



FOR IMMEDIATE RELEASE

August 4, 2021

Exchange Bank Announces Second Quarter 2021 Earnings

Santa Rosa, CA – On August 4, 2021, Exchange Bank announced results for the second quarter of 2021, reporting net income after taxes of \$8.22 million, compared with \$7.85 million for the same quarter in 2020, an increase of 4.71%.

The Bank's net interest income increased slightly from \$23.19 million during the three months ended June 30, 2020 to \$23.24 million the same period in 2021. The 2021 interest income was supported by the PPP loans booked in both 2020 and 2021 and the fees associated with these loans. In the second quarter of 2021, the Bank recognized \$1.52 million in PPP loan fees; there were no PPP loan fees recognized in the first six months of 2020. The Bank expects net interest margin to be a challenge for the remainder of 2021 and into the near future with the expectation that treasury yields will remain low.

The Bank's results continue to be influenced by the changing patterns of behavior by both business and consumer clients as well as the fiscal and monetary response of the U.S. Government to the coronavirus pandemic. Non-interest income increased from \$4.74 million in the second quarter of 2020 to \$5.95 million in the similar period in 2021. A highlight of the favorable non-interest income is Trust and Investment Management with an increase of \$0.55 million over the second quarter of 2020 to \$2.64 million for the three months ended June 30, 2021. In contrast to the overall increase in non-interest income, three areas are experiencing a downward trend: lower account service fees due to higher than normal compensating balances across both business and consumer deposit accounts; a decline in interchange fees as a result of dramatically reduced consumer spending; and lower SBA fee income due to diminished business activities during this period. These fee-based decreases are a continuing trend from 2020 which the Bank expects to continue for the remainder of 2021.

The quality of the Bank's loan portfolio remains strong; however, due to the economic uncertainty that exists today, the Bank elected to strengthen its reserve for potential future

losses with a provision for loan loss totaling \$0.8 million during the second quarter of 2021. The Bank did not take a provision for loan loss during the similar period in 2020.

The previously discussed increases in revenue were supplemented by the Bank's decreased operating expenses. The Bank had a decrease operating expenses during the three months ending June 30, 2021 by approximately \$0.10 million or 0.06% in comparison to the three months ended June 30, 2020.

The Bank experienced a dramatic increase in deposit balances which were up year-over-year by approximately \$395 million or 15%. This increase in deposits started during the second quarter of 2020, resulting from business deposits relating to the deposit of PPP loan funds received by Bank clients. The PPP loans issued in 2021 have added to the increase in deposits. Additional sources of the increase in deposits are the economic stimulus received by our customers and both business and consumer customers who chose to hold more liquid assets during this period of great uncertainty. The increase in deposits led to a material decline in deposit service fee income as a result of the waiver of fees associated with higher customer compensating balances. It is possible the Bank could experience a significant runoff of the excess deposits due to their unusual and short-term nature as they are used to support small business and consumer-related expenses over the next year.

Overall, the Bank's balance sheet growth for the year-ending June 30, 2021 was bolstered by the PPP loans and deposit growth as previously noted. Total assets increased to \$3.43 billion as of June 30, 2021 up from \$3.04 billion in 2020, an increase of 13%. Gross loans decreased from \$1.85 billion in 2020 to \$1.68 billion in 2021. A significant portion of the decrease relates to PPP loans which had a balance of \$264 million as of June 30, 2020 vs. \$182 million as of June 30, 2021. The Bank's investment portfolio increased \$351 million during the twelve months ended June 30, 2021.

During the six months ending June 30, 2021, the Bank achieved net earnings of \$16.71 million, compared to \$16.48 million during the similar six-month period in 2020, an increase of \$0.23 million or 1.38%. The change was driven by the same factors related to net interest income and non-interest income as described previously. Net interest income declined \$0.58 million from \$47.09 million for the six months ended June 30, 2020 to \$46.51 million for the same period in 2021. \$5.49 million of PPP loan fees are included in 2021 net interest income. During the six months ending June 30, 2021, the growth in the Bank's Trust and Investment Management business, which was up approximately \$1.01 million, helped offset declines in deposit fee and SBA income, compared to the similar six-month period in 2020.

The Bank's capital ratios remain well in excess of the regulatory definitions of "well capitalized." As of June 30, 2021, the Bank reported total risk-based capital of 19.68%.

“The Bank’s extraordinary efforts to assist our customers during this pandemic, especially with PPP loans, have had a significant effect on the size and asset mixture of our balance sheet,” said Troy Sanderson, president and CEO. “Through the management of liquidity and strong credit quality, we intend to remain a trusted resource for those same customers as we continue fighting our way through this pandemic together.”

50.44% of the Bank’s 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.

About Exchange Bank

Headquartered in Sonoma County and founded in 1890, Exchange Bank is a premier community bank with assets of \$3.4 billion. Exchange Bank provides a wide range of personal, commercial and trust and investment services with 17 retail branches in Sonoma County, a commercial branch in Roseville, and trust and investment offices in Santa Rosa, Roseville and Silicon Valley. 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 15-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 2020 Healthiest Companies in the North Bay Award. The Press Democrat Best of Sonoma County Reader’s Choice 2021 named Exchange Bank Best Bank and the NorthBay biz magazine named Exchange Bank the 2020 Best Consumer Bank and Best Business Bank. The Sonoma Valley People’s Choice awards named Exchange Bank the Best Local Bank 2021 and

the North Bay Bohemian's Best of 2020 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—retaining the #1 position in SBA 7(a) lending in Sonoma County for 2020. www.exchangebank.com.

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