



## **FOR IMMEDIATE RELEASE**

**January 31, 2023**

### **Exchange Bank Announces Fourth Quarter and Year Ending 2022 Earnings**

**Santa Rosa, CA** – Exchange Bank (OTC: EXSR) today announced results for the fourth quarter and year ending 2022, reporting net income after taxes of \$9.64 million in the fourth quarter of 2022, compared with \$9.85 million for the same quarter of 2021, a decrease of 2.16%. The Bank achieved net income for the year of \$37.48 million, compared to \$36.41 million in 2021, an increase of 2.94%.

The Bank's net interest income increased from \$93.55 million during the 12 months ended December 31, 2021 to \$99.14 million the same period in 2022, an increase of 5.97%. 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 grew to \$29.77 million which was a \$12.35 million increase in 2022 compared to 2021. In addition, interest earned on fed funds increased \$1.22 million in 2022. These positive changes were offset by a decrease in PPP loans fees of \$6.61 million from 2021 to 2022. The Bank's net interest margin increased from 2.87% in 2021 to 3.01% in 2022.

Non-interest income increased from \$23.65 million in 2021 to \$24.37 million in 2022. This improvement can be attributed to a life insurance benefit of \$800,000 and an increase of \$1.42 million in consumer and business-related usage fees including interchange fees and ATM network fees. These improvements were offset by a decrease of \$776,000 in income generated by the Bank's Trust & Investment Management resulting from overall market conditions.

Non-interest expenses increased 13.57% from 2021 to \$73.42 million for 2022. The increase in non-interest expenses relates to several areas. Salary and benefit expense increased \$4.66 million for 2022 as compared to 2021. The Bank was able to fill open positions during 2022 and provided cost of living and annual pay adjustments for its employees. Software and professional fees related to technology have increased \$2.50 million to \$14.24 million for 2022. In 2021, the Bank utilized credits of \$1.2 million 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 2022. There was a provision for loan losses of \$2 million in 2021.

Total assets decreased to \$3.33 billion as of December 31, 2022, down from \$3.54 billion at the end of 2021. The Bank's cash position has normalized at \$48 million which is down \$425 million from \$473 million in 2021.

The investment portfolio was \$1.58 billion as of December 31, 2022 vs. \$1.41 billion one year before. Gross loans remained stable ending with \$1.51 billion for both 2021 and 2022. Overall, loan balances decreased \$199,000. The change in loans was composed of core loan growth of \$57.48 million offset by a decrease of \$57.68 million from forgiveness of PPP loans.

Deposits decreased 3.55% in 2022 to a total of \$112.84 million, ending 2022 at \$3.07 billion as compared to \$3.18 billion as of December 31, 2021. The decrease in deposits has been spread among all account types with demand deposit accounts decreasing \$62.18 million, money market accounts decreasing \$28.23 million and certificates of deposit decreasing \$21.80 million. Savings accounts balances have remained stable. It is possible the Bank could continue to experience an additional 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 minimums to be considered "well capitalized." As of December 31, 2022, the Bank reported total risk-based capital of 19.54%. The Bank's book equity decreased \$117.2 million, or 36.71%, since December 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, 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 December 31, 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 investment securities in the Bank's investment portfolio. The Bank's regulatory capital, as defined by the FDIC, was \$355.7 million as of December 31, 2022, an increase of \$29.08 million, or 8.90%, over the same period in 2021.

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 \$3.33 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](http://www.exchangebank.com)

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