eclipse
A FRESH WAY TO BANK

April 17, 2024

Dear Eclipse Bancorp Shareholder:

The Company experienced substantial year-over-year improvements in numerous areas during the 1st quarter, including the following:

- 81% Core Earnings improvement
- 55% increase in Net Interest Income
- 85 basis point, or 64-percentage point, expansion in the Bank's Net Interest Margin
- 39% increase in Core Non-Interest Income

Earnings of -$242,626 for the quarter were impacted by approximately $140 thousand in non-recurring expenses relating to the closure of our Cincinnati Loan Production Office. The closure is projected to result in annualized savings of more than $500 thousand beginning in the 2nd quarter of this year. While 1st quarter earnings fell below the prior year quarter at $625,357, Core Earnings results – which exclude the forementioned restructuring expenses as well as the prior year's $1.7 million gain on sale of our St. Matthews property – improved by 81%. Similarly, earnings on a linked-quarter basis improved by $608,036, or 71%.

Net Interest Margin and asset/liability sensitivity have been primary points of focus over the last year. Net Interest Income expanded by $849,990, or 55%, vs. the prior year period driven by a 64-percentage point increase in the Bank's Net Interest Margin. The Bank's earning asset yields improved by nine basis points – despite a 100-basis point decrease in the Federal Funds rate during the 4th quarter of 2024 – while funding costs declined by 75 basis points. Meanwhile, loan and deposit durations continue to shorten, better positioning the Bank for fluctuations in market interest rates. Loans with rates adjusting within 90 days increased by 34% year-over-year and now represent 25% of the portfolio, compared to 18% in the prior year period.

Non-Interest Income of $236,920 represented a decline vs. the prior year period, though Core Non-Interest Income – excluding the gain on sale of the St. Matthews property – increased by 39% year-over-year and 105% on a linked-quarter basis.

The Bank's Tier 1 Leverage Ratio improved each of the last four quarters, from 8.90% in the prior year period to 9.26% currently. Total Assets decreased by 6%, to $478 million, as loans and deposits declined by 3.5% and 8.4%, respectively. However, the decline in deposits was driven by a $50.8 million, or 24%, reduction in high-cost Certificates of Deposit and was partially offset by increases of $13 million, or 14%, in checking account balances and $6.3 million, or 8.7%, in money markets and savings.

Credit quality remains strong. Non-Performing Loans, which represent loans on non-accrual status or 90+ days past due, declined by three basis points year-over-year and 17 basis points on a linked-quarter basis, to 0.48% of loans.

	Three Months Ended 3/31/2025	Three Months Ended 12/31/2024	Three Months Ended 3/31/2024
Net Return on Average Assets	**-0.21%**	-0.70%	0.49%
Net Return on Average Equity	**-3.06%**	-10.33%	7.86%
Book Value Per Share, ex. AOCI	**$10.80**	$10.76	$11.24
Book Value Per Share, inc. AOCI	**$9.69**	$9.58	$9.89
Earnings Per Share (annualized)	**-$0.28**	-$1.03	$0.76
Net Interest Margin (bank level)	**2.18%**	2.08%	1.33%
Loan Loss Reserve as % of Total Loans	**0.92%**	1.14%	1.01%
Non-performing Loans as % of Total Loans	**0.48%**	0.65%	0.51%
Tier 1 Leverage Capital Ratio	**9.26%**	9.21%	8.90%
Total Assets	**$477,908,972**	$480,280,722	$509,580,027
Net Loans	**$406,622,176**	$405,704,225	$421,292,546
Deposits	**$345,492,295**	$346,968,788	$377,033,489
Equity Capital, ex. AOCI	**$35,838,628**	$36,017,248	$36,980,945
Equity Capital, inc. AOCI	**$32,168,108**	$32,094,540	$32,530,296

**AOCI = Accumulated Other Comprehensive Income (includes "mark-to-market" securities adjustment)*

We are highly encouraged by the continued improvement in our margins and overall operating results. The Company is well positioned for expectations for continued Federal Funds rate reductions, while also benefitting from just under $20 million in low-rate loans scheduled to reprice this year. Additionally, our well-capitalized balance sheet and strong credit metrics position us well for a potential prolonged period of economic uncertainty relating to trade policy.

We appreciate your support and your investment in Eclipse.

Respectfully,

Andrew R. Pyles
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