



## FOR IMMEDIATE RELEASE

July 25, 2019

### Exchange Bank Announces Second Quarter Earnings

**Santa Rosa, CA** – On July 25, 2019, Exchange Bank announced results for the second quarter of 2019 with a profit after tax of \$9.01 million, compared to \$8.87 million in the second quarter of 2018. This represents a 1.5% increase compared to the same period a year ago. “The Bank’s core business remains strong. Our excellent credit quality, low-cost deposit base and our increased net interest margin are key indicators of the Bank’s stability. Our commitment to community support continues to be evidenced by the Bank’s loan growth, supporting our clients and the local economy,” said Gary Hartwick, president and CEO of Exchange Bank.

The Bank continues to experience solid growth in its core business as evidenced by an increase in net interest income from \$23.20 million in the second quarter of 2018 to \$24.01 million during the quarter ending June 30, 2019, an increase of 3.5%. Contributing to the positive trend in net interest income was growth in the loan portfolio of \$39.73 million, an increase of 2.6% over similar balances as of June 30, 2018. Additionally, the Bank’s increased net interest income was strongly influenced by the generally rising interest rate environment during much of 2018. As a result of higher treasury yields during a substantial portion of the 12-month period ending June 30, 2019, the Bank was able to increase its net interest margin from 3.65% for the six months in 2018 to 3.88% for the similar six-month period ending June 30, 2019. As interest rates have declined materially during the first half of 2019, the Bank will be challenged to continue this expansion of net interest margin in the second half of the year.

The Bank’s balance sheet experienced a decline during the 12-month period ending June 30, 2019 as the Bank continued to witness deposit withdrawals from clients who were impacted by the wildfires of 2017. As the rebuild efforts have continued to accelerate, those clients have had the opportunity to utilize cash reserves from their insurance proceeds held at the Bank to rebuild or relocate their primary residence. As a result, deposits declined from \$2,365 million at June 30, 2018 to \$2,268 million at June 30, 2019. Funding the decline of approximately \$98 million in deposits and growth of approximately \$40 million in loans, was a reduction in liquid investments totaling approximately \$101 million. The Bank expects this trend of deposits utilized to support the rebuild efforts to continue throughout 2019.

Non-interest income increased in the second quarter of 2019 by \$645 thousand compared to the similar quarter ending June 30, 2018. This increase was primarily the result of an increase in SBA revenue of \$330 thousand and an increase of approximately \$220 thousand in revenue generated by our Trust and Investment Management business. The increase in

Trust revenue was largely the result of recent acquisitions of Trust business in the Sacramento and South Bay markets.

During the six months ending June 30, 2019, the Bank achieved net earnings of \$18.08 million, compared to \$19.97 million during the similar six month period in 2018, a decrease of approximately \$1.9 million or 9.5%. The six-month period ending June 30, 2018 was positively influenced by the one-time gain on the sale of other real estate (OREO) that did not exist in the similar six months ending June 30, 2019. Absent this unusual gain of \$3.25 million in 2018, the Bank would have experienced net income of approximately \$17.62 million during the six months ending June 30, 2018 compared to net income of \$18.08 million during the similar period during 2019, an increase of 2.6%. During the six months ending June 30, 2019, the Bank's net interest income increased \$2.60 million over the similar six month period in 2018, an increase of 5.7%.

When excluding the OREO gain of \$3.25 million from non-interest income during the six months ending June 30, 2018, non-interest income would have increased from \$11.24 million to \$11.90 million during the six months ending June 30, 2019. Operating expenses for the six months ending June 30, 2019 increased by 8.3% over the similar six-month period in 2018 as the Bank continued to invest in technology and personnel to support future growth. The Bank recognized approximately \$500 thousand of expenses during the six-month period ending June 30, 2019 relating to the implementation of a new online and mobile banking platform.

"We believe the investment in a new state of the art and extremely robust digital banking platform will meet the needs of our valued clients today and well into the future," said Mr. Hartwick.

Exchange Bank paid a quarterly cash dividend of \$1.10 per share on common stock outstanding to shareholders on June 21, 2019. 50.44% of the cash dividend goes to the Doyle Trust which funds the Doyle Scholarships at the Santa Rosa Junior College.

## **Forward looking information**

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 \$2.6 billion. Exchange Bank provides a wide range of personal, commercial and trust and investment services with 18 branches in Sonoma County and a commercial and SBA lending office in Roseville and Marin, California. 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 13-time winner of the North Bay Business Journal's (NBBJ) Best Places to Work survey, a recipient of the 2018 North Bay Community Philanthropy Award and the 2018 Healthiest Companies in the North Bay Award. NorthBay biz magazine named Exchange Bank the 2018 Best Consumer Bank and Gold Medal Winner for Best Business Bank. The North Bay Bohemian's Best of 2018 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—claiming the #1 position in SBA 7(a) lending in Sonoma County for 2018. [www.exchangebank.com](http://www.exchangebank.com).

###

Contact: Greg Jahn, EVP, Chief Financial Officer  
(707) 524.3218