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Exchange Bank Reports First Quarter Earnings with Focus on Community Support

Santa Rosa, CA – On April 30, 2020, Exchange Bank announced results for the first quarter of 2020 with a profit after tax of \$8.63 million, compared to \$9.07 million in the previous quarter ending December 31, 2019.

“We are in unprecedented times,” said Gary Hartwick, president and CEO. “During the first quarter, Exchange Bank responded to the needs of our customers as a result of the COVID-19 pandemic. Since our founding in 1890, we have stood by our customers through the best and worst of economic times. Our current focus is on the health and wellbeing of our employees and customers. Before we begin discussion of our first quarter financial results, we want to let our customers and community know that we are here to provide support during this crisis. To this end, we have provided support to all of our employees by retaining them at full pay, even with reductions in work schedules. In support of our customers, we have waived certain deposit related fees and provided payment deferrals to many loan clients who have been negatively impacted by the coronavirus crisis. We have also expended tremendous resources participating in the SBA Paycheck Protection Program under the CARES Act. The tireless work and dedication of our employees to meet the needs of our customers in nothing short of spectacular,” stated Hartwick.

The Bank’s net income of \$8.63 million, compared to \$9.07 million in the first quarter of 2019, shows a decrease in earnings which can be attributed to a slight decline in net interest income during a period of declining interest rates, combined with normally scheduled increases in operating expenses. The Bank’s net interest income declined marginally from \$24.1 million during the first quarter of 2019 to \$23.9 million during the first quarter of 2020. “During a period of time when treasury yields were in a long, steady downward decline that accelerated to record lows with the onset of the coronavirus pandemic, prudent management of the Bank’s balance sheet contributed to a margin that declined only slightly, falling from 3.83% during the first quarter of 2019 to 3.82% during the first quarter of 2020,” stated Greg Jahn, executive vice president and CFO.

The Bank’s margin was bolstered by a better mix of interest earning assets, as higher yielding loans increased by approximately \$80 million year-over-year, funded primarily by a decrease in lower-yielding investment securities. Credit quality remains strong, as such—there was no provision for loan losses in the first quarter. The slight decline of \$28 million in

deposits masks the true growth in underlying core deposits. The decline in deposits is distorted by the withdrawal of approximately \$137 million in fire-related insurance deposits which had been temporarily placed at the Bank as a result of the devastating wildfires occurring late in 2017. As the rebuild efforts have continued, 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 2020. The deposit decline of \$28 million, after accounting for runoff of \$137 million in insurance related deposits, resulted in the growth in the stable base of core deposits of approximately \$109 million.

While non-interest income during the first quarter of 2020 was almost unchanged from the \$5.86 million recognized during the first quarter of 2019, the Bank began to witness significant declines in several areas of non-interest income that are associated with the weakening in personal consumption, such as interchange fees and overdraft fee income. These declines, which began to surface as a result of the coronavirus pandemic and the associated implementation of social distancing measures, were generally offset by an increase in Trust and Investment Management fees. The increase in Trust revenue was positively impacted by the acquisition of approximately \$70 million of Trust assets from First American Trust and Savings in the South Bay market. This acquisition was completed in the second quarter of 2019 and added revenues of approximately \$250 thousand during the quarter ending March 31, 2020.

Exchange Bank paid a quarterly cash dividend of \$1.20 per share on common stock outstanding to shareholders on March 20, 2020. 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 14-time winner of the North Bay Business Journal's (NBBJ) Best Places to Work survey, a recipient of the 2020 North Bay Community Philanthropy Award and the 2019 Healthiest Companies in the North Bay Award. NorthBay biz magazine named Exchange Bank the 2020 Best Consumer and Best Business Bank. The North Bay Bohemian's Best of 2019 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 2019. www.exchangebank.com.

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