

EXCHANGE BANK

Consolidated Statements (Unaudited)

March 31, 2010

STATEMENT OF CONDITION

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and due from banks	\$ 66,514	28,745
Investment securities		
Securities available for sale	298,738	376,234
Securities held to maturity	-	-
Total investment securities	<u>298,738</u>	<u>376,234</u>
Loans		
Real estate	700,377	723,742
Consumer	108,372	124,419
Commercial	276,918	304,094
	<u>1,085,667</u>	<u>1,152,255</u>
Less allowance for loan losses	33,559	35,970
Net loans	<u>1,052,108</u>	<u>1,116,285</u>
Bank premises and equipment	18,611	20,566
Other assets	92,438	112,084
	<u>\$ 1,528,409</u>	<u>1,653,914</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non Interest Bearing Demand	\$ 421,350	411,038
Interest Bearing		
Transaction	138,671	124,919
Money market	221,799	221,840
Savings	208,031	182,357
Time	324,652	434,779
Total Deposits	<u>1,314,503</u>	<u>1,374,933</u>
Other borrowings	50,982	98,000
Other liabilities	10,269	38,216
Total liabilities	<u>1,375,754</u>	<u>1,511,149</u>
Stockholders' equity	<u>152,655</u>	<u>142,765</u>
	<u>\$ 1,528,409</u>	<u>1,653,914</u>

EXCHANGE BANK

Consolidated Statements
(Unaudited)
March 31, 2010

STATEMENT OF INCOME

(in thousands)

	2010	2009
	Three mo ended Mar 31st	
Interest Income		
Interest and fees on loans	\$ 17,279	17,229
Interest on investments securities	2,719	3,589
Interest on cash equivalents		(32)
	<u>19,998</u>	<u>20,786</u>
Total interest income	19,998	20,786
Interest expense		
Interest on deposits	1,522	3,618
Other interest expense	493	956
	<u>2,015</u>	<u>4,574</u>
Total interest expense	2,015	4,574
Net interest revenue	17,983	16,212
Provision for losses on loans	<u>6,000</u>	<u>23,000</u>
Net interest revenue after provision for losses on loans	11,983	(6,788)
Non interest income	4,872	4,730
Non interest expense		
Salary and benefit costs	6,978	7,789
Other expenses	<u>7,096</u>	<u>8,563</u>
	14,074	16,352
Income before income taxes	2,780	(18,409)
Provision for income taxes	<u>652</u>	<u>(8,110)</u>
Net income	<u>\$ 2,128</u>	<u>(10,299)</u>
	In dollars	
Basic/diluted earnings (loss) per common share ¹	\$ 1.24	\$ (6.22)
Simple earnings per share ²	\$ 1.24	\$ (6.01)

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 2009 and 2010 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.