



FOR IMMEDIATE RELEASE

May 4, 2022

Exchange Bank Announces First Quarter 2022 Earnings

Santa Rosa, CA – On May 4, 2022, Exchange Bank announced results for the first quarter of 2022, reporting net income after taxes of \$8.26 million, compared with \$8.49 million for the same quarter of 2021, a decrease of 2.77%. The decrease in earnings in the first quarter of 2022 can be attributed to declines in net interest income and increases in non-interest expenses.

The Bank's net interest income declined from \$23.27 million during the three months ended March 31, 2021 to \$22.38 million the same period in 2022. The Bank's net interest margin decreased from 3.08% in 2021 to 2.67% in 2022. The loss in interest income is due in large part to a decrease in PPP loans fees of \$2.82 million from 2021 to 2022. The Bank expects net interest margin challenges to continue into 2022 as market conditions for loans remain very competitive.

Non-interest income increased from \$5.41 million in the first quarter of 2021 to \$6.10 million in the similar period in 2022. This improvement can be attributed to an increase in consumer and business-related usage fees including interchange fees and ATM network fees. While not at pre-pandemic levels, usage-based fees have recovered from one year ago.

Non-interest expenses increased 8.8% from 2021 to \$17.10 million for the first quarter of 2022. The majority of the increase in expenses was related to salaries and benefits. These expenses increased \$1.00 million from 2021 to 2022 as open employee positions were filled and pay scales were adjusted to meet market demands.

The quality of the Bank's loan portfolio remains strong; the Bank did not take a provision for loan losses in the first quarter of 2022. Due to the economic uncertainty in the first quarter of 2021, the Bank elected to strengthen its reserve for potential future losses with a provision for loan loss totaling \$1.2 million during the first quarter of 2021.

Total assets increased to \$3.54 billion as of March 31, 2022 up from \$3.29 billion in 2021, an increase of 7.6%. The Bank's cash position remains elevated at \$308 million but down \$120

million from \$428 million in 2021. The excess cash remains from prior years and was related to PPP loans and economic stimulus received by our customers.

The Bank continues to deploy excess cash into its investment portfolio. The investment portfolio was \$1.61 billion as of March 31, 2022 vs. \$1.05 billion one year before. Gross loans decreased from \$1.72 billion in 2021 to \$1.49 billion in 2022. Overall, loan balances decreased \$230 million with \$196 million of the decrease coming from forgiveness of PPP loans.

Deposits remain elevated with balances of \$3.24 billion as of March 31, 2022. This is a year-over-year increase of \$295 million or 10%. It is possible the Bank could experience a certain level of 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's capital ratios remain well in excess of the regulatory definitions of "well capitalized." As of March 31, 2022, the Bank reported total risk-based capital of 20.18%. The Bank's book equity decreased \$34.4 million, or 11.3%, since March 31, 2021. This change in the Bank's book equity is due to the unrealized losses associated with the investment portfolio. The unrealized losses have arisen due to the significant increase in interest rates since the end of 2021; the Bank has the intent and ability to hold the investments until maturity and does not expect to recognize the losses. For a comparison, the Bank's tangible equity, which can also be described as regulatory capital, was \$332.8 million as of March 31, 2022, an increase of \$28 million over the same period in 2021. Tangible equity is not impacted by movements in the market value of the Bank's investment portfolio.

"The Bank again posted solid earnings in the first quarter of 2022 while maintaining strong capital, liquidity and credit quality," said Troy Sanderson, president and CEO. "We are positioned to take advantage of a rising interest rate environment as we work to safely and smartly deploy our excess liquidity back into our local community."

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 management services with 17 retail branches in Sonoma County, a commercial branch in Roseville and Trust & Investment Management 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*.

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