

## **FOR IMMEDIATE RELEASE**

**April 23, 2019**

### **Exchange Bank Earnings Remain Strong in First Quarter**

**Santa Rosa, CA** – On April 23, 2019, Exchange Bank announced results for the first quarter of 2019 with a profit after tax of \$9.07 million, compared to \$9.01 million in the previous quarter ending December 31, 2018.

The Bank's net income of \$9.07 million, compared to \$11.1 million in the first quarter of 2018, shows a decrease in earnings which can be attributed to a decline in nonrecurring earnings in the form of gains on the sale of other real estate owned (OREO). During the first quarter of 2018, the Bank successfully completed the disposition of other real estate held for sale, which contributed pretax gains of approximately \$3.25 million. The Bank recognized no such gain on sale of OREO in the first quarter of 2019. Absent the gain on sale of OREO in 2018, the Bank's income after tax for the first quarter of 2018 would have been approximately \$8.78 million compared to net income of \$9.07 million during the first quarter of 2019. The Bank's net interest income, a better measure of the Bank's sustainable earnings growth, increased by \$1.79 million or 8%, growing from \$22.31 million in the first quarter of 2018 to \$24.1 million for the similar quarter in 2019.

"This was another strong quarter of financial performance, as demonstrated by the increased net interest income. The increase in net interest income was fueled by a prudently managed balance sheet that allowed the Bank to take advantage of a generally rising interest rate environment" said Greg Jahn, executive vice president and CFO.

A key driver of the growth in net interest income was the rising interest rate environment experienced during much of the 12-month period ending March 31, 2019. As a result of four increases in the Fed Funds rate totaling 1.0% and a similar increase in Treasury yields, the Bank successfully redeployed an average of approximately \$166 million in excess reserves at the Fed into higher yielding investment securities. The Bank's balance sheet experienced a decline during the 12-month period ending March 31, 2019 as it began to witness deposit withdrawals from clients who were impacted by the wildfires of 2017. As the rebuild efforts have continued to accelerate, those clients have had the opportunity to utilize cash reserves from their insurance proceeds held at the Bank to rebuild or relocate their primary residence. The Bank expects this trend of deposits utilized to support the rebuild efforts to continue throughout 2019.

When excluding the OREO gain of \$3.25 million from non-interest income during the first quarter of 2018, non-interest income was almost unchanged from the \$5.86 million recognized during the first quarter of 2019. During the quarter ending March 31, 2019, declines in SBA revenue were offset by increases in fees generated by Trust and Investment Management as well as gains on sale of investment securities. Operating expenses for the first quarter of 2019 increased by almost 9% over the similar quarter in 2018 as the Bank continues to invest in technology and personnel necessary to support future growth.

The first quarter of 2019 marked the completion of Exchange Bank's successful acquisition of the trust department of First Northern Bank of Dixon, CA.

"We believe the expansion of our Trust & Investment Management Department will provide significant value to our shareholders, clients and employees," said Gary Hartwick, president and CEO of Exchange Bank. "First Northern Bank's shared values and highly respected team is a natural fit which increases our wealth management capabilities and ability to serve the families and businesses of the Sacramento area."

Exchange Bank paid a quarterly cash dividend of \$1.05 per share on common stock outstanding to shareholders on March 15, 2019. 50.44% of the cash dividend goes to the Doyle Trust which funds the Doyle Scholarships at the Santa Rosa Junior College.

### **About Exchange Bank**

Headquartered in Sonoma County and founded in 1890, Exchange Bank is a premier community bank with assets of \$2.6 billion. Exchange Bank provides a wide range of personal, commercial and trust and investment services with 18 branches in Sonoma County and a commercial and SBA lending office in Roseville and Marin, California. The Bank's legacy of financial leadership and community support is grounded in its core values of Commitment, Respect, Integrity and Teamwork.

Exchange Bank is a 13-time winner of the North Bay Business Journal's (NBBJ) Best Places to Work survey, a recipient of the 2018 North Bay Community Philanthropy Award and the 2018 Healthiest Companies in the North Bay Award. NorthBay biz magazine named Exchange Bank the 2018 Best Consumer Bank and Gold Medal Winner for Best Business Bank. The North Bay Bohemian's Best of 2018 Readers Poll named Exchange Bank the Best Business Bank and Best Consumer Bank. Exchange Bank can also be found in the NBBJ's Book of Lists as a leading lender and wealth management advisor—claiming the #1 position in SBA 7(a) lending in Sonoma County for 2018. [www.exchangebank.com](http://www.exchangebank.com).

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