

EXCHANGE BANK

Condensed Consolidated Statements (Unaudited)

December 31, 2012

CONDENSED STATEMENT OF CONDITION

	2012	2011
	in thousands	
ASSETS		
Cash and due from banks	\$ 139,548	\$ 94,348
Interest-bearing deposits in other financial institutions	16,000	-
Investment Securities available for sale	395,495	344,930
Total investment securities	<u>395,495</u>	<u>344,930</u>
Loans		
Real estate	701,978	678,896
Consumer	86,192	94,475
Commercial	<u>256,699</u>	<u>279,383</u>
	1,044,869	1,052,754
Less allowance for loan losses	<u>35,631</u>	<u>31,751</u>
Net loans	1,009,238	1,021,003
Bank premises and equipment	16,485	17,772
Other assets	<u>122,091</u>	<u>122,350</u>
	<u>\$ 1,698,857</u>	<u>\$ 1,600,403</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non Interest Bearing Demand	\$ 516,756	\$ 466,936
Interest Bearing		
Transaction	211,582	178,066
Money market	203,608	198,600
Savings	278,480	238,463
Time	<u>249,331</u>	<u>268,818</u>
Total Deposits	1,459,757	1,350,883
Other borrowings	38,000	41,000
Other liabilities	<u>44,675</u>	<u>45,501</u>
Total liabilities	<u>1,542,432</u>	<u>1,437,384</u>
Stockholders' equity	<u>156,425</u>	<u>163,019</u>
	<u>\$ 1,698,857</u>	<u>\$ 1,600,403</u>

EXCHANGE BANK

Condensed Consolidated Statements
(Unaudited)
December 31, 2012

STATEMENT OF INCOME

(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	Quarter ended Dec 31,	Quarter ended Dec 31,	Twelve months ended Dec 31,	Twelve months ended Dec 31,
Interest Income				
Interest and fees on loans	\$ 14,213	15,527	\$ 59,248	61,896
Interest on investments securities	1,929	2,101	7,985	8,933
Interest on cash equivalents	69	5	69	22
	<u>16,211</u>	<u>17,633</u>	<u>67,302</u>	<u>70,851</u>
Interest expense				
Interest on deposits	510	700	2,313	3,162
Other interest expense	371	415	1,518	1,684
	<u>881</u>	<u>1,115</u>	<u>3,831</u>	<u>4,846</u>
Net interest income	15,330	16,518	63,471	66,005
Provision for losses on loans	1,800	3,300	9,150	12,550
Net interest income after provision for losses on loans	13,530	13,218	54,321	53,455
Non interest income	5,433	5,002	21,788	20,822
Non interest expense				
Salary and benefit costs	7,363	6,820	31,283	28,813
Other expenses	6,602	6,691	26,435	27,850
	<u>13,965</u>	<u>13,511</u>	<u>57,718</u>	<u>56,663</u>
Income before income taxes	4,998	4,709	18,391	17,614
Provision for income taxes	1,733	1,534	6,129	5,435
Net income	<u>\$ 3,265</u>	<u>3,175</u>	<u>\$ 12,262</u>	<u>12,179</u>
			In dollars	
Basic/diluted earnings per common share ¹	\$ 1.71	\$ 1.51	\$ 5.93	\$ 5.74
Simple earnings per share ²	\$ 1.90	\$ 1.85	\$ 7.15	\$ 7.10

¹ Earnings per share is computed by dividing net income, 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 2011 and 2012 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.