losses. We recorded no provision for credit losses for the three months ended September 30, 2023 and 2022. The allowance for credit losses was $1.6 million, or 1.08% of total loans, at September 30, 2023, compared to $1.2 million, or 0.85% of total loans, at December 31, 2022. Total nonperforming loans were $3.1 million at September 30, 2023, compared to $1.1 million at December 31, 2022. Classified loans were $3.1 million at September 30, 2023 and December 31, 2022. Total loans past due 30 days or more were $3.1 million and $608,000 at September 30, 2023 and December 31, 2022, respectively. Net charge-off totaled $5,000 for the three months ended September 30, 2023, compared to $2,000 of net recovery for the three months ended September 30, 2022.

Non-Interest Income. Total non-interest income totaled $483,000 for both of the three months ended September 30, 2023 and September 30, 2022.

Non-Interest Expense. Non-interest expense increased $96,000, or 6.8%, to $1.5 million for the three months ended September 30, 2023, compared to $1.4 million for the three months ended September 30, 2022. The increase was primarily the result of an increase in data processing of $54,000, and an increase in legal and professional services of $71,000, offset by a decrease in franchise and other taxes of $13,000, and a decrease in advertising of $13,000 each.

Federal Income Taxes. Federal income taxes decreased by $63,000 to an income tax expense of $14,000 for the three months ended September 30, 2023, compared to an income tax expense of $77,000 for the three months ended September 30, 2022. The decrease in income tax expense for the three months ended September 30, 2023 was primarily a result of the decrease in net interest income and the resulting decrease in net income.

Comparison of Operating Results for the Nine Months Ended September 30, 2023 and September 30, 2022

General. Our net income for the nine months ended September 30, 2023 was $89,000, compared to a net income of $445,000 for the nine months ended September 30, 2022, a decrease of $356,000, or 80.0%. The decrease was largely driven by a $1.3 million increase in total interest expense, and a $843,000 decrease in total non-interest income, offset by a $1.4 million increase in total interest and dividend income, a $109,000 decrease in provision for credit losses, and a $88,000 decrease in income taxes for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Interest Income. Interest income increased $1.4 million, or 38.2%, to $5.1 million for the nine months ended September 30, 2023 from $3.7 million for the nine months ended September 30, 2022. This increase was attributable to an increase in interest income on loans of $1.1 million, an increase in interest income on US treasuries of $101,000, an increase in FHLB stock dividends of $121,000, and an increase in other interest earning deposits of $141,000. The average balance of interest-earning assets increased $7.0 million for the nine months ended September 30, 2023, or 4.6%, from the average balance for the nine months ended September 30, 2022, while the average yield on interest-earning assets increased by 104 basis points to 4.27% for the nine months ended September 30, 2023 from 3.23% for the nine months ended September 30, 2022.

Interest Expense. Total interest expense increased $1.3 million, or 351.9%, to $1.6 million for the nine months ended September 30, 2023 from $364,000 for the nine months ended September 30, 2022, due to an increase in interest expense on deposit accounts and FHLB advances. The average balance of deposits during the nine months ended September 30, 2023 decreased by $3.8 million, or 2.9% from the average balance for the nine months ended September 30, 2022, while the average cost of deposits increased by 91 basis points to 1.28% for the nine months ended September 30, 2023 from 0.37% for the nine months ended September 30, 2022. The average balance of FHLB advances for the nine months ended September 30, 2023 increased by $11.1 million, while the average cost of FHLB advances was 5.10% for the nine months ended September 30, 2023.

Net Interest Income. Net interest income increased $138,000, or 4.1%, to $3.5 million for the nine months ended September 30, 2023, compared to $3.4 million for the nine months ended September 30, 2022. The increase reflected an increase in total interest and dividend income of $1.4 million, offset by an increase in total interest expense of $1.3 million. Our net interest margin decreased to 2.90% for the nine months ended September 30, 2023 from 2.91% for the nine months ended September 30, 2022. Our net interest rate spread decreased to 2.69% for the nine months ended September 30, 2023 from 2.86% for the nine months ended September 30, 2022. The interest rate spread and net interest margin were impacted by the increasing interest rate environment in the nine months ended September 30, 2023.

Provision for Credit Losses. We recorded no provision for credit losses for the nine months ended September 30, 2023, as compared to $109,000 for the nine months ended September 30, 2022. The allowance for credit losses was $1.6 million, or 1.08% of total loans, at September 30, 2023, compared to $1.2 million, or 0.85% of total loans, at December 31, 2022. Total nonperforming loans were $3.1 million at September 30, 2023, compared to $1.1 million at December 31, 2022. Classified loans were $3.1 million at September 30, 2023 and December 31, 2022. Total loans past due 30 days or more were $3.1 million and $608,000 at September 30, 2023 and December 31, 2022, respectively. Net charge-off totaled $5,000 for the nine months ended September 30, 2023, compared to $91,000 of net charge-off for the nine months ended September 30, 2022.

Non-Interest Income. Non-interest income decreased $843,000, or 43.5%, to $1.1 million for the nine months ended September 30, 2023 from $1.9 million for the nine months ended September 30, 2022. The decrease was primarily due to a decrease in net gain on sale of loans of $221,000, a decrease in other service charges and fees of $328,000, and a decrease in gain on sale of foreclosed real estate of $296,000 during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Non-Interest Expense. Non-interest expense decreased $152,000, or 3.3%, to $4.5 million for the nine months ended September 30, 2023, compared to $4.6 million for the nine months ended September 30, 2022. The decrease was primarily the result of a decrease in compensation and employee benefits of $297,000, offset by an increase in data processing expense of $123,000.

Federal Income Taxes. Federal income taxes decreased by $88,000 to an income tax expense of $37,000 for the nine months ended September 30, 2023, compared to an income tax expense of $125,000 for the nine months ended September 30, 2022. The decrease in income tax expense for the nine months ended September 30, 2023 was a primarily the result of the decrease in non-interest income of $843,000, offset by the increase in net interest income after provision for credit losses of $247,000, and the decrease of non-interest expense of $152,000 for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, and the resulting decrease in income before income taxes.

EAGLE FINANCIAL BANCORP, INC.

STATEMENTS OF INCOME

Three and Nine Months Ended September 30, 2023 and 2022 (Unaudited)

(In Thousands, except share and per share data)

	Three Months Ended 9/30/2023	Three Months Ended 9/30/2022	Nine Months Ended 9/30/2023	Nine Months Ended 9/30/2022
Total interest income	$ 1,755	$ 1,397	$ 5,134	$ 3,715
Total interest expense	678	115	1,645	364
Net interest income	1,077	1,282	3,489	3,351
Provision for credit losses	---	---	---	109
Net interest income after provision for credit loss	1,077	1,282	3,489	3,242
Total non-interest income	483	483	1,093	1,936
Compensation and benefits	929	938	2,746	3,043
Occupancy and equipment	75	87	239	262
Data processing	122	68	369	246
Legal and professional fees	145	74	332	253
FDIC Premium Expense	23	11	49	34
Other operating expenses	222	242	721	770
Total non-interest expense	1,516	1,420	4,456	4,608
Net Income Before Taxes	44	345	126	570
Provision for income taxes	14	77	37	125
Net Income	$ 30	$ 268	$ 89	$ 445
Basic and Diluted Earnings per Share	$ 0.02	$ 0.21	$ 0.07	$ 0.35
Weighted-average shares outstanding				
Basic	1,243,170	1,237,167	1,241,328	1,260,860
Diluted	1,247,787	1,245,582	1,244,620	1,268,535

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

	9/30/2023	6/30/2023	3/31/2023	12/31/22
Asset Quality				
Allowance for Credit Losses	$ 1,643	$ 1,648	$ 1,648	$ 1,217
Nonperforming Loans/Total Loans	2.02%	0.68%	2.26%	0.79%
Nonperforming Assets/Total Assets	1.76%	1.79%	1.77%	0.67%
ALLL / Nonperforming Loans	53.26%	51.87%	53.9%	107.60%
ALLL / Loans, Gross	1.08%	1.12%	1.12%	0.85%
Profitability (For the three months ended)				
Yield on Average Earning Assets	4.39%	4.34%	4.07%	3.95%
Cost of Avg. Interest Bearing Liabilities	1.95%	1.59%	1.21%	0.61%
Net Spread	2.44%	2.75%	2.86%	3.34%
Net Margin	2.69%	2.97%	3.04%	3.43%

	9/30/2023	6/30/2023	3/31/2023	12/31/22
Capital (Bank Only)				
Tier 1 Capital Ratio	14.3%	14.1%	14.1%	14.7%
Tier 1 Risk Based Capital Ratio	14.9%	14.9%	14.9%	15.4%
Total Risk Based Capital Ratio	15.9%	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);
- possible 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;
- 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;
- 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 any continuing impact of COVID-19 outbreaks 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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