

EXCHANGE BANK

Consolidated Statements (Unaudited)

June 30, 2010

STATEMENT OF CONDITION

	2010 <u>in thousands</u>	2009
ASSETS		
Cash and due from banks	\$ 55,167	28,397
Investment securities		
Securities available for sale	295,912	348,143
Securities held to maturity	-	-
Total investment securities	<u>295,912</u>	<u>348,143</u>
Loans		
Real estate	699,612	711,938
Consumer	107,569	120,885
Commercial	<u>276,918</u>	<u>306,715</u>
	1,084,099	1,139,538
Less allowance for loan losses	<u>36,411</u>	<u>33,238</u>
Net loans	1,047,688	1,106,300
Bank premises and equipment	18,280	19,858
Other assets	<u>92,057</u>	<u>107,137</u>
	<u>\$ 1,509,104</u>	<u>1,609,835</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non Interest Bearing Demand	\$ 415,586	385,989
Interest Bearing		
Transaction	139,349	126,080
Money market	224,190	212,023
Savings	209,840	187,962
Time	<u>301,734</u>	<u>433,328</u>
Total Deposits	1,290,699	1,345,382
Other borrowings	50,974	89,000
Other liabilities	<u>12,688</u>	<u>31,550</u>
Total liabilities	<u>1,354,361</u>	<u>1,465,932</u>
Stockholders' equity	<u>154,743</u>	<u>143,903</u>
	<u>\$ 1,509,104</u>	<u>1,609,835</u>

EXCHANGE BANK

Consolidated Statements
(Unaudited)
June 30, 2010

STATEMENT OF INCOME

(in thousands)

	2010 Quarter ended June 30,	2009 June 30,	2010 Six months ended June 30,	2009 June 30,
Interest Income				
Interest and fees on loans	\$ 16,614	17,844	\$ 33,893	35,073
Interest on investments securities	2,447	3,505	5,153	7,094
Interest on cash equivalents	5	(31)	19	(63)
Total interest income	19,067	21,318	39,065	42,104
Interest expense				
Interest on deposits	1,245	3,496	2,767	7,114
Other interest expense	500	1,124	993	2,080
Total interest expense	1,745	4,620	3,760	9,194
Net interest revenue	17,322	16,698	35,305	32,910
Provision for losses on loans	5,000	6,000	11,000	29,000
Net interest revenue after provision for losses on loans	12,322	10,698	24,305	3,910
Non interest income	5,266	4,959	10,138	9,689
Non interest expense				
Salary and benefit costs	6,661	7,323	13,639	15,112
Other expenses	7,014	5,136	14,110	13,699
	13,675	12,459	27,749	28,811
Income before income taxes	3,913	3,198	6,693	(15,211)
Provision for income taxes	1,148	766	1,800	(7,344)
Net income	<u>\$ 2,765</u>	<u>2,432</u>	<u>\$ 4,893</u>	<u>(7,867)</u>
		In dollars		
Basic/diluted earnings (loss) per common share ¹	\$ 1.27	\$ 1.08	\$ 2.51	\$ (5.14)
Simple earnings per share ²	\$ 1.61	\$ 1.42	\$ 2.85	\$ (4.59)

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.