



**FOR IMMEDIATE RELEASE**

**October 30, 2020**

**Exchange Bank Announces Third Quarter Earnings of \$7.98 Million a 1.66% Increase over the Prior Quarter**

**Santa Rosa, CA** – On October 30, 2020, Exchange Bank announced results for the third quarter of 2020 with a profit after tax of \$7.98 million, compared to \$7.85 million in the previous quarter ending June 30, 2020. The operating results of the Bank before provision for loan loss and taxes, increased from \$10.81 million during the quarter ending June 30, 2020 to \$11.90 million during the quarter ending September 30, 2020, an increase of 10%.

“During this challenging period in which all of our lives have been disrupted by the COVID-19 virus, and more recently the devastating massive wildfires impacting our communities, we continue to support and provide much needed assistance to our customers. In a historically low interest rate environment, we have produced good operating results and our credit quality remains strong. I am extremely proud of the extraordinary efforts of our employees to meet the needs of our customers and support the preservation of jobs in our community,” said Gary Hartwick, 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. The Bank has also waived ATM and overdraft fees for its consumer and business customers. The Bank expended tremendous resources participating in the SBA Paycheck Protection Program (PPP) under the CARES Act. As a result of this effort, Exchange Bank provided loans to 1,780 small businesses with loan balances totaling approximately \$260 million.

The Bank’s net income was \$7.98 million, compared to \$9.35 million in the third quarter of 2019. The decrease in earnings can be directly attributed to declines in net interest income, non-interest income and provision for loan loss. The Bank’s third quarter 2020 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 \$24.92 million during the third quarter of 2019 to \$24.08 million during the third quarter of 2020. 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. The loss of interest income due to lower yields on loans and investments was somewhat

offset by the increase in interest income as a result of the growth of \$260 million in PPP loans and other liquid investments totaling approximately \$180 million.

Non-interest income declined from the \$6.20 million in the third quarter of 2019 to \$5.22 million during the third quarter of 2020. During the third quarter of 2020, the Bank witnessed 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, as well as a reduction in SBA revenue due to the lack of new business formation in the midst of this crisis.

The Bank experienced a dramatic increase in deposit balances which were up year-over-year by approximately \$379 million or 16.5%. Much of this increase in deposits occurred during the second quarter of 2020 resulting from business deposits totaling approximately \$260 million relating to the deposit of PPP loan funds received by Bank clients. An additional source of deposits totaling \$119 million came from both business and consumer clients 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. While the deposit balances have remained fairly constant through the third quarter, the Bank expects to witness a significant runoff of the excess deposits due to the 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, 2020, the Bank achieved net earnings of \$24.46 million, compared to \$27.43 million during the similar nine-month period in 2019, a decrease of \$2.97 million or 10.8%. As previously discussed, the low interest rate environment as well as changes in consumption patterns as a result of the pandemic related events combined to have a negative impact on net interest income and deposit-related fee income. During the nine months ending September 30, 2020, a decline in non-interest income totaling \$2.26 million, was concentrated in the areas of deposit fee income and SBA income. As a result of declining yields on loans and investments, the Bank experienced a decline of \$1.86 million in net interest income for the nine months ended September 30, 2020 compared to the similar period in 2019. These declines in revenue were somewhat offset by 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 nine months ending September 30, 2020 by approximately \$600 thousand or 1.2%. 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 \$900 thousand during the third quarter of 2020. The Bank did not take such a provision for loan loss during the similar quarter in 2019.

"As an organization, we are grateful to be in a position of strength in terms of capital and liquidity that will allow us to continue to meet the needs of our clients and community as we work through this turbulent period together," said Hartwick.

Exchange Bank paid a quarterly cash dividend of \$1.20 per share on common stock outstanding to shareholders on September 18, 2020. 50.44% of the cash dividend goes to the Doyle Trust which funds the Doyle Scholarships at the Santa Rosa Junior College.

## **About Exchange Bank**

Headquartered in Sonoma County and founded in 1890, Exchange Bank is a premier community bank with assets of \$3 billion. Exchange Bank provides a wide range of personal, commercial and trust and investment services with 18 branches in Sonoma County and a commercial branch in Roseville, 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 15-time winner of the North Bay Business Journal's (NBBJ) Best Places to Work survey, a recipient of the 2020 North Bay Community Philanthropy Award and the 2019 Healthiest Companies in the North Bay Award. NorthBay biz magazine named Exchange Bank the 2020 Best Consumer Bank and Best Business Bank. The Petaluma People's Choice Awards named Exchange Bank the Best Local bank and the North Bay Bohemian's Best of 2019 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 2019. [www.exchangebank.com](http://www.exchangebank.com).

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