



**FOR IMMEDIATE RELEASE**

**February 17, 2022**

## **Exchange Bank Announces Fourth Quarter and Year Ending 2021 Earnings**

**Santa Rosa, CA** – On February 17, 2022, Exchange Bank announced results for the fourth quarter and year ending 2021, reporting net income after taxes of \$9.85 million in the fourth quarter of 2021, compared with \$9.24 million for the same quarter in 2020, an increase of 6.60%. The Bank achieved net income for the year ended December 31, 2021 of \$36.41 million.

“We achieved these solid financial results again with a steady focus on our core mission— assisting our customers, especially our commercial customers, during very difficult economic times,” said Troy Sanderson, president and CEO.

The Bank continues to support its customers, providing payment deferrals to borrowers who have been negatively impacted by the COVID-19 virus. Exchange Bank expended tremendous internal resources participating in the 2021 round of the SBA Paycheck Protection Program (PPP) under the CARES Act. As a result of this effort, they were successful in providing loans to 1,094 small businesses in the community with loan balances totaling approximately \$125 million. This is in addition to the \$260 million in PPP loans made by the Bank in 2020.

“We are extremely proud of our lending teams,” said Sanderson. “Their work on the PPP loan program in 2021 again provided a desperately-needed lifeline to over one thousand small businesses, many family-owned, in our community.”

Exchange Bank’s net income for 2021 was \$36.41 million, compared with \$33.70 million in 2020. The increase in earnings can be attributed to increases in non-interest income of \$2.11 million and decreases of non-interest expense of \$4 million. These increases in net income were offset by the decline in net interest income. The Bank’s 2021 results were heavily 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. The Bank's net interest income declined from \$96.38 million during the 12 months ended December 31, 2020 to \$93.55 million the same period in 2021. During a period of time when treasury yields remained anchored near historic lows, the Bank's margin was negatively impacted by declines in yields on loans and investments that surpassed the Bank's ability to affect a similar decline in interest expense through a lower cost of funds. As a result, the Bank experienced a decline of \$2.83 million in net interest income for the 12 months ended December 31, 2021 compared with the similar period in 2020. The loss of interest income was somewhat offset by the increase in interest income as a result of the recognition of SBA fees related to PPP loans of \$8.87 million and the growth of other liquid investments totaling approximately \$466.54 million. The Bank's net interest margin decreased from 3.46% in 2020 to 2.87% in 2021. The Bank expects net interest margin challenges to continue into 2022.

Non-interest income increased from \$21.54 million in 2020 to \$23.65 million in 2021. The Bank's Trust & Investment Management department exceeded \$10 million in income for the first time, ending the year with \$10.48 million in income as compared to \$8.95 million for 2020. During 2021, the Bank continued to witness significant declines in various elements of deposit service fee income that are directly associated with a weaker level of personal consumption and low interest rates. Fees related to customer account usage were down \$435 thousand in 2021 when compared to 2020.

Also adding to the increased net income for 2021 was the Bank's focus on controlling operating expenses. Adjusting to an environment of generally slower business activity, the Bank was successful in reducing operating expenses during the 12 months ending December 31, 2021, by approximately \$4 million or 5.82%. During 2020, the Bank had one-time expenses related to its core operating system conversion of approximately \$2.3 million before taxes.

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 \$2.00 million during 2021. The Bank took a provision for loan loss of \$1.80 million during the similar period in 2020.

Overall, the Bank's balance sheet growth for the year ending December 31, 2021 was bolstered by deposit growth. Total assets increased to \$3.53 billion as of December 31, 2021, up from \$3.14 billion in 2020, an increase of 12.67%. Gross loans decreased from \$1.73 billion in 2020 to \$1.51 billion in 2021. Forgiveness of SBA PPP loans accounted for \$133.22 million of the decrease.

The Bank experienced a dramatic increase in deposit balances which were up year-over-year by approximately \$401 million or 14.42%. This increase in deposits was due in part to the business deposits totaling approximately \$125 million relating to the deposit of PPP loan funds received by Bank clients. In addition, proceeds from loan forgiveness and paydowns of \$133 million added to cash balances. An additional source of deposits totaling \$144 million came from 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.

The Bank also grew its investment portfolio by \$467 million in 2021 as a result of the increase in deposits during 2021.

The Bank's capital ratios remain well in excess of the regulatory definitions of "well capitalized." As of December 31, 2021, the Bank reported total risk-based capital of 21.50%

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 full-service community bank with assets of \$3.5 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 known for its people who care about their customers, their company, and the communities where they live and work. The Bank is a 16-year winner of the North Bay Business Journal's Best Places to Work survey and was named Best Bank by the Press Democrat's 2021 Best of Sonoma County Reader's Choice awards. The Sonoma Valley People's Choice awards named Exchange Bank the Best Local Bank 2021.  
[www.exchangebank.com](http://www.exchangebank.com).

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