Eagle Financial Bancorp, Inc. Announces Cash Dividend and Fourth Quarter and Full Year 2023 Results

CINCINNATI – January 31, 2024, 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 February 29, 2024, to stockholders of record as of the close of business on February 15, 2024. The Company also announced its consolidated results of operations for the quarter and year ended December 31, 2023.

The Company announced a net loss of $202,000, or $(0.16) per common share on approximately 1.3 million shares outstanding for the quarter ended December 31, 2023, as compared to net income of $7,000 or $0.01 per common share on approximately 1.2 million shares outstanding for the quarter ended December 31, 2022. The decline was largely driven by a $243,000 increase in total non-interest expense, and a $132,000 decrease in net interest income, offset by a $124,000 increase in non-interest income, and a $42,000 decrease in provision for income taxes.

For the year ended December 31, 2023, the Company reported a net loss of $112,000, or $(0.09) per common share as compared to net income of $452,000, or $0.36 per common share for the year ended December 31, 2022. The decline was largely driven by a $719,000, or 34.4% decrease in total non-interest income, offset by a $130,000 decrease in provision for income taxes, a $109,000 decrease in provision for credit losses, and a $90,000 increase in total non-interest expense.

Net interest income decreased $132,000, or 9.9%, to $1.2 million for the three months ended December 31, 2023, compared to $1.3 million for the three months ended December 31, 2022. The decrease in net interest income for the three months ended December 31, 2023 was largely driven by an increase in the weighted average cost on total interest-bearing liabilities to 2.17% for the quarter ended December 31, 2023 from 0.61% for the comparable 2022 period.

On November 28, 2023, the Company entered into a definitive merger agreement was signed with LCNB Corp. Subject to regulatory approval, the Company shareholder approval and other customary conditions set forth in the definitive merger agreement, the transaction is expected to close in the second quarter of 2024. As a result, the Company incurred increased legal and professional costs in 2023 contributing to the net loss for the fourth quarter of 2023 and for the year ended December 31, 2023. For the fourth quarter of 2023 and for the year-to-date 2023, legal and professional costs related to the merger totaled approximately $268,000 and $440,000, respectively.

FINANCIAL HIGHLIGHTS

- Net loss of $202,000 for the three months ended December 31, 2023 compared to net income of $7,000 for the comparable period in 2022, representing a decrease of $209,000.
- Net loss of $112,000 for the year ended December 31, 2023 compared to net income of $452,000 for 2022, representing a decrease of $564,000.
- Net loss before taxes of $249,000 for the three months ended December 31, 2023 compared to net income before taxes of $2,000 for the comparable period in 2022, representing a decrease of $251,000.
- Net loss before taxes of $122,000 for the year ended December 31, 2023 compared to net income before taxes $572,000 for 2022, representing a decrease of $694,000.
- Non-interest income of $1.4 million for the year ended December 31, 2023 compared to $2.1 million for 2022, representing a decrease of $719,000, or 34.4%.
- Capital ratios of 13.6%, 14.5% and 15.5% for the Tier 1 Leverage ratio, Tier 1 Risked Based Capital ratio and Total Risked Based Capital ratio, respectively at December 31, 2023.

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

Total assets were $174.3 million at December 31, 2023, an increase of $569,000, or 0.3%, above the $173.7 million at December 31, 2022. The increase was primarily due to an increase in loans, net of allowance of $8.3 million, an increase in loans held for sale of $840,000, and an increase in Federal Home Loan Bank ("FHLB") stock of $549,000, offset by a decrease in held-to-maturity securities of $3.7 million, a decrease in interest bearing time deposits in other banks of $3.5 million, and a decrease in cash and cash equivalents of $2.8 million.

Net loans totaled $140.4 million at December 31, 2023, as compared to $132.1 million at December 31, 2022, an increase of $8.3 million or 6.3%. During the year ended December 31, 2023, we originated $91.3 million of loans, $67.1 million of which were one- to four-family residential real estate loans, and sold $39.6 million of loans in the secondary market. During the year ended December 31, 2023, one- to four-family residential real estate loans increased $8.1 million, or 10.4%, to $85.6 million, multi-family loans decreased $391,000, or 43.3%, to $513,000, commercial real estate loans and land loans increased $4.6 million, or 16.4%, to $32.5 million, construction loans decreased $3.4 million, or 18.6% to $14.8 million, home equity and other consumer loans increased $298,000, or 3.9% to $7.9 million, and commercial loans decreased $1.7 million , or 19.3% to $7.2 million. Management continues to emphasize the origination of high-quality loans for retention in the loan portfolio.

Deposits increased by $3.8 million, or 2.9%, to $136.7 million at December 31, 2023 from $132.8 million at December 31, 2022. Our core deposits, which are all deposits other than certificates of deposit, decreased $9.6 million, or 10.7%, to $80.4 million at December 31, 2023 from $90.0 million at December 31, 2022. Certificates of deposit increased $13.0 million, or 30.7%, to $55.3 million at December 31, 2023 from $42.3 million at December 31, 2022. During the year ended December 31, 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 $618,000, or 2.3%, to $26.0 million at December 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 $376,000 contribution to the allowance for credit losses, a repurchase of common stock of $27,000, dividends paid of $429,000, and a net loss of $112,000, offset by expense of $112,000 related to the ESOP shares committed to be released, and expense of $214,000 related to stock-based compensation during the year ended December 31, 2023.

EAGLE FINANCIAL BANCORP, INC.
CONSOLIDATED STATEMENTS OF CONDITION

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

	12/31/2023	12/31/2022
ASSETS		
Cash and cash equivalents	$ 4,888	7,737
Interest-bearing time deposits in other banks	3,911	7,397
US Treasuries net of (discount)/premium	6,449	10,100
Loans held for sale	974	134
Loans	142,035	133,288
Less: Allowance for loan losses	(1,643)	(1,217)
Loans, net	140,392	132,071
Premises and equipment, net	3,802	3,917
Other assets	13,876	12,367
Total Assets	$ 174,292	$ 173,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 8,268	$ 8,717
Interest bearing	128,401	124,108
Total Deposits	136,669	132,825
FHLB Advances	8,000	11,000
Other Liabilities	3,612	3,269
Total Liabilities	148,281	147,094
Total Shareholders' Equity	26,011	26,629
Total Liabilities and Shareholders' Equity	$ 174,292	$ 173,723

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

General. The net loss for the three months ended December 31, 2023 was $202,000, compared to net income of $7,000 for the three months ended December 31, 2022, a decrease of $209,000. The decrease in net income was primarily due to an $243,000 increase in total non-interest expense, and a $132,000 decrease in net interest income, offset by a $124,000 increase in total non-interest income, and a $42,000 decrease in provision for income tax.

Interest Income. Interest income increased $419,000, or 27.3%, to $2.0 million for the three months ended December 31, 2023 from $1.5 million for the three months ended December 31, 2022. This increase was primarily attributable to a $409,000 increase in interest earned on loans, and an increase of $25,000 on FHLB stock dividends and interest on other interest earning deposits. The average balance of interest earning assets increased $5.7 million for the three months ended December 31, 2023, or 3.6%, from the average balance for the three months ended December 31, 2022, and the average yield on interest earning assets increased by 90 basis points to 4.85% for the three months ended December 31, 2023 from 3.95% for the three months ended December 31, 2022.

Interest Expense. Interest expense increased $551,000, or 274.1%, to $752,000 for the three months ended December 31, 2023 from $201,000 for the three months ended December 31, 2022. This increase is primarily the result of an increase in deposit interest rates for the three months ended December 31, 2023. The average balance of interest-bearing deposits for the three months ended December 31, 2023 increased by $2.7 million, or 2.1% from the average balance for the three months ended December 31, 2023, while the average cost of interest-bearing deposits increased by 143 basis points to 1.89% for the three months ended December 31, 2023 from 0.46% for the three months ended December 31, 2022.

Interest expense on FHLB advances increased $90,000, or 160.7%, to $146,000 for the three months ended December 31, 2023 from $56,000 for the three months ended December 31, 2022. The average balance of FHLB advances during the three ended December 31, 2023 increased by $5.1 million, while the average cost of FHLB advances increased by 141 basis points to 5.61% for the three months ended December 31, 2023 from 4.20% for the three months ended December 31, 2022.

Net Interest Income. Net interest income decreased $132,000, or 9.9%, to $1.2 million for the three months ended December 31, 2023, compared to $1.3 million for the three months ended December 31, 2022. The increase reflected an increase in interest on loans of $409,000, and an increase in dividend income on FHLB stock and interest income on other interest earning deposits of $25,000, offset by an increase in total interest expense of $551,000. Our net interest margin decreased to 2.98% for the three months ended December 31, 2023 from 3.43% for the three months ended December 31, 2022. Our net interest rate spread decreased to 2.68% for the three months ended December 31, 2023 from 3.34% for the three months ended December 31, 2022.

Provision for Credit Losses. No provision expense was recorded for the three months ended December 31, 2023 and 2022. The allowance for credit losses was $1.6 million, or 1.08% of total loans, at December 31, 2023, compared to $1.2 million, or 0.85% of total loans, at December 31, 2022. Total nonperforming loans were $321,000 at December 31, 2022, compared to $1.1 million at December 31, 2022.

Non-Interest Income. Non-interest income increased $124,000, or 81.6%, to $276,000 for the three months ended December 31, 2023 from $152,000 for the three months ended December 31, 2022. The increase was primarily due to a $150,000 increase in the net gain on sale of loans, and a decrease in other service charges and fees of $28,000 during the three months ended December 31, 2023 as compared to the three months ended December 31, 2022.

Non-Interest Expense. Non-interest expense increased $243,000, or 16.4%, to $1.7 million for the three months ended December 31, 2023, compared to $1.5 million for the three months ended December 31, 2022. The increase was primarily the result of an increase in legal and professional services of $157,000, an increase in other expenses of $153,000, an increase in data processing of $41,000, and an increase in franchise and other taxes of $37,000, offset by a decrease in compensation and benefits of $115,000. During the three months ended December 31, 2023, the Company incurred approximately $268,000 in legal and other expenses directly related to the impending merger.

Federal Income Taxes. Federal income taxes decreased by $42,000 to an income tax benefit of $47,000 for the three months ended December 31, 2023, compared to an income tax benefit of $5,000 for the three months ended December 31, 2022. The decrease in income tax expense for the three months ended December 31, 2023 was a direct result of the increase in non-interest expenses for the quarter, and the resulting decrease in net income.

Comparison of Operating Results for the Year Ended December 31, 2023 and December 31, 2022

General. The net loss for the year ended December 31, 2023 was $112,000, compared to net income of $452,000 for the year ended December 31, 2022, a decrease of $564,000, or 124.8%. The decrease in net income was due to a decrease in non-interest income of $719,000, and an increase in total non-interest expense of $90,000, offset by an increase in net interest income after provision for credit losses of $115,000, and a decrease in total income tax of $130,000 for the year ended December 31, 2023 as compared to the year ended December 31, 2022.

Interest Income. Interest income increased $1.8 million, or 35.0%, to $7.1 million for the year ended December 31, 2023 from $5.3 million for the year ended December 31, 2022. This increase was attributable to a $1.5 million increase in interest income on loans receivable, an increase in interest income on other interest-earning deposits of $120,000, an increase in dividend income on FHLB stock of $167,000, and an increase in interest income on US treasuries of $86,000. The average balance of loans for the year ended December 31, 2023 increased by $17.4 million, or 14.6%, from the average balance for the year ended December 31, 2022, and the average yield on loans increased by 58 basis points to 4.49% for the year ended December 31, 2023 from 3.91% for the year ended December 31, 2022. The average balance of interest earning deposits decreased $10.7 million, however, the average yield on those deposits increased by 232 basis points to 3.99% for the year ended December 31, 2023 from 1.67% for the year ended December 31, 2022.

Interest Expense. Total interest expense increased $1.8 million, or 324.2%, to $2.4 million for the year ended December 31, 2023 from $565,000 for the year ended December 31, 2022. Interest expense on deposit accounts increased $1.3 million, or 258.9%, to $1.8 million for the year ended December 31, 2023 from $509,000 for the year ended December 31, 2022. The average balance of deposits during the year ended December 31, 2023 decreased by $2.2 million, or 1.7% from the average balance for the year ended December 31, 2022, while the average cost of deposits increased by 104 basis points to 1.43% for the year ended December 31, 2023 from 0.39% for the year ended December 31, 2022.

Interest expense on FHLB advances increased $514,000, or 917.9%, to $570,000 for the year ended December 31, 2023 from $56,000 for the year ended December 31, 2022. The average balance of FHLB advances during the year ended December 31, 2023 increased by $9.6 million, or 718.0% from the average balance for the year ended December 31, 2022, while the average cost of FHLB advances increased by 102 basis points to 5.22% for the year ended December 31, 2023 from 4.20% for the year ended December 31, 2022.

Net Interest Income. Net interest income increased $6,000, or 0.1%, to $4.69 million for the year ended December 31, 2023, compared to $4.68 million for the year ended December 31, 2022. The increase reflected an increase in total interest and dividend income of $1.8 million, offset by an increase in total interest expense of $1.8 million. Our net interest margin decreased to 2.92% for the year ended December 31, 2023 from 3.04% for the year ended December 31, 2022. Our net interest rate spread decreased to 2.68% for the year ended December 31, 2023 from 2.98% for the year ended December 31, 2022. The interest rate spread and net interest margin were again impacted by increasing interest rates in the year ended December 31, 2023.

Provision for Credit Losses. We recorded no provision for the year ended December 31, 2023, compared to a provision of $109,000 for the year ended December 31, 2022. The allowance for credit losses was $1.6 million, or 1.08% of total loans, at December 31, 2023, compared to $1.2 million, or 0.85% of total loans, at December 31, 2022. Total nonperforming loans were $321,000 at December 31, 2023, compared to $1.1 million at December 31, 2022.

Non-Interest Income. Non-interest income decreased $719,000, or 34.4%, to $1.4 million for the year ended December 31, 2023 from $2.1 million for the year ended December 31, 2022. The decrease was primarily due to a decrease in the net gain on sale of loans of $71,000, a decrease of $356,000 in other service charges and fees, and a decrease in gain on sale of foreclosed real estate of $295,000 during the year ended December 31, 2023 as compared to the year ended December 31, 2022.

Non-Interest Expense. Non-interest expense increased $90,000, or 1.5%, to $6.2 million for the year ended December 31, 2023, compared to $6.1 million for the year ended December 31, 2022. The decrease was primarily the result of an increase in legal and professional services of $235,000, an increase in data processing of $164,000, an increase in other expenses of $186,000, offset by a decrease in compensation and employee benefits of $412,000, and a decrease in total income taxes of $130,000 during the year ended December 31, 2023 as compared to the year ended December 31, 2022. During the year ended December 31, 2023, the Company incurred approximately $440,000 in legal and other expenses that were directly related to the impending merger.

Federal Income Taxes. Federal income taxes decreased by $130,000 to an income tax benefit of $10,000 for the year ended December 31, 2023, compared to an income tax expense of $120,000 for the year ended December 31, 2022. The decrease in income tax expense for the year ended December 31, 2023 was a direct result of the increase in non-interest expenses for the year, and the resulting decrease in net income.

EAGLE FINANCIAL BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

Three Months and Year End December 31, 2023 and 2022 (Unaudited)
(In Thousands, except share and per share data)

	Three Months Ended 12/31/2023	Three Months Ended 12/31/2022	Year Ended 12/31/2023	Year Ended 12/31/2022
Total interest income	$ 1,955	$ 1,536	$ 7,089	$ 5,251
Total interest expense	752	201	2,397	565
Net interest income	1,203	1,335	4,692	4,686
Provision for loan losses	-----	-----	-----	109
Net interest income after provision for credit loss	1,203	1,335	4,692	4,577
Total non-interest income	276	152	1,369	2,088
Compensation and benefits	879	994	3,625	4,037
Occupancy and equipment	74	100	313	362
Data processing	122	81	491	327
Legal and professional fees	209	52	540	305
FDIC Premium Expense	22	11	71	45
Other operating expenses	422	247	1,143	1,017
Total non-interest expense	1,728	1,485	6,183	6,093
Net (Loss) Income Before Taxes	(249)	2	(122)	572
Provision (benefit)for income taxes	(47)	(5)	(10)	120
(Net Loss) Net Income	$ (202)	$ 7	$ (112)	$ 452
Basic (Loss) Earnings per Share	$ (0.16)	$ 0.01	$ (0.09)	$ 0.36
Weighted-average shares outstanding				
Basic	1,252,710	1,243,639	1,244,174	1,256,554

Diluted (Loss) Earnings per Share	$ (0.16)	$ 0.01	$ (0.09)	$ 0.35
Weighted-average shares outstanding				
Diluted	1,252,710	1,253,539	1,246,147	1,265,016

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

	12/31/2023	12/31/2022	12/31/2021
Asset Quality			
Allowance for Loan Losses	$ 1,643	$ 1,217	$ 1,199
Nonperforming Loans/Total Loans	0.21%	0.79%	0.54%
Nonperforming Assets/Total Assets	0.18%	0.67%	1.40%
ALLL / Nonperforming Loans	511.83%	107.60%	181.94%
ALLL / Loans, Gross	1.08%	0.85%	0.98%
Profitability (For the three months ended)			
Yield on Average Earning Assets	4.85%	3.95%	2.83%
Cost of Avg. Interest Bearing Liabilities	2.17%	0.61%	0.44%
Net Spread	2.68%	3.34%	2.39%
Net Margin	2.98%	3.43%	2.46%
Capital (Bank Only)			
Tier 1 Capital Ratio	13.6%	14.7%	15.1%
Tier 1 Risk Based Capital Ratio	14.5%	15.4%	17.0%
Total Risk Based Capital Ratio	15.5%	16.1%	17.8%.

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. Except as may be required by applicable law or regulation, we are under no duty to and do not take any obligation to update any forward-looking statements after the date of this release.

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 market 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 the 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.

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