

EXCHANGE BANK

Consolidated Statements
(Unaudited)

December 31, 2009

STATEMENT OF CONDITION

| | 2009 in thousands | 2008 |
|---|----------------------|------------------|
| ASSETS | | |
| Cash and due from banks | \$ 38,831 | 39,412 |
| Investment securities | | |
| Securities available for sale | 304,032 | 332,699 |
| Securities held to maturity | - | - |
| Total investment securities | <u>304,032</u> | <u>332,699</u> |
| Loans | | |
| Real estate | 694,845 | 737,555 |
| Consumer | 112,310 | 129,787 |
| Commercial | 284,372 | 293,480 |
| | <u>1,091,527</u> | <u>1,160,822</u> |
| Less allowance for loan losses | <u>28,781</u> | <u>27,180</u> |
| Net loans | 1,062,746 | 1,133,642 |
| Bank premises and equipment | 19,170 | 20,956 |
| Other assets | <u>127,287</u> | <u>102,637</u> |
| | <u>\$ 1,552,066</u> | <u>1,629,346</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | | |
| Non Interest Bearing Demand | \$ 427,850 | 381,003 |
| Interest Bearing | | |
| Transaction | 137,454 | 129,954 |
| Money market | 205,625 | 223,013 |
| Savings | 196,546 | 173,819 |
| Time | 349,373 | 380,253 |
| Total Deposits | 1,316,848 | 1,288,042 |
| Other borrowings | 51,000 | 151,000 |
| Other liabilities | <u>34,068</u> | <u>35,823</u> |
| Total liabilities | <u>1,401,916</u> | <u>1,474,865</u> |
| Stockholders' equity | <u>150,150</u> | <u>154,481</u> |
| | <u>\$ 1,552,066</u> | <u>1,629,346</u> |

EXCHANGE BANK

Consolidated Statements
(Unaudited)
December 31, 2009

STATEMENT OF INCOME

(in thousands)

| | 2009 | 2008 | 2009 | 2008 |
|---|-----------------|-----------------|---------------------|-----------------|
| | Quarter ended | Dec 31, | Twelve months ended | Dec 31, |
| Interest Income | | | | |
| Interest and fees on loans | \$ 16,886 | 18,005 | \$ 69,199 | 76,243 |
| Interest on investments securities | 2,848 | 3,792 | 12,922 | 14,850 |
| Interest on cash equivalents | (21) | 68 | (43) | 385 |
| Total interest income | 19,713 | 21,865 | 82,078 | 91,478 |
| Interest expense | | | | |
| Interest on deposits | 2,023 | 4,266 | 12,002 | 20,419 |
| Other interest expense | 716 | 1,141 | 3,858 | 4,852 |
| Total interest expense | 2,739 | 5,407 | 15,860 | 25,271 |
| Net interest revenue | 16,974 | 16,458 | 66,218 | 66,207 |
| Provision for losses on loans | 6,000 | 18,000 | 41,000 | 61,800 |
| Net interest revenue after provision for losses on loans | 10,974 | (1,542) | 25,218 | 4,407 |
| Non interest income | 5,150 | 4,602 | 20,609 | 19,784 |
| Non interest expense | | | | |
| Salary and benefit costs | 6,520 | 7,538 | 28,462 | 28,438 |
| Other expenses | 5,782 | 9,324 | 28,290 | 31,923 |
| | 12,302 | 16,862 | 56,752 | 60,361 |
| Income before income taxes | 3,822 | (13,802) | (10,924) | (36,170) |
| Provision for income taxes | 634 | (6,266) | (7,061) | (17,665) |
| Net income | \$ 3,188 | (7,536) | \$ (3,863) | (18,505) |
| | | | In dollars | |
| Basic/diluted earnings (loss) per common share ¹ | \$ 1.52 | \$ (4.39) | \$ (3.49) | \$ (10.79) |
| Simple earnings per share ² | \$ 1.86 | \$ (4.39) | \$ (2.25) | \$ (10.79) |
| Cash dividend per common share | \$ - | \$ - | \$ - | \$ 2.00 |

¹ Earnings (loss) per share is computed by dividing net income (loss), less preferred stock dividends, by the weighted averaged number of shares outstanding during the year.

² Simple earnings per share is computed by dividing net income (loss) by the weighted average of shares outstanding during the year.

Total average shares outstanding for both 2008 and 2009 was 1,714,344

The consolidated financial statements include the accounts of the Bank and its wholly owned subsidiaries. Certain intercompany accounts and transactions have been eliminated.