

EXCHANGE BANK

Consolidated Statements (Unaudited)

June 30, 2011

STATEMENT OF CONDITION

	2011 in thousands	2010
ASSETS		
Cash and due from banks	\$ 56,726	\$ 55,167
Investment securities		
Securities available for sale	304,761	295,912
Securities held to maturity	-	-
Total investment securities	<u>304,761</u>	<u>295,912</u>
Loans		
Real estate	687,617	699,612
Consumer	98,447	107,569
Commercial	277,204	276,918
	<u>1,063,268</u>	<u>1,084,099</u>
Less allowance for loan losses	<u>32,790</u>	<u>36,411</u>
Net loans	1,030,478	1,047,688
Bank premises and equipment	18,060	18,280
Other assets	<u>97,211</u>	<u>92,057</u>
	<u>\$ 1,507,236</u>	<u>\$ 1,509,104</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non Interest Bearing Demand	\$ 431,452	\$ 415,586
Interest Bearing		
Transaction	155,895	139,349
Money market	199,467	224,190
Savings	228,768	209,840
Time	272,222	301,734
Total Deposits	1,287,804	1,290,699
Other borrowings	43,000	50,974
Other liabilities	<u>12,646</u>	<u>12,688</u>
Total liabilities	<u>1,343,450</u>	<u>1,354,361</u>
Stockholders' equity	<u>163,786</u>	<u>154,743</u>
	<u>\$ 1,507,236</u>	<u>\$ 1,509,104</u>

EXCHANGE BANK

Consolidated Statements
(Unaudited)
June 30, 2011

STATEMENT OF INCOME

(in thousands)

	2011	2010	2011	2010
	Quarter ended	June 30,	Six months ended	June 30,
Interest Income				
Interest and fees on loans	\$ 15,540	16,615	\$ 30,769	33,894
Interest on investments securities	2,344	2,447	4,618	5,152
Interest on cash equivalents	6	5	12	19
	<u>17,890</u>	<u>19,067</u>	<u>35,399</u>	<u>39,065</u>
Total interest income				
Interest expense				
Interest on deposits	829	1,245	1,696	2,767
Other interest expense	417	500	848	993
	<u>1,246</u>	<u>1,745</u>	<u>2,544</u>	<u>3,760</u>
Total interest expense				
Net interest revenue	16,644	17,322	32,855	35,305
Provision for losses on loans	3,000	5,000	6,250	11,000
Net interest revenue after provision for losses on loans	13,644	12,322	26,605	24,305
Non interest income	5,235	5,266	10,435	10,138
Non interest expense				
Salary and benefit costs	7,296	6,661	14,761	13,639
Other expenses	7,391	7,014	13,778	14,110
	<u>14,687</u>	<u>13,675</u>	<u>28,539</u>	<u>27,749</u>
Income before income taxes	4,192	3,913	8,501	6,693
Provision for income taxes	1,183	1,148	2,508	1,800
Net income	<u>\$ 3,009</u>	<u>2,765</u>	<u>\$ 5,993</u>	<u>4,893</u>
			In dollars	
Basic/diluted earnings (loss) per common share ¹	\$ 1.41	\$ 1.27	\$ 2.81	\$ 2.51
Simple earnings per share ²	\$ 1.76	\$ 1.61	\$ 3.50	\$ 2.85

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 2010 and 2011 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.