

Press Release

October 19th, 2016

Exchange Bank Announces Third Quarter Earnings Increase 5%

Today Exchange Bank announced results for the third quarter of 2016 with a profit after tax of \$5.4 million, compared to \$5.1 million in the third quarter of 2015. This represents an increase of \$257 thousand or a 5% increase compared to the same period a year ago. "The increase in earnings for the third quarter is a significant accomplishment in this low rate environment that is posing a challenge to the entire banking industry. The meaningful increases we have witnessed during this past year in both loan and deposit volumes, are a result of the hard work and dedication of our employees, as well as the continued loyalty of our clients and support from the communities we serve," stated Gary Hartwick, President and CEO. The Bank singled out strong loan activity and the continued expansion of the Bank's Trust and Investment Management business as key contributors to the success in financial results.

The core earnings of the Bank are driven primarily by continued growth in loans which were funded by growth in deposits. Loan growth of \$140 million or 11.3% during the 12 month period ending September 30, 2016 was funded by deposit growth of \$127 million or 7.2%. This asset growth led to an increase in net interest income of approximately \$900 thousand during the third quarter of 2016, a 5.3% increase over the similar quarter in 2015.

During the nine-months ending September 30, 2016, the Bank achieved net earnings of \$16.05 million, compared to \$15.9MM during the similar nine-month period in 2015. During the nine-months ending September 30, 2016 the Bank's core earnings as measured by net interest income increased \$3.3 million over the similar nine-month period in 2015, an increase of 6.6%. Net earnings for the Bank rose by \$144 thousand or approximately 1% year-over-year as this increase in net interest income was largely offset by the decline in the recapture of provision for loan loss which fell from \$3.2 million for the nine-months ending September 30, 2015 to \$900 thousand during the similar nine-month period ending September 30, 2016.

Exchange Bank paid a quarterly cash dividend of \$0.70 per share on common stock outstanding to shareholders on September 16, 2016. 51% of the cash dividend goes to the Doyle Trust which funds the Doyle Scholarships at the Santa Rosa Junior College.

FORWARD-LOOKING INFORMATION:

The following appears in accordance with the Private Securities Litigation Reform Act of 1995:

This press release may contain forward-looking statements about the Company, including descriptions of plans or objectives of its management for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” or words of similar meaning, or future or conditional verbs such as “will,” “would,” “should,” “could,” or “may.”

Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors — many of which are beyond the Company’s control — could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Forward-looking statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date forward-looking statements are made.

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