



FOR IMMEDIATE RELEASE

November 3, 2022

Exchange Bank Announces Third Quarter 2022 Earnings

Santa Rosa, CA – Exchange Bank today announced results for the third quarter of 2022, reporting net income after taxes of \$10.07 million, compared with \$9.85 million for the same quarter of 2021, an increase of 2.23%. The increase in earnings in the third quarter of 2022 can be attributed to increases in net interest income of \$2.0 million and a one-time life insurance benefit of \$800,000.

The Bank's net interest income increased from \$23.99 million during the three months ended September 30, 2021 to \$25.99 million the same period in 2022. The increase in interest income is due in large part to a growth in core earning assets and interest income earned on the Bank's investment portfolio. The investment portfolio interest was \$3.20 million more in the third quarter of 2022 compared to the third quarter of 2021. In addition, interest earned on fed funds increased \$618,000 in the 2022 quarter. These positive changes were offset by a decrease in PPP loans fees of \$1.76 million from the 2021 quarter to the 2022 quarter. The Bank's net interest margin decreased from 2.94% in 2021 to 2.91% in 2022. The Bank expects net interest margin challenges to continue into 2023 as market conditions for loans remain very competitive.

Non-interest income increased from \$5.55 million in the third quarter of 2021 to \$6.50 million in the similar period in 2022. This improvement can be attributed to the life insurance benefit noted above and 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 17.06% from 2021 to \$18.58 million for the third quarter of 2022. The increase in non-interest expenses relates to several areas. Salary expense has increased \$622,000 for the 2022 quarter as compared to the same quarter in 2021. Software and professional fees related to technology have increased \$1.38 million to \$2.39 million for the third quarter of 2022. In 2021, the Bank was utilizing credits from its core conversion to offset these expenses.

The quality of the Bank's loan portfolio remains strong; the Bank did not take a provision for loan losses in the third quarter of 2022 or 2021.

Total assets decreased to \$3.43 billion as of September 30, 2022, down from \$3.53 billion. The Bank's cash position remains elevated at \$131 million but down \$425 million from \$556 million in 2021. The excess cash remains from prior years and was related to PPP loans and economic stimulus received by our customers.

The investment portfolio was \$1.60 billion as of September 30, 2022 vs. \$1.24 billion one year before. Gross loans decreased from \$1.59 billion in 2021 to \$1.50 billion in 2022. Overall, loan balances decreased \$88 million with \$109 million of the decrease coming from forgiveness of PPP loans. Core loans grew \$21 million.

Deposits remain steady with balances of \$3.20 billion as of September 30, 2022 as compared to \$3.17 billion as of September 30, 2021. 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.

During the nine months ending September 30, 2022, the Bank achieved net earnings of \$27.84 million, compared to \$26.56 million during the similar nine-month period in 2021, an increase of \$1.28 million or 4.83%. The change was driven by factors related to net interest income and customer usage fees as described previously. Net interest income increased \$2.41 million from \$70.50 million for the nine months ended September 30, 2021 to \$72.91 million for the same period in 2022. \$2.25 million of PPP loan fees are included in 2022 net interest income while \$7.30 million were included in 2021, a decrease of \$5.05 million. Interest on earning assets increased \$7.46 million to more than cover the loss of PPP fee income. Included in this net increase is an additional \$7.74 million generated from the Bank's investment portfolio in 2022 and an additional \$1.05 million earned on fed funds.

The Bank's capital ratios remain well in excess of the regulatory minimums to be considered "well capitalized." As of September 30, 2022, the Bank reported total risk-based capital of 18.80%. The Bank's book equity decreased \$126.5 million, or 40.02%, since September 30, 2021 and \$28.41 million, or 13.03%, since June 30, 2022. 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, expects full collection of the carrying amount of these securities, and does not expect to recognize the losses. On an ongoing basis, the Bank reviews its liquidity sources. As of September 30, 2022, the Bank has in excess of \$1 billion in available liquidity. The Bank does not view the temporary nature of the book unrealized losses to be a significant risk to its long-term capital position. The unrealized losses reduce the Bank's accumulated other comprehensive income, which the Bank has opted to exclude from its common equity tier 1 capital. Therefore, the Bank's regulatory capital is not impacted by the changes in the market value of the debt securities in the Bank's investment portfolio. The Bank's regulatory capital, as defined by the FDIC, was \$348.2 million as of September 30, 2022, an increase of \$32 million, or 10.17%, over the same period in 2021 and an increase of \$7.9 million, or 2.33%, since June 30, 2022.

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 \$3.43 billion. Exchange Bank provides a wide range of personal, commercial and trust and investment management services with 16 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. Exchange Bank is a 17-year winner of the North Bay Business Journal's Best Places to Work survey and the 2022 San Francisco Business Times Corporate Philanthropy Award. Exchange Bank was named Best Consumer Bank by the NorthBay biz Magazine's Best of the North Bay readers' poll. The Petaluma Argus Courier People's Choice Awards named Exchange Bank Best Local Bank 2022 and the Bohemian Magazine's Best of the North Bay 2022 named Exchange Bank Best Business Bank and Best Consumer Bank. www.exchangebank.com

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Contact:

Shari DeMaris, EVP, Chief Financial Officer

(707) 524-3067

