



March 6, 2026

Dear Shareholders:

We are thankful for your continued trust in Exchange Bank. In the last year, we have remained constant in our commitment to the prudent management of your investment. As a community bank, we continue to focus not only on financial performance, but also on our core mission of impactful engagement with our customers and our community, working hard to continue to help move them forward in a positive direction.

The past year presented a complex operating environment shaped by economic uncertainty, evolving interest rate conditions, and ongoing political and regulatory considerations. We live in less certain times, and both the velocity of change and the volume of actionable data continue to accelerate and expand. We started 2025 with a strategic plan born of the best information available at that point in time – and then we pivoted as needed throughout the year to adjust to current conditions.

In 2025, we found ourselves with both familiar and unfamiliar challenges. From a deposit perspective, we were again forced to defend our low-cost deposit gathering model as both national and regional interest rate competition remained fierce and non-bank fintech competitors continued to enter our marketplace. On the lending side, the Bank began the year with a challenging loan growth goal, similar to the prior year and similar to current expectations for 2026. Unexpected challenges came in the form of announced tariffs and the uncertainty surrounding their implementation and effects as well as the passage of the economically impactful Big Beautiful Bill. Also, importantly throughout 2025, the Federal Reserve struggled reconciling their dual mandate of low inflation (2% target) and full employment which made forecasting interest rate movements even more difficult.

Throughout these challenges, we remained steadfast in our commitment to prudent management and long-term value creation. We grew our deposit base, lowered our cost of funds, increased our net interest margin, grew our loan portfolio prudently, and increased our net income.

The banking industry in general, and the community banking space within it in particular, are rapidly evolving. We believe our performance in 2025 demonstrated our ability to continue to adapt to our changing environment while staying true to our core principles and building value for you, our shareholders.

We are pleased to share with you the 2025 Exchange Bank Annual Report. Included below is a summary of the financial highlights for the year.

Financial Performance:

In 2025, we maintained a disciplined approach to balance sheet and interest rate risk management, preserved strong capital and liquidity positions, and upheld our focus on asset quality. We continued



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to invest thoughtfully in our people, technology, and operational capabilities to ensure we are well positioned to meet the needs of our clients and communities while supporting sustainable growth.

Net income for 2025 was \$29.97 million, and the Bank paid total dividends of \$8.91 million, equaling a dividend payout ratio of 29.75%, or \$5.20 per share. The net interest margin (NIM) for 2025 was 2.92%. The Bank achieved a return on average equity (ROAE) of 8.70%. The Bank's average equity number on a Generally Accepted Accounting Principle (GAAP) basis includes unrealized losses associated with the Bank's available-for-sale (AFS) investment portfolio. Total assets as of December 31, 2025, were \$3.30 billion.

Capital Adequacy:

The Bank's capital ratios remain well in excess of the regulatory minimums to be considered "well capitalized." As of December 31, 2025, the Bank's regulatory total risk-based capital ratio was 19.71% and the leverage ratio was 11.86%.

Asset Quality:

We ended 2025 with gross loans totaling \$1.73 billion, representing a 6.97% or \$112.87 million increase from December 31, 2024. Nonaccrual loans totaled \$15.89 million, or 0.92% of gross loans, as of December 31, 2025. The Bank held no Other Real Estate Owned (OREO) as of December 31, 2025. Supporting the strength of the loan portfolio is an allowance for credit losses of \$33.87 million, or 1.96% of gross loans. The allowance was considered adequately funded based on the Bank's current expected credit loss model that includes data based on the Bank's own loss history as well as prevalent economic conditions. The credit metrics of the Bank have remained stable.

The Bank's AFS investment portfolio ended 2025 with a market value of \$1.21 billion, down \$154.56 million over the prior year, primarily related to paydowns and maturities in the portfolio. The portfolio has a relatively short effective duration of approximately 3.1 years and generates significant cash flow available to utilize in 2026 for planned loan growth. The Bank continues to maintain our entire portfolio as available for sale, providing full transparency and management flexibility. By maintaining the portfolio as available for sale, the Bank can utilize the portfolio for liquidity purposes, both to pledge for added borrowing capacity and as on balance sheet liquidity for unpledged securities. The Bank's portfolio has unrealized losses that are a direct result of market interest rates and not a result of credit quality related factors. The Bank does not view the temporary nature of the book unrealized losses to be a significant risk to our long-term capital position.

Deposits and Liquidity:

Total deposits as of December 31, 2025, were \$2.88 billion, increasing by 1.51% or \$42.76 million since December 31, 2024. As previously noted, the Bank continues to experience elevated competition for deposits in our market. This coupled with the interest rate environment has led the Bank to make strategic decisions to maintain core deposit relationships. Nevertheless, non-interest-bearing deposits still made up approximately 30% of total deposits as of December 31, 2025, compared to approximately 32% as of December 31, 2024. There were decreases in low interest-bearing accounts that were offset by increases in higher interest-bearing categories. The Bank estimates approximately 74% of all deposits were fully insured by the FDIC as of December 31, 2025. During the year, the Bank's cost of funds decreased from 1.44% in 2024 to 1.31% in 2025 due to a marginally decreasing interest rate environment coupled with the paydown in borrowings.

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The Bank had borrowings of \$40.00 million as of December 31, 2025, compared to \$140.00 million as of December 31, 2024. As of December 31, 2025, the Bank had available borrowing capacity of approximately \$1 billion. In addition, the Bank's on-balance sheet liquidity (cash and equivalents, deposits held in other institutions, and unpledged AFS securities) remains strong at \$891.19 million or 27% of total assets as of December 31, 2025.

Non-Interest Income and Expense:

We continued to produce strong non-interest income of \$26.81 million in 2025. We note that this total included approximately \$2.10 million of one-time non-interest income in the form of a life insurance benefit of \$700 thousand and a gain on the sale of bank premises no longer used of \$1.40 million. Still, our Trust and Investment team had a successful year generating \$11.74 million in non-interest income, and they continue to provide good opportunities for income growth at the Bank. All of their offices are performing well and are meeting or exceeding expectations.

Non-interest expense remained relatively constant in 2025, increasing by 1.91% from 2024 to \$78.34 million for the year ended December 31, 2025, compared to \$76.87 million in 2024.

Commitment to Quality and People Development:

As a community bank, we value our employees and the strong and diverse ties they have in our marketplace. We are proud to announce that once again, and for the 20th year in a row, Exchange Bank was recognized as one of the *Best Place to Work* by the North Bay Business Journal. We continue to focus on opportunities for enhancement for our team through building skillsets and career advancements. By valuing our employees and investing in their future, we serve our community by providing skilled bankers ready and able to help our clients.

Branch Changes:

In the fourth quarter of 2025, the Bank celebrated the grand opening of a new full-service branch in Marin County and the relocation of our long-term Petaluma West branch. These significant investments in our retail footprint demonstrate our ongoing commitment to expanding access to personal, relationship-driven banking across the North Bay. These new branches, located in San Rafael and Petaluma, offer a complete suite of consumer and business banking services, along with our trusted community-first approach.

The addition of a full-service branch located in San Rafael will allow Exchange Bank the opportunity to provide enhanced services for new and existing customers in Marin County, building on our previous Trust and Investment Management and Commercial Lending presence in that market.

The beautifully designed Petaluma West Branch has been relocated a short distance from its previous long-term location. This relocation positions us not only for strategic growth in that market but also demonstrates the Bank's deep commitment to invest in local neighborhoods, strengthen economic opportunity, and build relationships that last for generations.

Community Involvement:

Throughout the 135-year history of Exchange Bank, great leadership and the commitment to our mission have been paramount to the success of the Bank and have brought the institution to the place it is today. Our prior leaders' commitment to our community continues to inspire us today. In

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2025, the Bank continued our tradition of community connection, donating a total of \$755 thousand to over two hundred organizations and contributing more than 4,300 hours of community service. Additionally, 50.44% of the dividends paid by the Bank in 2025, or approximately \$4.49 million, went directly to fund the Frank P. Doyle and Polly O'Meara Doyle Trust scholarships at Santa Rosa Junior College. Our co-founder Frank Doyle passed in 1948 and bequeathed all his shares of Exchange Bank stock to the Doyle Trust. Dividends from the Exchange Bank stock paid to the Trust are then passed directly to the Junior College. To date, the dividends have funded more than \$110 million in scholarships.

Continued Commitment:

Exchange Bank has the largest branch footprint in Sonoma County, including 17 well-located branches deeply embedded in their individual communities. With a 135-year history of connectivity to generations of families and businesses in Sonoma County, the Bank and our team are closely connected to the majority of current and potential customers in this market. As previously noted, the Bank also has retail branches in Roseville and Marin County, as well as Trust and Investment Management offices in Santa Rosa, Roseville, Marin County, and Silicon Valley.

Shareholder Meeting:

We would like to invite you to our Annual Shareholders' Meeting on Friday, April 24, 2026, at 2:00 p.m. If you are unable to attend, we would request your proxy vote be given to management. In the interim, if you have any specific questions that you would like answered, please direct them in writing to:

Marlene Soiland, Corporate Secretary
Exchange Bank
P.O. Box 403
Santa Rosa CA 95402

You may also contact either the Chairman Bill Schrader or President and CEO Troy Sanderson directly via e-mail at: bill.schrader@exchangebank.com or troy.sanderson@exchangebank.com.

On behalf of the Board of Directors, our Executive Management Team, and our remarkable employees, we would like to take this opportunity to thank you, our shareholders, for your continued confidence and support. Our conservative risk profile, strong capital foundation, and deep community relationships provide a solid platform from which to leverage our long and storied history as the economic cornerstone in our community. We look forward to 2026 and beyond as we build upon the strong foundation we have established together.

Sincerely,



William R. Schrader
Chairman of the Board



Troy J. Sanderson
President and Chief Executive Officer

**EXCHANGE BANK
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

April 24, 2026

The Annual Meeting of the Shareholders of Exchange Bank, a California corporation (the "Bank"), will be held at the Andrew J. Shepard Building Administrative Services Building, 444 Aviation Boulevard, 2nd Floor, Santa Rosa, CA 95403, on Friday, the 24th day of April, 2026, at 2:00 p.m. (Pacific Time), for the following purposes:

1. To elect members of the Board of Directors.
2. To ratify the Bank's appointment of its independent auditor.
3. To transact such other business as may properly be brought before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 6, 2026, as the record date for the determination of the shareholders entitled to notice of, and to vote at, the meeting. Accordingly, only shareholders of record at the close of business on that date will be entitled to vote at the meeting, or any adjournments thereof.

TO ENSURE YOUR REPRESENTATION AT THE MEETING, THE BOARD OF DIRECTORS OF THE BANK REQUESTS THAT YOU MARK, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE, OR, ALTERNATIVELY, TO VOTE YOUR SHARES BY TELEPHONE OR INTERNET BY FOLLOWING THE INSTRUCTIONS PROVIDED ALONG WITH YOUR PROXY CARD. YOUR PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. IF YOU ARE ABLE TO ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY WITHDRAW YOUR PROXY AND DO SO.

We encourage you to review all of the important information contained in the attached proxy statement before voting. Please contact Kathy Sutliff at 707-524-3121 if you would like information on how to obtain directions to be able to attend the meeting and vote in person.

Date: March 13, 2026

By Order of the Board of Directors



Exchange Bank
545 4th Street
Santa Rosa CA 95401

**EXCHANGE BANK
545 4TH STREET
SANTA ROSA CA 95401**

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 24, 2026

This Proxy Statement is furnished to shareholders of Exchange Bank (the "Bank") in connection with the solicitation of proxies by the Board of Directors of the Bank for the Annual Meeting of Shareholders to be held at the Andrew J. Shepard Building Administrative Services Building, 444 Aviation Boulevard, 2nd Floor, Santa Rosa, CA 95403, on Friday, April 24, 2026, at 2:00 p.m. (Pacific Time), and any adjournments or postponements thereof, which we refer to as the "meeting" or "Annual Meeting". This Proxy Statement and form of Proxy enclosed herewith are being sent to the shareholders of the Bank entitled to vote at the Annual Meeting on or about March 13, 2026.

General Information about the Meeting and Voting Securities and Procedures

Who may vote at the meeting?

The Board of Directors has fixed the close of business on March 6, 2026 as the record date for the determination of shareholders who are entitled to notice of and to vote at the meeting. You are entitled to one vote for each share of common stock you held on the record date, including shares:

- held directly in your name; and/or
- held for you in an account with a broker, bank or other nominee.

How many shares must be present to hold the meeting?

The presence at the meeting of a majority of the Bank's common shares entitled to vote at the Annual Meeting shall constitute a quorum for purposes of holding the meeting and conducting business. On the record date there were 1,714,344 shares of the Bank's common stock outstanding. Each of the holders of the outstanding shares, totaling 1,714,344 shares, are entitled to one vote per share. Your shares are counted as present at the meeting if you:

- are present and vote in person at the meeting; or
- have properly submitted a proxy card prior to the meeting via mail, telephone or internet.

What proposals will be voted on at the meeting?

There are two proposals scheduled to be voted on at the meeting: (i) the election of members to serve on the Bank's Board of Directors and (ii) the ratification of the selection of our independent auditor.

Who is requesting my vote?

The solicitation of proxies on the enclosed form is made on behalf of the Board of Directors of the Bank and will be conducted through the mail. Please mail your completed proxy in the envelope included with these proxy materials. The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Meeting and the enclosed Proxy will be borne by the Bank.

How many votes are required to approve each proposal?

Proposal One:

Because the election of Directors is determined by a plurality, the nominees receiving the most votes “FOR” will be elected.

In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the meeting gives notice at the meeting, prior to the voting for the election of directors, of his or her intention to vote cumulatively. If any shareholder of the Bank gives such notice, then all shareholders eligible to vote will be entitled to cumulate their shares in voting for the election of directors. Cumulative voting allows a shareholder to cast a number of votes equal to the number of shares held in his or her name as of the record date, multiplied by the number of directors to be elected. These votes may be cast for any one nominee or may be distributed among as many nominees as the shareholder sees fit. If cumulative voting is declared at the meeting, votes represented by proxies delivered pursuant to this proxy statement may be cumulated at the discretion of the proxyholders, in accordance with management’s recommendation.

Proposal Two:

An affirmative vote of a majority of the votes cast by holders of the Bank’s common stock is required to approve Proposal Two, to ratify the appointment of the independent auditor.

How does the Board recommend that I vote?

The Board of Directors urges you to read the Proxy Statement carefully and then vote your shares. The Board of Directors recommends that you vote **FOR** each of the Director nominees named in this Proxy Statement and **FOR** Proposal Two, to ratify the appointment of the independent auditor.

How are shares voted?

For Proposal One, a shareholder may:

- Vote “FOR” each of the nominees for election to the Board of Directors
- “WITHHOLD” authority for each nominee for election to the Board of Directors

For Proposal Two, a shareholder may:

- Vote “FOR” the proposal
- Vote “AGAINST” the proposal
- Abstain from voting on the proposal

If the accompanying proxy is properly signed and returned and is not withdrawn or revoked, the shares represented thereby will be voted in accordance with the specifications thereon. If the manner of voting such shares is not indicated on the proxy, the shares will be voted **FOR** the election of the nominees for Directors named herein and **FOR** the ratification of the appointment of the independent auditor. Your shares will also be voted at the discretion of the Board of Directors on any other business properly brought before the meeting.

How do I vote my shares?

Whether you hold shares directly or in “street name”, you may direct your vote without attending the Annual Meeting. If you are a shareholder of record, you may vote by granting a proxy as follows:

- By Mail - You may vote by mail by signing and dating your proxy card and mailing it in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity. Proxies submitted by mail must be received by Computershare, the Bank's stock transfer agent, prior to the vote taken at the Annual Meeting.
- By Telephone or Internet – you may vote by telephone or internet by following the instructions provided by Computershare along with your proxy card.

For shares held in “street name,” you should follow the voting instructions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in some cases, submit voting instructions by telephone or the internet. If you provide specific voting instructions by mail, telephone, or internet, your broker or nominee will vote your shares as you have directed.

Even if you plan to attend the meeting, we encourage you to submit your proxy by mail so your vote will be counted if you later decide not to attend the meeting.

If you choose to vote at the Annual Meeting:

- If you are a shareholder of record, to vote your shares at the meeting you should bring the enclosed proxy card and proof of identity.
- If you hold your shares in “street name,” you must obtain a proxy in your name from your bank, broker or other holder of record in order to vote at the meeting and bring proof of beneficial ownership (such as a recent brokerage statement or a letter from your bank or broker) and proof of identity.

What does it mean if I receive more than one proxy?

It likely means you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy. You may also vote each proxy by telephone or online.

May I change my vote?

Yes. You may revoke your proxy at any time prior to the voting thereof by filing with the Corporate Secretary of the Bank at the Bank's principal office at 545 4th Street, Santa Rosa, CA 95401, a written revocation or a duly executed proxy bearing a later date. Any such revocation must be executed prior to 2:00 p.m. (Pacific Time) on the day of the Annual Meeting. A shareholder may also withdraw the proxy in person at the meeting at any time before it is exercised. The presence of a shareholder at the Annual Meeting, however, will not automatically revoke such shareholder's previously submitted proxy.

When will the proxy and annual report be mailed to shareholders?

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Consolidated Financial Statements are being mailed to the Bank's shareholders on or about March 13, 2026.

**PROPOSAL ONE
ELECTION OF DIRECTORS
INFORMATION CONCERNING NOMINEES FOR ELECTION AS DIRECTORS**

The Bank currently has nine Directors, all of which are slated for election. Each of the nominees for election presently serves on the Board of Directors and is being nominated to serve a one-year term. The Board of Directors has no reason to believe that any nominee will be unable to serve as a Director, if elected. However, in the event any nominee should become unavailable for election, the proxy will be voted for such substitute, if any, as the Board of Directors may designate, or the Board of Directors may choose to reduce the number of directors to be elected at the Annual Meeting.

Set forth below are the names of the nine persons nominated by the Board of Directors for election as Directors of the Bank at the Annual Meeting, along with certain other information concerning such persons.

Name and Year first Became Director	Age	Position Held within the Bank	Principal Occupation or Employment During the Past Five Years and Education Pertaining to Board of Director Qualifications
Steven G. Dutton, 2014	59	Director	President and Co-Owner, Dutton Ranch Corp.
Barry D. Friedman, 2025	47	Director	President and CEO, Friedman's Home Improvement
Gary T. Hartwick, 2014	71	Director	Retired Banker
Eric D. McHenry, 2021	67	Director	Retired Executive
Deborah A. Meekins, 2018	73	Director	Retired Banker
James M. Ryan, 1997	67	Director	President, Ryan Mortgage Company
Troy J. Sanderson, 2021	61	Director	President and CEO, Exchange Bank
William R. Schrader, 2008	75	Director	Retired Banker
Marlene K. Soiland, 1997	70	Director	President and CEO, Soiland Management Company

Additional information regarding the nine nominees for election to the Board of Directors is as follows:

Steven G. Dutton *President and Co-owner, Dutton Ranch Corp.*

Mr. Dutton was appointed to the Board in 2014. He currently serves as the chair of the Board's Trust Committee and is a member of the Governance and Nominating, Community Reinvestment Act, and Loan Committees. Mr. Dutton is a fifth-generation Sonoma County farmer and lifelong resident of Sebastopol. He is a partner in Dutton-Goldfield Winery with his wife Karissa Kruse and is also partners with his brother, Joe Dutton, in Dutton Ranch Corp. and Dutton Bros. Farming. Mr. Dutton is actively involved in the agricultural community, contributing to many local associations and Boards. He is past president and current Board member of the Sonoma County Farm Bureau, past president and Board member of the Sonoma County Farm Bureau Foundation, president of the Russian River Valley Winegrowers Foundation, past Board member of the Sonoma County Farm Trails, and is a member and chair of the Santa Rosa Junior College Viticulture Advisory Committee.

Barry D. Friedman, *President and CEO, Friedman's Home Improvement*

Mr. Friedman was appointed to the Board in January 2025. He currently serves as a member of the Community Reinvestment Act, Technology, and Loan Committees. A lifelong Sonoma County resident, Mr. Friedman represents the third generation of his family to lead Friedman's Home Improvement since its founding in 1946. He was named CEO in 2013. Mr. Friedman holds a business degree from Lewis & Clark College. He is deeply connected to the community and currently serves on the Executive Committee of the North Bay Leadership Council, is a member of the Community Board and the chair of the Community Benefit Committee for Providence Santa Rosa Memorial Hospital. He also helps to lead the annual Schools Plus Golf Tournament. Mr. Friedman's past community involvement includes Board member of Rebuilding Together Santa Rosa.

Gary T. Hartwick *Retired, Banker*

Mr. Hartwick was appointed to the Board in 2014. He joined Exchange Bank in 2009 and has served as chief credit officer and chief operating officer. He became president and chief executive officer in 2014 and held that position until his retirement in 2021. He serves as chair of the Board's Audit Committee and also serves on the Community Reinvestment Act, Risk and Trust Committees. Mr. Hartwick is a seasoned banker with over 45 years of experience, including top level executive responsibility in areas of credit, budgeting, asset and liability management and strategic planning. He is a graduate of California State University Sacramento and the Pacific Coast Banking School. His community activities included serving as a Board member for the Volunteer Center of Sonoma County and the Redwood Empire Food Bank. He is a former Advisory Board member for the Boys & Girls Club of South Sonoma and Marin Counties, and a former member of the Board at the Luther Burbank Center for the Arts.

Eric D. McHenry *Retired Executive*

Mr. McHenry was appointed to the Board in 2021 and serves as the chair of the Board's Technology and Community Reinvestment Act Committees. Mr. McHenry is also a member of the Risk Committee. He retired from the City of Santa Rosa where from 2005 to 2021 he served as their chief information officer and director, Information Technology Department. He has extensive experience in technology management and business leadership from his career with Agilent and Hewlett Packard where he held the position of vice president and general manager. Mr. McHenry currently serves as Board president of Robert Ferguson Observatory and is a past Board member at the Redwood Empire Food Bank and KRCB North Bay Public Media.

Deborah A. Meekins *Retired, Banker*

Ms. Meekins was appointed to the Board in 2018 and serves as chair of the Board's Compensation and Management Succession Committee. She also serves on the Audit, Community Reinvestment Act, Risk and Technology Committees. Before retiring, Ms. Meekins served most recently as president and chief executive officer of Poppy Bank from 2012 to 2018, as the chief executive officer of Sonoma National Bank, executive vice president and retail banking director, chief production officer and California market president of Sterling Savings Bank from 1985 to 2012. Ms. Meekins is the past chair of the Santa Rosa Chamber of Commerce, United Way, Santa Rosa Memorial Hospital Foundation, and the Rose Parade. She currently serves on the Providence Santa Rosa Memorial Hospital's Community Board and is a Board member for the California Bankers Association.

James M. Ryan *President, Ryan Mortgage Company*

Mr. Ryan was elected to the Board in 1997 and is vice chairman. In 2007, Mr. Ryan was named a Doyle Trustee. Mr. Ryan serves as the chair of the Board's Loan Committee. He is also a member of the Audit, Community Reinvestment Act, Compensation and Management Succession, Governance and Nominating, and Trust Committees. He is a licensed real estate broker, certified public accountant (inactive) and a licensed general contractor. Mr. Ryan is the owner and president of both Ryan Mortgage Company, Inc. and Ryan Realty, Inc. in Santa Rosa. He serves on the Scholarship Committee at the Santa Rosa Junior College and on the Board of Directors of PEP Housing, a non-profit developer of affordable housing for seniors and veterans. He has also served as a director of the American Red Cross, Sonoma County Chapter, and numerous trade associations.

Troy J. Sanderson *President and CEO, Exchange Bank*

Mr. Sanderson was appointed to the Board and as president and chief executive officer in 2021. He also serves on the Board's Community Reinvestment Act, Loan, Risk, Technology, and Trust Committees. Mr. Sanderson joined Exchange Bank in 2018 and previously served as executive vice president and chief banking officer. He is a seasoned banker with over 35 years in commercial, mortgage and consumer lending, appraisal, training and development, retail banking, credit administration and executive leadership. Prior to joining Exchange Bank, he was chief credit officer of Bank of Rio Vista from 2011 to 2015, and that bank's president from 2015 until it was sold in 2018. A Sonoma County native, his family roots in the community go back over 100 years. Mr. Sanderson served for 10 years as an elected member of the Board of Education of the Petaluma City Schools District and is a past president of Petaluma National Little League. He currently serves on the

Board for the Redwood Empire Food Bank, the Board for Santa Rosa Junior College Foundation, the Board for the North Bay Leadership Council, the Board for the California Bankers Association, and the Board for Pacific Coast Banking School. He holds a bachelor's degree in business administration from California State University, Sacramento and graduated with honors from the Pacific Coast Banking School at the University of Washington.

William R. Schrader *Retired, Banker*

Mr. Schrader was appointed to the Board in 2008. He joined Exchange Bank in 1978 and has served as senior loan officer, chief operating officer, and was president and chief executive officer from 2008 to 2014 when he retired from the Bank. Today, he serves as chairman of the Board and chair of the Risk Committee. Mr. Schrader also serves on the Board's Audit, Community Reinvestment Act, Compensation and Management Succession, Governance and Nominating, Loan, Technology, and Trust Committees. In 2020, he was named a Doyle Trustee. Mr. Schrader is a graduate of St. Mary's College and received his master's degree from Golden Gate University. He is also a graduate of the Pacific Coast School of Banking. Mr. Schrader has served as a director for the Family Justice Center, Board chair and director positions for the YMCA, Santa Rosa Diocesan School Board, Hanna Boys Center, NAMI, Santa Rosa Community Health Center, California Bankers Association and past vice-chair for the Committee for the Shelterless (COTS). He also serves on the Scholarship Committee at the Santa Rosa Junior College and has past service on advisory Boards for Roseland University Prep High School, Sonoma State University's Graduate School of Business, and Healdsburg Boys and Girls Club.

Marlene K. Soiland *President and CEO, Soiland Management Company*

Ms. Soiland was appointed to the Board in 1997 and is corporate secretary and chair of the Board's Governance and Nominating Committee. Ms. Soiland also serves on the Board's Audit, Compensation and Management Succession, Loan, Technology, and Trust Committees. In January 2025, Ms. Soiland was named a Doyle Trustee. After graduation from Cal Poly in San Luis Obispo, she returned to Santa Rosa and her family business. She is currently president and owner of Soiland Management Co., Inc. Ms. Soiland is past president of the Sonoma County Alliance and currently serves on their Board and their Environmental and Small Business Grant Opportunities Committees. She has also been involved in several other community groups such as Sonoma County Innovation Council, Institute for Family Business, and Community Foundation Sonoma County.

None of the directors listed above have been a party to bankruptcy, criminal or regulatory proceedings in the prior 5 years.

The Board of Directors unanimously recommends to the Shareholders a vote "FOR" the election of the above-listed persons as Directors for the Bank.

PROPOSAL TWO

NON-BINDING ADVISORY VOTE ON THE APPOINTMENT OF THE INDEPENDENT AUDITOR

The Audit Committee of the Board of Directors proposes and recommends that the shareholders approve the selection by the Committee of the firm of Crowe LLP to serve as the Bank's independent auditor for the 2026 fiscal year. The firm has served as independent auditors for the Bank since 2011. While not legally required, the Board is asking shareholders to ratify the Audit Committee's selection in order to give the shareholders a voice in the designation of auditors. If the proposal approving Crowe LLP as the Bank's independent auditor is rejected by the shareholders, the Committee will reconsider its choice of independent auditors. Even if the proposal is approved, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Bank and its shareholders.

Proxies in the form solicited hereby which are returned to the Bank will be voted in favor of this non-binding proposal unless otherwise instructed by the shareholder. The affirmative vote of a majority of the shares of common stock cast at the meeting, in person or by proxy, and entitled to vote thereon is required to approve Proposal Two.

The Board of Directors unanimously recommends to the Shareholders a vote “FOR” the non-binding advisory proposal to approve the appointment of the Bank’s independent auditor.

INFORMATION CONCERNING NON-DIRECTOR EXECUTIVE OFFICERS

Shari J. DeMaris *Executive Vice President and Chief Operating Officer, Exchange Bank*

Ms. DeMaris joined Exchange Bank in October 2020 and was named Executive Vice President, Chief Financial Officer in January 2021. Ms. DeMaris was promoted to Chief Operating Officer in May 2023. She brings over 25 years of technical accounting and financial leadership experience and is a licensed CPA. Previously, Ms. DeMaris held leadership roles at several public accounting and financial institutions including Hills Bank and Trust Company from 2005 to 2020, acting as chief financial officer from 2012 to 2020. She holds bachelor's degrees in both Accounting and Spanish from DePaul University and the University of Iowa, respectively. Active in the community, Ms. DeMaris serves on the Board of the Santa Rosa Symphony, including the Finance and Audit Committees.

Brian L. Rober *Executive Vice President and Chief Information Officer, Exchange Bank*

Mr. Rober joined Exchange Bank in 2021, bringing over 20 years of technology and risk experience in the banking industry. In 2025, Mr. Rober was promoted to Executive Vice President. Before joining Exchange Bank, he was director of operations for the Managed IT division at FIS, overseeing IT infrastructure and support for 150 community banks. Prior to FIS he served as controller, IT manager and senior risk officer for two different community banks. Active in his hometown, Mr. Rober contributes extensive volunteer service to his community and youth organizations, including leadership and mentoring efforts. He holds a bachelor's degree in Business from Cal Poly, San Luis Obispo and a master's degree in Cybersecurity from Utah Valley University.

None of the executive officers were selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Bank acting within their capacities as such. There are no family relationships between any of the directors and executive officers of the Bank. There are no material proceedings to which any executive officer of the Bank or any associate of any executive officer of the Bank is a party or has an interest materially adverse to the Bank.

TRANSACTIONS WITH DIRECTORS AND OFFICERS

The Bank has had and expects in the future to have banking transactions in the ordinary course of its business with some of its Directors and Officers and their associates, including transactions with corporations or partnerships of which such persons are directors, officers, controlling shareholders, or partners on substantially the same terms (including interest rates and collateral) as those prevailing for comparable transactions with others. Management believes that in 2025 such transactions did not involve more than the normal risk of collectability or present other unfavorable features.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Board of Directors of the Bank

The Board of Directors of the Bank meets on a regularly scheduled basis. During 2025, the Board of Directors of the Bank held an annual meeting, one special meeting and twelve regular meetings. During 2025, all Directors of the Bank attended at least seventy-five percent of the total number of meetings of the Board and a majority of the committees to which such Directors were appointed. Although the Bank does not have a

formal policy regarding attendance by Directors at annual shareholder meetings, such attendance is encouraged. In 2025, seven of the Bank’s nine Directors attended the Annual Shareholders’ Meeting.

The composition of the Board committees as of December 31, 2025 is shown in the following table:

Director Name	Governance & Nominating	Audit	Community Reinvestment Act	Compensation & Management Succession	Loan	Risk	Technology	Trust
Steven G. Dutton	X		X		X			Chair
Barry D. Friedman		X			X			
Gary T. Hartwick (I)		Chair (A)	X			X		X
Eric D. McHenry (I)			Chair			X	Chair	
Deborah A. Meekins (I)		X (A)	X	Chair		X	X	
James M. Ryan (I)	X	X	X	X	Chair			X
Troy J. Sanderson			X		X	X	X	X
William R. Schrader (I)	X	X	X	X	X	Chair	X	X
Marlene K. Soiland (I)	Chair	X	X	X	X		X	X

(I) Independent Director
(A) Audit Committee Financial Expert
Chair Committee Chair
X Committee Member

The Board of Directors has established the Governance and Nominating Committee consisting of four non-employee Directors who are considered to be independent as defined under the rules of the FDIC and other applicable laws and regulations. The Governance and Nominating Committee assists in identifying individuals qualified to become Board members, recommends nominees for director, recommends the corporate governance guidelines applicable to the Bank, oversees an annual review of the Board’s performance, recommends director nominees for each committee, recommends a determination of each outside director’s "independence" under applicable rules and guidelines, oversees the Bank’s engagement with shareholders and other interested parties concerning governance and other related matters, and oversees reputation risk related to the Committee’s responsibilities. The Governance and Nominating Committee held two meetings in 2025. The Board of Directors has adopted a written charter for the Governance and Nominating Committee.

The Board of Directors of the Bank has established an Audit Committee. The Audit Committee is responsible for the engagement of the external audit firm and reviews the scope and results of the audits, the Bank’s internal accounting controls and the professional services furnished by the independent auditor. All six members of the Audit Committee are “independent” as defined under the rules of the FDIC. Due to their experience as noted above, the Board has determined that Directors Meekins and Hartwick qualify as Audit Committee Financial Experts under applicable regulations. The Audit Committee met four times in 2025.

The Board of Directors of the Bank has established the Community Reinvestment Act Committee. The Community Reinvestment Act Committee is responsible for establishing an effective program to balance regulatory risk management, promotion of community well-being and development of profitable business through meeting community needs. The Community Reinvestment Act Committee met two times in 2025.

The Board of Directors of the Bank has established a Compensation and Management Succession Committee. The Compensation and Management Succession Committee establishes and monitors effective compensation packages for Bank management and the Board. The Compensation and Management Succession Committee met two times in 2025.

The Board of Directors of the Bank has established a Loan Committee. This Committee reviews and approves loans that are outside of the authority of Bank management’s Loan Committee. The Loan Committee met four times in 2025. In addition, the Loan Committee frequently reviewed and approved loans via virtual vote.

The Board of Directors of the Bank has established a Risk Committee. The Risk Committee is responsible for establishing an effective program to set risk tolerances, track risk-related activity, and being the Board’s liaison for risk-related matters affecting the Bank. The Risk Committee met four times in 2025.

The Board of Directors of the Bank has established a Technology Committee. The Technology Committee is responsible for reviewing the technology budget and projections, and being the Board’s liaison for matters affecting the Bank’s technology. The Technology Committee met four times in 2025.

The Board of Directors of the Bank has established a Trust Committee. The Trust Committee oversees the activities of the Bank’s Trust Department to assure that the department is administered in accordance with applicable laws and regulations and sound fiduciary principles. The Trust Committee met four times in 2025.

Directors Compensation Table

The following table provides information concerning the compensation of all the Directors other than Director Sanderson for the fiscal year ended December 31, 2025. Compensation information for Director Sanderson is discussed below in the section captioned “Summary of Cash and Certain Other Compensation Paid to Executive Officers.”

Name	Fees or Earnings Paid in Cash (\$)(1)	Other Compensation (\$)	Total (\$)
Steven G. Dutton	\$ 102,000	\$ -	\$102,000
Barry D. Friedman	102,000	-	102,000
Gary T. Hartwick	102,000	-	102,000
Eric D. McHenry	102,000	-	102,000
Deborah A. Meekins	102,000	-	102,000
James M. Ryan	102,000	-	102,000
William R. Schrader	287,000	17,353 (2)	304,353
Marlene K. Soiland	109,200	-	109,200

NOTES:

- (1) During 2025, each non-employee Director received a \$102,000 retainer. The Chairperson received an additional \$185,000 retainer. The Corporate Secretary received an additional \$7,200 retainer.
- (2) Other compensation includes an auto allowance of \$12,000, \$3,658 in Bank-paid supplemental health care premiums, and \$1,695 in health club dues.

Former employee Directors of the Bank (Directors Hartwick and Schrader) may have received certain compensation related to their tenure as employees of the Bank. This compensation is not included above as it is not related to their Board duties.

The Compensation and Management Succession Committee periodically reviews the compensation levels of the Board of Directors. In its review, the committee looks to ensure that the compensation is fair, reasonably competitive, and commensurate with the responsibilities of both the individual directors as well as the Board in aggregate. The committee’s compensation philosophy is to target director compensation at or near the median 50th percentile of regional peer group banks. In determining levels of cash compensation, the committee considers that, unlike most of its peer banks, the Bank does not issue equity-linked compensation to its directors. The committee believes paying total compensation near the 50th percentile is critical for attracting and retaining the qualified directors it needs to achieve and oversee its business objectives and good governance practices.

Independent assessments of market compensation are made with the most recent being a report commissioned in December 2022 from AON, a large independent compensation consulting firm. After the Compensation Committee’s review of applicable rules for independence, the committee determined that there are no known conflicts of interest between AON and the Bank. AON services included a review and recommendation to refine a peer group based upon the Bank’s and peers’ size and total compensation levels provided by both.

The peer group included 16 peer banks located in the Pacific region with assets ranging evenly from \$2 billion to \$7.5 billion (the 50th percentile being \$3.7 billion). None of the institutions had any unique business models or were targets of mergers or acquisitions. The Bank's director compensation ranked at the 50th percentile of these peers.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Set forth in the following table is certain information on each person who is known to the Board of Directors to be the beneficial owner as of March 13, 2026 of more than 5% of the Bank's Common Stock, which is the only class of equity securities that the Bank has outstanding.

Amount and Nature of Beneficial Ownership

Name and Address of Beneficial Owner	Total Shares Beneficially Owned	Sold Voting and Investment Power	Shared Voting and Investment Power	Percent of Class
Frank P. Doyle Trust 545 4th Street Santa Rosa, CA 95401	864,764	-	864,764	50.44%

The three trustees of the Frank P. Doyle Trust, Directors Ryan, Schrader and Soiland, serve on the Bank's Board of Directors, and may be deemed to share voting authority over such shares.

The following table sets forth as of March 13, 2026 the number of shares of the Bank's Common Stock beneficially owned by each Director. Beneficial ownership is determined in accordance with Securities and Exchange Commission rules and includes shares over which the director has voting or dispositive authority and any shares the director has the right to acquire within 60 days of such date. The Bank's Bylaws note a 100-share ownership policy for the Directors.

Amount and Nature of Beneficial Ownership

Name	Total Shares Beneficially Owned	Sole Voting and Investment Power	Shared Voting and Investment Power (1)	Percent of Class
Steven G. Dutton	675	675	-	0.04%
Barry D. Friedman	1,000	1,000	-	0.06%
Gary T. Hartwick	100	100	-	0.01%
Eric D. McHenry	100	100	-	0.01%
Deborah A. Meekins	500	500	-	0.03%
James M. Ryan	868,957	4,193	864,764	50.69%
Troy J. Sanderson	450	450	-	0.03%
William R. Schrader	867,944	3,180	864,764	50.63%
Marlene K. Soiland	868,807	718	868,089	50.68%
Total Directors as a Group	<u>879,005</u>	<u>10,916</u>	<u>868,089</u>	<u>51.27%</u>

Note (1): A total of 864,764 shares listed under Shared Voting and Investment Power for Directors Ryan, Schrader and Soiland represent shares of the Frank P. Doyle Trust.

COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE

All compensation decisions affecting the executive officers of the Bank are made by the Board of Directors of the Bank. The Compensation and Management Succession Committee of the Board of Directors reviews and

recommends to the Board of Directors the compensation of the Executive Officers identified in the Summary Compensation Table and other tables on the following pages of this Proxy Statement.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In the following Compensation Discussion and Analysis section, the Bank provides information concerning compensation and benefits provided to the Executive Officers of the Bank. The Executive Officers are Troy J. Sanderson, President and Chief Executive Officer, Shari J. DeMaris, Executive Vice President and Chief Operating Officer, and Brian L. Rober, Executive Vice President and Chief Information Officer.

The Bank's overall compensation objectives are to pay salaries and provide benefits that are both fair and reasonable, consistent with the compensation practices of the financial services industry in general, and appropriate and competitive in the Bank's local marketplace. The Bank's goal is to attract, develop and retain high-caliber executives who are capable of increasing the Bank's performance for the benefit of its shareholders while maintaining the philosophy of community banking. Ultimately, the Bank desires to base its compensation on individual performance as it affects the overall financial results of the Bank. Specifically, the executive compensation program of the Bank has been designed to:

- provide a pay-for-performance policy that differentiates compensation amounts based upon corporate and individual performance;
- provide compensation opportunities comparable to those offered by other West Coast-based financial institutions and banks of similar asset size, thus allowing the Bank to compete for and retain talented executives who are essential to the long-term success of the Bank;
- maintain a corporate environment that encourages stability and long-term focus for the primary constituencies of the Bank, including shareholders, employees, customers, regulatory agencies and the communities it serves.

To achieve its objectives, the Bank has structured its compensation program: (1) to reward current corporate and individual performance through salary increases and opportunities for cash bonuses; and (2) to reward long-term corporate and individual performance through participation in the Deferred Compensation Plan and participation in the Supplemental Executive Retirement Plan. The amounts and types of compensation paid in 2025 (as set forth below) fit into the Bank's overall compensation objectives by achieving those two objectives.

Decisions Regarding Composition of Total Compensation

The Compensation and Succession Management Committee (the "Committee"), which is comprised of the five non-employee Directors who have been deemed to be independent, has responsibility for implementing and overseeing the Bank's executive compensation program. In this respect, the Committee has strategic and administrative responsibility for a broad range of issues, including ensuring that the Bank compensates key management employees effectively and in a manner consistent with the Bank's compensation strategy. The Committee makes compensation recommendations to the Board of Directors with respect to each of the Executive Officers identified in the Summary Compensation Table and other tables on the following pages of this Proxy Statement. The Board of Directors approves the compensation for the Executive Officers.

The Committee's policy is to review management compensation at least annually. The Committee makes these reviews to ensure that management compensation is consistent with the Bank's compensation philosophies articulated above.

The factors the Committee considers in either determining or ratifying, as the case may be, the level and composition of compensation include, but are not limited to, the following: (1) the Bank's performance as compared to internally-established goals for the most recently ended fiscal year and to the performance of other West Coast-based financial institutions; (2) the individual officer's level of responsibility within the Bank; and (3) competitive compensation data. In addition, the Committee considers the financial performance for the current year, including the business plan containing the financial performance goals measured primarily in terms of earnings per share, growth of the Bank, asset quality, return on assets and return on stockholders' equity. The Committee also considers the financial budget for the upcoming fiscal year and the Bank's updated strategic plan. While the foregoing factors are not specifically weighted in the decision-making process, primary emphasis is placed on the Bank's performance during the previous year as compared to the internally established goals. Although the Committee reviewed a number of objective factors in setting compensation for 2025, its final decision was based on a subjective determination. Details regarding the compensation of each of the Executive Officers are set forth in the tables that appear below.

In a very similar fashion to the Compensation Committee's approach with director compensation, an independent assessment of executive compensation for our President/CEO and Chief Operating Officer was commissioned on July 13, 2022 from the aforementioned AON Group. The same 16 peer institutions were used as peer comparables. After reviewing and considering this study, the Compensation Committee adjusted the cash compensation consisting of salary and bonus for our President/CEO and our COO to place them near the 50th percentile.

After considering all the compensation paid to the Executive Officers, the Committee determined that the compensation paid to the Executive Officers is reasonable and not excessive.

Elements of Compensation

The Bank provides a competitive mix of pay elements that align executive incentives with shareholder value. The executive compensation program includes salary, cash bonuses and long-term compensation.

The forms of compensation paid in 2025 are comprised of the following:

Salaries and cash bonuses: Salary is designed to provide competitive levels of compensation to executives based upon their experience, duties and scope of responsibility. The Bank pays a salary because it provides a basic level of compensation, and it is necessary to recruit and retain executives. An important aspect of salary is the Committee's ability to use annual base salary adjustments to reflect an individual's performance or changed responsibilities. Salary levels are also important because the Committee may tie the amount of long-term compensation to an executive's salary. In making its decisions regarding annual salary adjustments, the Committee reviews quantitative and qualitative performance factors as part of an annual performance appraisal. These are established for each executive position and the performance of the incumbent executive is evaluated annually against these standards. This appraisal is then integrated with market-based adjustments to salary ranges to determine if a base salary increase is merited.

Participation in the Supplemental Executive Retirement Plan: The SERP is a defined contribution plan designed primarily to reward eligible employees for long and loyal service by providing them with retirement benefits. The SERP is operated in accordance with the provisions of the written plan document. The SERP has a graduated vesting schedule with partial vesting occurring before the final vesting date. The final vesting term for the SERP varies, but is generally between 5 and 15 years.

Participation in the 401(k) and Profit Sharing Plan: The Bank offers a qualified 401(k) plan to provide a tax-advantaged savings vehicle. The Bank makes matching contributions to the 401(k) plan to encourage employees to save money for their retirement. This 401(k) plan and such matching contributions enhance the range of benefits offered to employees and the Bank's ability to attract and retain employees. The 401(k) covers all eligible employees of the Bank. Employees are eligible to participate in elective salary deferrals.

Participants may contribute up to 80% of eligible compensation, limited to the maximum amount deductible under the Internal Revenue Code for employee salary reduction. The Plan provides for an employer-matching contribution equal to 100% of the employee's deferral, limited to deferrals of up to 3% of compensation, plus 50% of the employee's deferral up to an additional 2% of eligible compensation. Therefore, the maximum Bank contribution is 4% of compensation. Subject to certain exceptions, the Bank's matching contributions are vested at three years of service.

The Profit Sharing Plan is operated in accordance with the provisions of the written plan document. Employees of the Bank are eligible to participate in the Profit Sharing Plan. The Profit Sharing Plan is designed primarily to reward eligible employees for long and loyal service by providing them with retirement benefits. The Profit Sharing Plan is a defined contribution plan and is primarily invested in assets other than equity securities of the Bank. Any benefits payable under the Profit Sharing Plan will be based solely upon the amounts contributed by the Bank for the benefit of a participant and any changes in the value of those contributions while they are held in the Profit Sharing Plan. The Profit Sharing Plan does not require or allow contributions by participating employees. Subject to certain exceptions, contributions to the Profit Sharing Plan are fully vested after three years of service with the Bank. In 2025, the Bank, as sponsor of the Profit Sharing Plan, made a 2.30% of compensation Profit Sharing Plan contribution. Subject to certain exceptions, the Bank's profit sharing contributions vest at three years of service.

Participation in the Deferred Compensation Program: This program allows the Executive Officers to elect to defer a portion of their salaried compensation for payment by the Bank at a subsequent date. The Executive Officers can defer up to 50% of their base compensation and up to 100% of any bonus into the Deferred Compensation Plan. Any amount so deferred is credited to the Executive Officer's deferred compensation account which is managed by the Bank's Trust Department. The amounts accrued in the Executive Officer's account are payable over a term of up to 10 years, at the employee's election, in monthly installments at the time of the Executive Officer's retirement. The Bank does not make any contributions to the Deferred Compensation Program.

Life insurance and accidental death and dismemberment benefits: The Executive Officers receive a life insurance benefit of up to three times a maximum salary of \$125,000, or \$375,000, and an accidental death and dismemberment benefit. These benefits are part of a non-discriminatory plan available to all full-time employees and constitutes a base-level health and welfare benefit expected in today's market. The Executive Officers are also provided with split-dollar life insurance in the amount of \$1,000,000.

Perquisites and other benefits: Perquisites and other benefits represent a very small part of the overall compensation package and are offered only after consideration of business need. The Committee annually reviews the perquisites and other personal benefits that are provided to senior management.

SUMMARY COMPENSATION PAID TO EXECUTIVE OFFICERS

Overview

The following sections provide a summary of cash and certain other compensation the Bank paid for the year ended December 31, 2025 to the Executive Officers.

Summary Compensation Table

The table below summarizes the total compensation paid to each of the Executive Officers for the last three fiscal years. The Bank has not entered into employment agreements with its Executive Officers. When setting the total compensation for each of the Executive Officers, the Committee reviews information concerning the Executive's current compensation and all other compensation.

Name/ Position with Bank	Year	Salary \$(1)	Bonus \$(1)(2)	All Other Compensation \$(3)(4)	Total Compensation (\$)
Troy J. Sanderson President and CEO	2025	\$ 625,000	\$ 188,600	\$ 54,612	\$ 868,212
	2024	607,561	90,875	52,403	750,839
	2023	602,043	200,600	52,092	854,735
Shari J. DeMaris EVP and COO	2025	468,846	167,350	44,116	680,312
	2024	352,078	60,350	39,452	451,880
	2023	410,552	1,100	41,192	452,844
Brian L. Rober EVP and CIO	2025	353,500	121,000	35,216	509,716

NOTES:

- (1) Compensation deferred at the election of the Executive Officer pursuant to the Bank's 401(k) plan and deferred compensation plan is included in salary and bonus totals.
- (2) For Mr. Sanderson, \$199,500 of the bonus paid in 2023 relates to a bonus awarded in 2022.
- (3) For each of the Executive Officers, the figures shown consist of contributions in the following amounts made by the Bank or paid in the past three fiscal years which amounts are quantified in the table below.
- (4) The fair value of the Supplemental Executive Retirement Plan is not included in the amounts reported.

	Year	Defined Contribution on Profit Sharing Plan	401(k) Plan	Country Club Membership	Life Insurance and ADD Premiums	Supplemental Health Care Premiums	Auto Allowance	Total All Other Compensation
Troy J. Sanderson	2025	\$ 9,005	\$ 14,000	\$ 9,024	\$ 547	\$ 7,036	\$ 15,000	\$ 54,612
	2024	7,590	13,800	8,640	607	6,766	15,000	52,403
	2023	7,625	13,200	8,640	607	7,020	15,000	52,092
Shari J. DeMaris	2025	9,005	14,000	7,272	547	3,672	9,620	44,116
	2024	7,590	13,800	6,624	748	3,528	7,162	39,452
	2023	7,625	13,200	6,624	607	3,516	9,620	41,192
Brian L. Rober	2025	8,968	14,000	-	547	3,662	8,039	35,216

AUDIT COMMITTEE

Audit Committee Report

March 6, 2026

To the Board of Directors:

The Audit Committee consists of the following members of the Board of Directors: Gary T. Hartwick, Deborah A. Meekins, James M. Ryan, William R. Schrader and Marlene K. Soiland. As noted above, the Board of Directors has determined that Mr. Hartwick, Chairperson of the Audit Committee, and Ms. Meekins are the "financial experts" as defined under Part 363 of FDIC regulations. Each of the members of the Audit Committee is independent as defined under the rules of the FDIC and other applicable laws and regulations.

The Audit Committee has:

- Reviewed and discussed the Bank's audited financial statements as of and for the year ended December 31, 2025 with its management and Crowe LLP, the Bank's independent auditor;
- Discussed with Crowe LLP the matters required to be discussed by the Public Company Accounting Oversight Board and Part 363 of the FDIC's regulations; and

- Received and reviewed the written disclosures from Crowe LLP required by the application requirements of the Public Company Accounting Oversight Board and Part 363 of the FDIC’s regulations regarding the independent accountant’s communications with the Audit Committee concerning independence and we have discussed with the auditors the auditor’s independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Bank’s Annual Report for the year ended December 31, 2025.

Audit and Other Fees

Aggregate fees billed to the Bank for the years ending December 31, 2025 and 2024 by the Bank’s external audit firm are presented in the table below.

INDEPENDENT AUDITOR

The Bank has engaged Crowe LLP as its external audit firm for 2025. Representatives of Crowe LLP are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

	Years Ended December 31,	
	2025	2024
Audit fees	\$ 264,000	\$ 253,000
Tax fees	37,000	31,300
Other fees	43,833	25,330
	<u>\$ 344,833</u>	<u>\$ 309,630</u>

PROPOSALS BY SHAREHOLDERS

The Bank’s bylaws govern director nominations made by shareholders.

Any common stock shareholder may nominate a person for election to the Board of Directors at any meeting of shareholders called for the election of directors, provided that the nomination is received by the President not less than thirty-five (35) or more than sixty (60) days prior to any such meeting. To be eligible, all nominees submitted by shareholders must satisfy the residency requirements in Section 3.2 of the bylaws and include the name and address of the nominee(s) and all other information required by the bylaws.

Section 3.3 of the Bank’s bylaws provides: “Nominations, other than those made by the Board of Directors shall be made in writing and shall be delivered or mailed to the President of the Corporation not less than thirty-five (35) days nor more than sixty (60) days prior to any meeting of shareholders called for the election of directors, provided, however, that if less than twenty-one (21) days’ notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Corporation not later than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed. Such notification shall contain the following information as to each proposed nominee and as to each person, acting alone or in conjunction with one or more other persons, in making such nomination or in organizing, directing or financing such nomination or solicitation of proxies to vote for the nominee:

- (a) the name, age, birthdate, residence address and business address of each proposed nominee and each such person and the date as of which such nominee commenced residency at such residence address;
- (b) the principal occupation or employment, the name, type of business and address of the organization or other entity in which such employment is carried on of each proposed nominee and of each such person;

- (c) if the proposed nominee is an attorney, a statement as to whether or not either he or she or any firm with whom he or she has a relationship as partner, associate, of counsel, employee, or otherwise, acts as legal counsel for any banking corporation, affiliate or subsidiary thereof, bank holding company, industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation;
- (d) a statement as to each proposed nominee and a statement as to each such person stating whether the nominee or person concerned has been a participant in any proxy contest within the past ten years, and, if so, the statement shall indicate the principals involved, the subject matter of the contest, the outcome thereof, and the relationship of the nominee or person to the principals;
- (e) the amount of stock of the Corporation owned beneficially, directly or indirectly, by each proposed nominee or by members of his or her family residing with him or her and the names of the registered owners thereof;
- (f) the amount of stock of the Corporation owned of record but not beneficially by each proposed nominee or by members of his or her family residing with him or her and by each such person or by members of his or her family residing with him or her and the names of the beneficial owners thereof;
- (g) if any shares specified in (e) or (f) above were acquired in the last two years, a statement of the dates of acquisition and amounts acquired on each date;
- (h) a statement showing the extent of any borrowings to purchase shares of the Corporation specified in (e) or (f) above acquired within the preceding two years, and if funds were borrowed otherwise than pursuant to a margin account or bank loan in the regular course of business of a bank, the material provisions of such borrowings and the names of the lenders;
- (i) the details of any contract, arrangement or understanding relating to the securities of the Corporation, to which each proposed nominee or to which each such person is a party, such as joint venture or option arrangements, puts or calls, guaranties against loss, or guaranties of profit or arrangements as to the division of losses or profits or with respect to the giving or withholding of proxies, and the name or names of the persons with whom such contracts, arrangements or understandings exist;
- (j) the details of any contract, arrangement, or understanding to which each proposed nominee or to which such person is a party with any banking corporation, affiliate or subsidiary thereof, bank holding company, industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation, or with any officer, director, employee, agent, nominee, attorney, or other representative of such covered entity;
- (k) a description of any arrangement or understanding of each proposed nominee and of each such person with any person regarding future employment or with respect to any future transaction to which the Corporation will or may be a party;
- (l) a statement as to each proposed nominee and a statement as to each such person as to whether or not the nominee or person concerned will bear any part of the expense incurred in any proxy solicitation, and, if so, the amount thereof;
- (m) a statement as to each proposed nominee and a statement as to each such person describing any conviction for a felony that occurred during the preceding ten years involving the unlawful possession, conversion or appropriation of money or other property, or the payment of taxes;
- (n) the total number of shares that will be voted for each proposed nominee;

- (o) the amount of stock, if any, owned, directly or indirectly, by each proposed nominee or by members of his or her family residing with him or her, in any banking corporation, affiliate or subsidiary thereof, bank holding company, industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation; and
- (p) the identity of any banking corporation, affiliate or subsidiary thereof, or bank holding company or industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation, as to which such nominee or any other such person serves as a director, officer, employee, agent, consultant, advisor, nominee or attorney, together with a description of such relationship. The Chairman of the Board (or other person presiding at the meeting in accordance with the bylaws) may, in his or her discretion, determine and declare to the meeting that a nomination not made in accordance with Sections 3.2 and 3.3 of the bylaws shall be disregarded.

COMMUNICATION WITH THE BOARD OF DIRECTORS

The Board of Directors has established a process for shareholders of the Bank to send communications to the Board. Any shareholder desiring to communicate with the Board, or one or more individual Board members, may write to Marlene Soiland at the following address:

Exchange Bank Board of Directors
c/o Marlene Soiland, Corporate Secretary
PO Box 403
Santa Rosa, CA 95402

OTHER MATTERS

Management of the Bank knows of no other matters which will be presented for consideration at the 2026 Annual Meeting of Shareholders other than those stated in the Notice of 2026 Annual Meeting, which is part of this Proxy Statement, and management does not intend to present any such other business. If any other matters do properly come before the meeting, it is intended that the persons named in the accompanying proxy will vote thereon in accordance with their judgment. The proxy will also have the power to vote for the adjournment of the meeting from time to time.

A copy of the Consolidated Financial Statements of the Bank for the year ended December 31, 2025 is being mailed to shareholders together with this Proxy Statement. Such report is not incorporated in this Proxy Statement and is not to be considered a part of the proxy soliciting material.

By Order of the Board of Directors



March 13, 2026
Santa Rosa, California

EXCHANGE BANK AND SUBSIDIARIES
Santa Rosa, California

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

EXCHANGE BANK AND SUBSIDIARIES
Santa Rosa, California

FINANCIAL STATEMENTS
December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors
Exchange Bank and Subsidiaries
Santa Rosa, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the consolidated financial statements of Exchange Bank and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Exchange Bank and Subsidiaries as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Exchange Bank and Subsidiaries' internal control over financial reporting as of December 31, 2025, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 4, 2026 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Exchange Bank and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Exchange Bank and Subsidiaries' ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Exchange Bank and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP
Crowe LLP

Sacramento, California
March 4, 2026

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2025 and 2024
(In thousands, except share and par value amounts)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and due from banks	\$ 188,055	\$ 134,672
Short-term investments	<u>213</u>	<u>204</u>
Total cash and cash equivalents	<u>188,268</u>	<u>134,876</u>
Available-for-sale investment securities	<u>1,207,789</u>	<u>1,362,345</u>
Loans and leases	1,731,453	1,618,579
Less allowance for credit losses	<u>(33,865)</u>	<u>(35,099)</u>
Net loans and leases	<u>1,697,588</u>	<u>1,583,480</u>
Federal Home Loan Bank stock	15,000	15,000
Bank premises and equipment, net	17,159	17,241
Bank owned life insurance	76,151	72,266
Other real estate owned	-	-
Accrued interest receivable and other assets	<u>103,173</u>	<u>115,280</u>
Total assets	<u>\$ 3,305,128</u>	<u>\$ 3,300,488</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$ 863,667	\$ 902,315
Interest bearing	<u>2,011,531</u>	<u>1,930,128</u>
Total deposits	2,875,198	2,832,443
Other borrowings	40,000	140,000
Accrued interest payable and other liabilities	<u>43,203</u>	<u>47,236</u>
Total liabilities	<u>2,958,401</u>	<u>3,019,679</u>
Commitments and Contingencies (Note 9)	-	-
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized:		
None Issued or outstanding	-	-
Common stock: \$2.50 par value; 3,000,000 shares		
authorized: 1,714,344 shares issued and outstanding	4,286	4,286
Additional paid-in capital	46,026	46,026
Retained earnings	352,645	331,591
Accumulated other comprehensive income (loss), net of taxes	<u>(56,230)</u>	<u>(101,094)</u>
Total stockholders' equity	<u>346,727</u>	<u>280,809</u>
Total liabilities and stockholders' equity	<u>\$ 3,305,128</u>	<u>\$ 3,300,488</u>

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2025 and 2024
(In thousands, except per share amounts)

	<u>2025</u>	<u>2024</u>
Interest Income:		
Interest and fees on loans and leases	\$ 96,070	\$ 89,096
Interest on investment securities:		
Taxable	30,683	33,358
Exempt from federal income taxes	<u>2,050</u>	<u>2,266</u>
Total interest income	<u>128,803</u>	<u>124,720</u>
Interest Expense		
Interest on deposits	36,511	33,256
Interest on other borrowings	<u>1,813</u>	<u>10,201</u>
Total interest expense	<u>38,324</u>	<u>43,457</u>
Net interest income before provision (reversal) for credit losses	90,479	81,263
Provision (reversal) for credit losses	<u>-</u>	<u>(5,800)</u>
Net interest income after provision (reversal) for credit losses	<u>90,479</u>	<u>87,063</u>
Non-interest income:		
Service charges and fees	3,143	3,337
Trust income	11,742	10,332
Merchant servicing income and interchange fees	5,043	5,030
Income from bank owned life insurance	3,337	2,468
Other income	<u>3,547</u>	<u>2,218</u>
Total non-interest income	<u>26,812</u>	<u>23,385</u>
Non-interest expense:		
Salaries and employee benefits	43,398	42,678
Occupancy and equipment	7,970	7,774
Professional fees	5,463	5,698
FDIC assessments	1,534	1,532
Other expenses	<u>19,977</u>	<u>19,188</u>
Total non-interest expense	<u>78,342</u>	<u>76,870</u>
Income before provision for income taxes	38,949	33,578
Provision for income taxes	<u>8,981</u>	<u>9,725</u>
Net income	<u>\$ 29,968</u>	<u>\$ 23,853</u>
Basic earnings per common share	<u>\$ 17.48</u>	<u>\$ 13.91</u>

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Net Income	\$ 29,968	\$ 23,853
Other comprehensive income:		
Unrealized gain/losses on securities:		
Unrealized holding gains arising during the period	63,540	14,883
Tax effect	<u>(18,786)</u>	<u>(4,400)</u>
Changes in unrealized gain on available-for-sale investment securities, net of tax	<u>44,754</u>	<u>10,483</u>
Defined benefit plans:		
Net gains arising during the period	54	139
Tax effect	<u>(26)</u>	<u>(31)</u>
Changes in defined benefit plans, net of tax	<u>28</u>	<u>108</u>
Change in deferred compensation trust liabilities	117	78
Tax effect	<u>(35)</u>	<u>(23)</u>
Changes in deferred compensation trust, net of tax	<u>82</u>	<u>55</u>
Other comprehensive income	<u>44,864</u>	<u>10,646</u>
Total comprehensive income	<u>\$ 74,832</u>	<u>\$ 34,499</u>

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2025 and 2024
(In thousands)

	Common <u>Stock</u>	Paid-In <u>Capital</u>	Retained <u>Earnings</u>	Accumulated Other Comprehensive (Loss) (Net of Taxes)	Total Stockholder's <u>Equity</u>
Balance, January 1, 2024	\$ 4,286	\$ 46,026	\$ 316,652	\$ (111,740)	\$ 255,224
Net Income	-	-	23,853	-	23,853
Other comprehensive income	-	-	-	10,646	10,646
Cash Dividends (\$5.20 per share)	-	-	(8,914)	-	(8,914)
Balance, December 31, 2024	<u>\$ 4,286</u>	<u>\$ 46,026</u>	<u>\$ 331,591</u>	<u>\$ (101,094)</u>	<u>\$ 280,809</u>
Net Income	-	-	29,968	-	29,968
Other comprehensive income	-	-	-	44,864	44,864
Cash Dividends (\$5.20 per share)	-	-	(8,914)	-	(8,914)
Balance, December 31, 2025	<u>\$ 4,286</u>	<u>\$ 46,026</u>	<u>\$ 352,645</u>	<u>\$ (56,230)</u>	<u>\$ 346,727</u>

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Net Income	\$ 29,968	\$ 23,853
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	2,093	2,082
(Reversal) of provision for credit losses	-	(5,800)
Deferred income tax expense (benefit)	594	2,925
Gain on Sale of building	(1,464)	-
Accretion of discounts and amortization or premiums on investment securities	3,859	4,338
Net change in deferred loan origination fees	608	535
Net loan originated with intent to sell and sold	-	-
Net decrease/(increase) in bank owned life insurance, net of expenses	257	(1,750)
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(6,904)	4,305
Accrued interest payable and other liabilities	(4,290)	(2,485)
Net cash provided by operating activities	<u>24,721</u>	<u>28,003</u>
Cash flows from investing activities:		
Proceeds from maturities of investment securities and paydowns	217,158	150,644
Purchase of investment securities	(2,923)	(4,998)
Purchase of Federal Home Loan Bank (FHLB) stock	-	-
Purchase of bank owned life insurance	(3,442)	(1,629)
Proceeds of bank owned life insurance	(700)	-
Net (increase) in loans and leases	(114,716)	(24,806)
Proceeds from sale of building	1,850	-
Purchase of bank premises and equipment	(2,397)	(1,851)
Net cash provided by investing activities	<u>94,830</u>	<u>117,360</u>
Cash flows from financing activities:		
Net change in demand, interest bearing and savings deposits	32,248	(119,573)
Net increase in time deposits	10,507	113,389
Net (decrease) increase in FRB borrowing	(100,000)	(125,000)
Net increase (decrease) in short-term FHLB advances	-	40,000
Cash paid for dividends	(8,914)	(8,914)
Net cash (used in) financing activities	<u>(66,159)</u>	<u>(100,098)</u>
Change in cash and cash equivalents	53,392	45,265
Cash and cash equivalents, beginning of year	<u>134,876</u>	<u>89,611</u>
Cash and cash equivalents, end of year	<u>\$ 188,268</u>	<u>\$ 134,876</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest Expense	\$ 38,601	\$ 42,615
Income Taxes	\$ 6,830	\$ 5,000

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations: Exchange Bank (the "Bank"), a California corporation, and its wholly-owned subsidiaries, A. J. Ventures, Inc. and AJV-Alderbrook LLC (a wholly-owned subsidiary of A. J. Ventures, Inc.) conduct their business from their headquarters in Santa Rosa, California. The Bank is a full service community bank providing a range of commercial, retail banking, and trust and investment management services to individuals and businesses. The Bank has 17 retail branches in Sonoma County, one retail branch in Roseville, one retail branch in Marin County, and Trust and Investment Management offices in Santa Rosa, Roseville, Marin County, 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 accounting and reporting policies of the Bank and its subsidiaries conform with accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry. A summary of the more significant accounting and reporting policies are as follows:

Principles of Consolidation: The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries, A. J. Ventures, Inc. and AJV-Alderbrook LLC. The subsidiaries have historically been used to hold real estate properties acquired through, or in lieu of, loan foreclosure. As of December 31, 2025 and 2024, the assets of the subsidiaries were limited to cash and intercompany components. All intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows: For purposes of the consolidated statement of cash flows, the Bank considers all highly liquid investments with maturities of three months or less at date of acquisition to be cash equivalents. Cash equivalents include cash, due from banks, money market investments, and federal funds sold. Generally, federal funds are sold for one-day periods. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased and sold.

Investment Securities: The Bank classifies its investment securities as either available-for-sale or held-to-maturity at the time of purchase. Available-for-sale investment securities are measured at fair value with a corresponding recognition of the net unrealized holding gain or loss, net of income taxes, within accumulated other comprehensive income (loss), which is a separate component of stockholders' equity, until realized. Held-to-maturity investment securities are measured at amortized cost, based on the Bank's positive intent and ability to hold such securities to maturity. At December 31, 2025 and 2024, the Bank did not hold any held-to-maturity investment securities.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on investment securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Premiums on investment securities are amortized to the earliest call date and discounts are accreted over the period to maturity of those securities. Interest income is recognized when earned. Realized gains and losses on the sale of investment securities are recorded on the trade date and are computed using the specific identification method for determining the cost of investment securities sold.

For available-for-sale investment securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale investment securities that do not meet the aforementioned criteria the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. The

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bank measures the allowance for credit losses on available-for-sale investment securities by performing an assessment of unrealized losses in the portfolio to evaluate potential credit loss existence. The review is based upon factors such as the creditworthiness of the issuers/guarantors, the underlying collateral, if applicable, and the continuing performance of the securities. If credit-related impairment is identified, the Bank would record an allowance for credit loss related to the appropriate available-for-sale investment securities as a contra asset. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal).

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans and Leases: Loans that management has the ability and intent to hold for the foreseeable future or maturity or payoff are reported at the principal amounts outstanding, adjusted for unamortized discounts and premiums and net of deferred loan origination fees and costs, write-downs and the allowance for credit losses. Direct financing leases are carried net of unearned income. Income from leases is recognized by a method that approximates a level yield on the outstanding net investment in the lease.

The Bank may charge fees for originating loans and leases. These origination and commitment fees, net of certain related direct loan and lease origination costs, are deferred. The net deferred fees or costs are recognized as an adjustment of yield over the contractual life of the loan or lease using the interest method. The unamortized balance of deferred fees and costs is reported as a component of net loans and leases.

For all classes of loans and leases, interest is accrued daily based upon outstanding loan and lease balances. However, when, in the opinion of management, or when loans or leases become 90 days past due, unless the loan is well-secured and in process of collection or are individually evaluated and the future collectability of interest and principal is in serious doubt, a loan or lease is placed on nonaccrual status and the accrual of interest income is suspended. Any interest accrued but unpaid is charged against income. For all classes of loans and leases, loans are charged off to the extent principal or interest is deemed uncollectible. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans or leases, or payments received on nonaccrual loans or leases for which the ultimate collectability of principal is not in doubt, are applied first to earned but unpaid interest and then to principal. Generally, loans and leases are restored to accrual status when the obligation is brought current and has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Accrued interest receivable totaled \$12,184 and \$11,901 at December 31, 2025 and 2024, respectively and is excluded from the estimate of credit losses. Accrued interest receivable was reported in Accrued interest receivable and other assets on the consolidated balance sheets.

Through its loan portfolio, the Bank has geographically concentrated credit risk in Sonoma County. Additionally, the loan portfolio has a concentration in loans secured by real estate.

Allowance for Credit Losses – Loans: Management estimates the allowance for credit loss (“ACL”) balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modification

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank. Prepayments are established for each segment based on historical averages for the segment, which management believes is an accurate representation of future prepayment activity.

The macroeconomic component considers the forecasted direction of the economic and business environment and its likely impact on the estimated allowance as compared to the historical losses over the reasonable and supportable time frame. The Bank has elected to forecast the first four quarters and revert on a straight-line basis over eight quarters. The Bank uses macroeconomic scenarios from independent third parties, including unemployment rate, gross domestic product, and housing price index. Macroeconomic factor multipliers are determined through regression analysis and applied to loss rates for each segment of loans with similar risk characteristics. The impact of those macroeconomic factors on each segment, both positive or negative, using the reasonable and supportable period, are added to the calculated historical loss component of the allowance.

The third component of the Bank's ACL model incorporates qualitative factors. Historical information and experiences provide a basis for the ACL calculation; however, they may not incorporate new risks that may be identified in the portfolio. As such, management uses qualitative factors to adjust for events and circumstances that may impact the future expected credit loss. Qualitative adjustments include, but are not limited to, factors such as: (i) changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices, (ii) changes in international, national, regional, and local conditions, (iii) changes in the nature and volume of the portfolio and terms of loans, (iv) changes in the experience, depth, and ability of lending management, (v) changes in the volume and severity of past due loans and other similar conditions, (vi) changes in the quality of the organization's loan review system, (vii) changes in the value of underlying collateral for collateral dependent loans, (viii) the existence and effect of any concentrations of credit and changes in the levels of such concentrations, (ix) the effect of other external factors (i.e. competition, legal and regulatory requirements) on the level of estimated credit losses. Management reviews the need for an appropriate level of qualitative adjustments on a quarterly basis, and as such, the amount and allocation of qualitative adjustments may change in future periods.

Management disaggregated the Bank's loan portfolio into material segments of like-kind loans for collective evaluation. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the portfolio segments by Federal Call Code based on the underlying collateral and measures the allowance for credit losses. For reporting purposes, these Federal Call Codes are aggregated under the following portfolio segments:

Real Estate–Commercial – This segment is comprised of loans used to finance the acquisition of commercial real property. These loans are secured by first liens against the underlying real property. The inherent risk is driven by the borrower's capacity to service the debt combined with the value of the property collateral relative to the loan balance. Economic trends including consumer spending, consumer confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Real Estate–Residential – This segment is comprised of single family 1-4 residential mortgages, installment and home equity loans. Economic trends including consumer spending, consumer confidence, market interest rates, trends in housing values, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Real Estate–Multifamily – This segment is comprised of loans used to finance the acquisition of multifamily real property. These loans are secured by first liens against the underlying real property for multifamily housing purposes. The inherent risk is driven by the borrower's capacity to service the debt combined with the value of the property collateral relative to the loan balance. Economic trends including consumer spending, consumer confidence, market interest rates, trends in housing values, and general economic growth are closely correlated to

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Real Estate–Construction – This segment is comprised of loans used to acquire, develop, and/or construct residential housing or commercial property types, including office, industrial and retail. Inherent risk is high as this segment evidences construction risk and absorption risk. Economic trends including consumer spending, consumer confidence, business confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair absorption and compromise the borrower's capacity to service the underlying debt.

Commercial – These loans are primarily for business purposes and are typically secured by personal property and in some cases by junior liens against real property. Credit risk is mitigated by financial covenants and financial reporting requirements. Economic trends including consumer spending, consumer confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Lease Financing – This segment is primarily comprised of smaller business purpose commitments used to finance an array of business equipment. Leases are amortized over a specific period of time. Economic trends including consumer spending, consumer confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Consumer – This segment is comprised of lines used to finance direct consumer purchases and/or establish lines of credit for consumer purposes. Economic trends including consumer spending, consumer confidence, market interest rates, trends in housing values, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable due to the repayment of the loan being based on proceeds from the sale or operation of the subject property, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. When the discounted cash flow method is used to determine the allowance for credit losses, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

The allowance for individually evaluated loans is calculated using either the collateral value method, which considers the likely source of repayment as the value of the collateral less estimated costs to sell, or the net present value method, which considers the contractual principal and interest terms and estimated cash flows available from the borrower to satisfy the debt. Nonaccrual or modified loans are individually evaluated for credit loss except if the original interest rate is used to discount the expected cash flows, not the rate specified in the restructuring.

In general, management's estimate of the ACL on loans uses relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Although management believes the allowance to be adequate, ultimately losses may vary from its estimates. At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions, and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Bank's primary regulators, the FDIC and the California Department of Financial Protection and Innovation, as an integral part of their examination process, review the adequacy of the allowance.

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EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Held for Sale and Servicing: Included in the portfolio are loans guaranteed by the Small Business Administration (SBA) that may be sold in the secondary market. Loans held for sale are carried at the lower of cost or fair value. Fair value is determined by the specific identification method as of the balance sheet date or the date that the purchasers have committed to purchase the loans. At the time the loan is sold, the related right to service the loan is recorded at fair value with the Bank earning future servicing income. Gains and losses are recognized based on the difference between the selling price and the fair value of servicing assets or liabilities and the allocated carrying value of the loans sold. At December 31, 2025 and 2024 the balance of loans originated and unsold under the SBA program totaled \$16,786 and \$14,957, respectively. Management has determined that the unsold loans originated through the SBA program were not material for disclosure as held for sale at December 31, 2025 and 2024.

Loans held for sale subsequently transferred to the loan portfolio are transferred at the lower of cost or fair value at the date of transfer. Any difference between the carrying amount of the loan and its outstanding principal balance is recognized as an adjustment to yield by the interest method.

Servicing rights acquired through 1) a purchase or 2) the origination of loans which are sold or securitized with servicing rights retained are recognized as separate assets or liabilities. Servicing assets or liabilities are recorded at fair value and are subsequently amortized into non-interest income in proportion to and over the period of the related net servicing income or expense. SBA loans with unpaid balances of approximately \$32,475 and \$39,484 were being serviced for others at December 31, 2025 and 2024, respectively. Servicing assets at December 31, 2025 and 2024 and servicing fee income net of servicing rights amortization during the years ended December 31, 2025 and 2024 were not material for disclosure.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet credit exposures is adjusted through provision for credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Management uses loss rates determined on the collective or pooled loan allowance for credit losses to estimate the exposure related to off-balance sheet. Commitments are similarly pooled as described above.

Other Real Estate Owned: Real estate properties acquired through, or in lieu of, loan foreclosure are expected to be sold and are initially recorded at the fair value of the property, less estimated costs to sell. The excess, if any, of the loan amount over the fair value is charged to the allowance for credit losses. Subsequent declines in the fair value of real estate owned, along with related expenses from operations, are charged to noninterest expense as incurred.

Bank Premises and Equipment: Bank premises and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line basis over the lesser of the life of the lease or the estimated useful lives of the assets, ranging from 3 to 10 years for furniture and equipment, 5 to 10 years for leasehold improvements, and 10 to 40 years for premises. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

The cost of maintenance and repairs is charged to expense as incurred. The Bank evaluates premises and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Bank Owned Life Insurance: The Bank has purchased life insurance policies on certain key executives, both current and former. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postretirement Healthcare Plan: The Bank sponsors a defined benefit postretirement healthcare plan (the Plan) that covers both salaried and non-salaried employees. The Plan provides medical benefits through health maintenance organizations. The Plan is funded by a voluntary employee beneficiary association (VEBA) trust maintained by the Bank. The contribution level for a retiree is based on a percentage of premium that varies according to the retiree's years of service with the Bank. The Bank's contribution for dependents is 50% of the Bank's share of the retiree's annual premium. The portion paid by the Bank is limited to 200% of the 1991 premium. Future cost-sharing plans are not expected to change from the current stated policy in the written plan. Effective December 31, 2007, the Plan was amended to cover only active employees who had at least 15 years of service and age plus years of service more than 60. The Plan was also amended to limit the maximum reimbursement amount to grandfathered retirees. As of November 1, 2021, the Plan was amended and is no longer a fully insured medical plan nor a self-funded dental and vision plan for its retirees. After the amendment, the Plan consists of individual retiree health reimbursement accounts to help eligible retirees pay for medical, dental, vision and prescription drug plans. The amendments are expected to significantly reduce Plan liability and future net period costs.

Other Postretirement Benefits: The Bank has established deferred compensation and salary continuation agreements providing nonqualified defined benefit retirement income for certain executive officers of the Bank. In connection with establishing these agreements, the Bank purchased single premium life insurance policies on each participant. The salary continuation agreements are accounted for by accruing a liability based upon the present value of each individual's benefit at retirement age and recognizing the related cost of these benefits over the term of employment. The single payment premium for the life insurance policies is recorded based on the cash surrender values of the policies adjusted for income earned on the investment and expense related to mortality costs.

The Bank also has endorsement split-dollar life insurance agreements with certain employees whereby the Bank has effectively agreed to maintain a life insurance policy during the employees' postretirement period. The Bank is accruing, over the employees' service period, a liability for the actuarial present value of future costs to maintain life insurance during the employees' postretirement period.

Income Taxes: Income tax expense is the total of current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates which are expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. On the consolidated balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

The determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings, which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed, and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. "More likely than not" is defined as greater than a 50% chance. All available evidence, both positive and negative is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Based upon their analysis of available evidence, management determined that it is "more likely than not" that all of the deferred income tax assets as of December 31, 2025 and 2024 will be fully realized and therefore no valuation allowance was recorded.

The Bank uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50%

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EXCHANGE BANK AND SUBSIDIARIES
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December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

Low Income Housing Tax Credit Investments: The Bank invests in tax credit structures. At December 31, 2025 and 2024, the balance of the investment credit structures was \$31,032 and \$23,022. These balances are reflected in the accrued interest receivable and other assets lines on the consolidated balance sheets. Total unfunded commitments related to the investments in tax credit structures totaled \$15,186 and \$13,184 at December 31, 2025 and 2024. The Bank expects to fulfill these commitments during the year ending 2043.

During the years ended December 31, 2025 and 2024, the Bank recognized amortization expense of \$1,557 and \$3,276, respectively, which was included within the income tax expense on the consolidated statements of income and investment tax structure amortization on the consolidated statement of cash flows.

Additionally, during the years ended December 31, 2025 and 2024, the Bank recognized tax credits and other tax benefits from its investment in tax structures of \$4,391 and \$1,987, respectively.

Earnings Per Common Share: Earnings per common share is computed by dividing net income by the weighted average number of shares outstanding during the year, which was 1,714,344 for 2025 and 2024, respectively. There were no dilutive shares or share equivalents.

Comprehensive Income: Comprehensive income includes net income and other comprehensive income. Other comprehensive income for the Bank includes unrealized gains and losses on investment securities classified as available-for-sale, and changes in the funded status of defined benefit pension plans and the deferred compensation trust.

Advertising: Advertising costs are charged to expense in the period incurred and totaled \$1,026 and \$953 for the years ended December 31, 2025 and 2024, respectively.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

Segment Reporting: The Bank operates as a single reportable segment in accordance with ASC 280 – Segment Reporting. The Chief Executive Officer (CEO), who is identified as the chief operating decision maker (CODM), evaluates financial performance based on consolidated results.

The Bank provides a broad range of commercial and retail banking services, including loans, deposits, and trust services, which are highly integrated. These services share common customers, delivery systems, and marketing strategies.

Management reviews financial performance at the consolidated level, and resource allocation decisions are made for the Bank as a whole, rather than at a lower level. Accordingly, the Bank has one reportable segment.

The Bank operates only in the United States, and no material revenue from foreign operations is reported separately.

Impact of New Accounting Standards:

ASU 2023-09, Income Taxes – Improvements to Income Tax Disclosures. The Bank prospectively adopted ASU 2023-09 as of January 1, 2025. See Note 11 – Income Taxes.

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASU 2023-07, Segment Reporting – Improvements to Reportable Segment Disclosures. In November 2023, FASB issued guidance to improve financial reporting disclosures of incremental segment information to enable investors to develop more decision-useful financial analyses. The Bank adopted ASU 2023-07 as of January 1, 2024, and considered the adoption immaterial.

NOTE 2 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2025 and 2024 consisted of the following:

	2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt Securities				
U.S. Government agencies	\$ 518,880	\$ -	\$ (26,550)	\$ 492,330
Obligations of state and political subdivisions	216,631	55	(11,605)	205,081
Government sponsored entities residential mortgage-backed securities	533,816	83	(40,132)	493,767
U.S. Treasuries	10,305	158	-	10,463
Other Securities	6,330	-	(182)	6,148
	<u>\$ 1,285,962</u>	<u>\$ 296</u>	<u>\$ (78,469)</u>	<u>\$ 1,207,789</u>
	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt Securities				
U.S. Government agencies	\$ 595,345	\$ -	\$ (52,413)	\$ 542,932
Obligations of state and political subdivisions	240,008	11	(20,668)	219,351
Government sponsored entities residential mortgage-backed securities	649,428	17	(68,352)	581,093
U.S. Treasuries	12,776	48	(6)	12,818
Other Securities	6,501	-	(350)	6,151
	<u>\$ 1,504,058</u>	<u>\$ 76</u>	<u>\$ (141,789)</u>	<u>\$ 1,362,345</u>

Net unrealized (losses) on available-for-sale investment securities totaling \$(78,173) and \$(141,713) were recorded, net of \$23,112 and \$41,896 in deferred tax assets (liabilities), as accumulated other comprehensive income within stockholders' equity at December 31, 2025 and 2024, respectively. Management determined no allowance for credit loss was required for the available-for-sale investment securities portfolio as of December 31, 2025 and 2024. There were no sales of available-for-sale investments during the years ended December 31, 2025 and 2024. There were no transfers of available-for-sale investment securities for the years ended December 31, 2025 and 2024.

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EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
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NOTE 2 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES (Continued)

There were no holdings of securities of any one issuer, other than the US Government and its agencies, which exceeds 10% of the stockholders' equity as of December 31, 2025 and 2024.

Available-for-sale investment securities with unrealized losses at December 31, 2025 and 2024 are summarized and classified according to the duration of the loss period as follows:

	2025		2024	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Less than twelve months:				
U.S. Government agencies	\$ -	\$ -	\$ 75,415	\$ (1,082)
Obligations of states and political subdivisions	10,355	(245)	14,701	(145)
Government guaranteed mortgage backed securities	-	-	16,486	(86)
U.S. Treasury	-	-	-	-
Other Securities	-	-	-	-
Greater than twelve month:				
U.S. Government agencies	492,330	(26,550)	467,517	(51,331)
Obligations of states and political subdivisions	184,422	(11,360)	202,906	(20,523)
Government guaranteed mortgage backed securities	479,388	(40,132)	563,762	(68,266)
U.S. Treasury	-	-	2,509	(6)
Other Securities	4,148	(182)	6,151	(350)
	\$ 1,170,643	\$ (78,469)	\$ 1,349,447	\$ (141,789)

U.S. Treasury and U.S. Government Agencies: The Bank holds 221 securities issued by U.S. Treasury and U.S. Government Agencies, of which none have been in a continuous loss position for less than 12 months and 205 have been in a continuous loss position for 12 months or longer. Management believes that the unrealized losses on the Bank's investment in U.S. Treasuries and Government agencies are caused by the fluctuation in interest rates and are not attributable to changes in credit quality. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2025. Management intends to hold these investments until at least a recovery of fair value or until maturity and it is likely that the Bank will not be required to sell.

Obligations of States and Political Subdivisions: The Bank holds 370 securities issued by state and political subdivisions, of which 8 have been in a continuous loss position for less than 12 months and 325 have been in a continuous loss position for 12 months or longer. Management believes that the unrealized losses on the Bank's investment in obligations of states and political subdivisions are a result of the fluctuation in interest rates. The contractual cash flows of these investments are considered a general obligation of, or supported by specific revenues of, a state or local municipality and the Bank intends to hold these investments until at least a recovery of fair value or until maturity. Therefore, the Bank expects to collect all amounts due. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2025.

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EXCHANGE BANK AND SUBSIDIARIES
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(In thousands, except per share amounts)
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NOTE 2 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES (Continued)

Management intends to hold these investments until at least a recovery of fair value or until maturity and it is likely that the Bank will not be required to sell.

Government Guaranteed Mortgage-Backed Securities: The Bank holds 280 Government Guaranteed Mortgage Backed Securities, of which none have been in a continuous loss position for less than 12 months and 265 have been in a continuous loss position for 12 months or longer. Management believes that the unrealized losses on the Bank's investment in government guaranteed mortgage-backed securities is caused by the fluctuation in interest rates and is not attributable to changes in credit quality. Management intends to hold these investments until at least a recovery of fair value or until maturity. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2025. Management intends to hold these investments until at least a recovery of fair value or until maturity and it is likely that the Bank will not be required to sell.

Other Securities: Management continually evaluates the portfolio for credit issues that it believes may have an impact on the ability to fully recover the amortized cost basis of the bond and would therefore be considered a permanent impairment. The Bank holds 3 corporate bonds, of which none have been in a continuous loss for less than 12 months and 3 which have been in a continuous loss position for 12 months or longer. Management believes the unrealized losses on the Bank's investment in corporate bonds is caused by the fluctuation in interest rates and is not attributable to changes in credit quality. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2025. Management intends to hold these investments until at least a recovery of fair value or until maturity and it is likely that the Bank will not be required to sell.

Contractual Maturities: The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2025, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of securities may have the right to call or prepay obligations with or without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Within one year	\$ 156,065	\$ 154,062
After one year through five years	374,261	354,627
After five years through ten years	188,918	175,062
After ten years	32,902	30,271
	<u>752,146</u>	<u>714,022</u>

Investment securities not due at a single maturity date:

Government sponsored entities mortgage-backed securities	533,816	493,767
	<u>\$ 1,285,962</u>	<u>\$ 1,207,789</u>

Investment securities with amortized costs of \$193,970 and \$191,036 and fair values of \$184,013 and \$175,802 as of December 31, 2025 and 2024, respectively, were pledged to secure public and trust deposits. Additional pledging of the portfolio is done for FRB and FHLB borrowing arrangements (see Note 7) and for other purposes required or permitted by law.

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The Bank originates loans in the ordinary course of business. In addition to originating loans, the Bank may also purchase loans through pool purchases or participation purchases.

Loans and leases are reported net of deferred loan origination fees and costs of \$397 in 2025 and \$1,005 in 2024 and consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Real Estate - Commercial	\$ 819,018	\$ 674,212
Real Estate - Residential	424,606	455,256
Real Estate - Multifamily	234,669	182,081
Real Estate - Construction	64,432	112,432
Commercial	136,702	128,972
Lease Financing	425	2,131
Consumer	<u>51,601</u>	<u>63,495</u>
 Total	 1,731,453	 1,618,579
 Less: Allowance for credit losses	 <u>(33,865)</u>	 <u>(35,099)</u>
	 <u>\$ 1,697,588</u>	 <u>\$ 1,583,480</u>

The components of the Bank's leases receivable at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Future lease payments receivable	\$ 433	\$ 2,206
Unearned income	<u>(8)</u>	<u>(75)</u>
 Net lease financing receivable	 <u>\$ 425</u>	 <u>\$ 2,131</u>

Future lease payments receivable are as follows:

Year Ending December 31,

2026	\$ 384
2027	49
2028	-
2029	<u>-</u>
	 <u>\$ 433</u>

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – LOANS AND LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bank's loan portfolio has been pledged to secure borrowing arrangements (see Note 7).

The following tables presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2025 and 2024:

	December 31, 2025							
	Real Estate - Commercial	Real Estate - Residential	Real Estate - Multifamily	Real Estate - Construction	Commercial	Lease Financing	Consumer	Total
<u>Allowance for Credit Losses</u>								
Beginning Balance	\$ 12,383	\$ 6,548	\$ 2,649	\$ 8,324	\$ 2,730	\$ 35	\$ 2,430	\$ 35,099
Provision (reversal) for credit loss	4,237	(850)	73	(3,719)	45	30	(491)	(675)
Loans charged-off	-	(24)	-	-	(331)	(85)	(306)	(746)
Recoveries	-	9	-	-	84	25	69	187
Total ending allowance balance	<u>\$ 16,620</u>	<u>\$ 5,683</u>	<u>\$ 2,722</u>	<u>\$ 4,605</u>	<u>\$ 2,528</u>	<u>\$ 5</u>	<u>\$ 1,702</u>	<u>\$ 33,865</u>

	December 31, 2024							
	Real Estate - Commercial	Real Estate - Residential	Real Estate - Multifamily	Real Estate - Construction	Commercial	Lease Financing	Consumer	Total
<u>Allowance for Credit Losses</u>								
Beginning Balance	\$ 14,480	\$ 6,343	\$ 3,372	\$ 11,616	\$ 2,734	\$ 115	\$ 2,608	\$ 41,268
Provision (reversal) for credit loss	(2,097)	311	(723)	(3,584)	353	(71)	11	(5,800)
Loans charged-off	-	(111)	-	-	(513)	(93)	(302)	(1,019)
Recoveries	-	5	-	292	156	84	113	650
Total ending allowance balance	<u>\$ 12,383</u>	<u>\$ 6,548</u>	<u>\$ 2,649</u>	<u>\$ 8,324</u>	<u>\$ 2,730</u>	<u>\$ 35</u>	<u>\$ 2,430</u>	<u>\$ 35,099</u>

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2025 and 2024:

	December 31, 2025			December 31, 2024		
	Non Accrual with No Specific Allowance for Credit Loss	Loans Past Due Greater Than 89 Days Still Accruing	Nonaccrual	Non Accrual with No Specific Allowance for Credit Loss	Loans Past Due Greater Than 89 Days Still Accruing	Nonaccrual
Real Estate - Commercial	\$ -	\$ -	\$ 11,019	\$ 7,213	\$ -	\$ 7,213
Real Estate - Residential	609	-	1,116	2,087	-	2,087
Real Estate - Multifamily	-	-	-	-	-	-
Real Estate - Construction	-	-	3,139	-	-	-
Commercial	139	-	439	16	-	239
Lease Financing	-	-	-	28	-	61
Consumer	-	-	177	70	-	347
Total	<u>\$ 748</u>	<u>\$ -</u>	<u>\$ 15,890</u>	<u>\$ 9,414</u>	<u>\$ -</u>	<u>\$ 9,947</u>

The Bank has allocated \$4,734 and \$416 of specific allowance for credit losses on non-accrual loans as of December 31, 2025 and 2024, respectively.

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NOTE 3 – LOANS AND LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2025 and 2024:

	2025			2024		
	Real Estate	Other	Total	Real Estate	Other	Total
Real Estate - Commercial	\$ 11,019	\$ -	\$ 11,019	\$ 6,749	\$ -	\$ 6,749
Real Estate - Residential	817	-	817	1,423	-	1,423
Real Estate - Multifamily	-	-	-	-	-	-
Real Estate - Construction	3,139	-	3,139	-	-	-
Commercial	-	435	435	-	48	48
Lease Financing	-	-	-	-	-	-
Consumer	-	163	163	-	90	90
Total	\$ 14,975	\$ 598	\$ 15,573	\$ 8,172	\$ 138	\$ 8,310

The following tables present the aging analysis of the amortized cost basis in past due loans as of December 31, 2025 and 2024:

	December 31, 2025					
	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total Loans
	Real Estate - Commercial	\$ 964	\$ 2,140	\$ 1,447	\$ 4,551	\$ 814,467
Real Estate - Residential	4,815	462	285	5,562	419,044	424,606
Real Estate - Multifamily	846	-	-	846	233,823	234,669
Real Estate - Construction	-	3,139	-	3,139	61,293	64,432
Commercial	157	200	296	653	136,049	136,702
Lease Financing	18	-	-	18	407	425
Consumer	179	8	95	282	51,319	51,601
Total	\$ 6,979	\$ 5,949	\$ 2,123	\$ 15,051	\$ 1,716,402	\$ 1,731,453

	December 31, 2024					
	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total Loans
	Real Estate - Commercial	\$ -	\$ -	\$ 7,213	\$ 7,213	\$ 666,999
Real Estate - Residential	2,912	-	2,087	4,999	450,257	455,256
Real Estate - Multifamily	-	-	-	-	182,081	182,081
Real Estate - Construction	-	-	-	-	112,432	112,432
Commercial	110	-	239	349	128,623	128,972
Lease Financing	6	-	61	67	2,064	2,131
Consumer	47	-	347	394	63,101	63,495
Total	\$ 3,075	\$ -	\$ 9,947	\$ 13,022	\$ 1,605,557	\$ 1,618,579

Salaries and employee benefits totaling \$1,309 and \$1,025 have been deferred as loan and lease origination costs for the years ended December 31, 2025 and 2024, respectively.

Occasionally, the Bank modifies loans to borrowers in financial distress by providing modifications, including but not limited to principal forgiveness, term extension, or interest rate reduction. In some cases, the Bank provides

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NOTE 3 – LOANS AND LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

multiple types of concessions on one loan. Typically, one type of concession, such as a term extension is granted initially. If the borrower continues to experience financial difficulty, another concession, such as interest rate reduction, may be granted. The Bank had no such modifications for the years ended December 31, 2025 and 2024.

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation and current economic trends, among other factors. The Bank analyzes loans individually to classify the loans as to credit risk. The Bank uses the following definitions for risk ratings:

Pass – A pass loan is a strong credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention – A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible and charged off immediately.

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans by origination year and risk grade as of the year ended December 31, 2025:

As of December 31, 2025	Term Loans Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
Real Estate - Commercial Grade:								
Pass	\$ 150,110	\$ 79,311	\$ 112,703	\$ 82,007	\$ 74,922	\$ 262,086	\$ 23,573	\$ 784,712
Special Mention	3,833	-	1,290	906	-	172	211	6,412
Substandard	600	-	-	1,540	7,336	16,765	206	26,447
Doubtful	-	-	-	561	-	886	-	1,447
Total	\$ 154,543	\$ 79,311	\$ 113,993	\$ 85,014	\$ 82,258	\$ 279,909	\$ 23,990	\$ 819,018
Real Estate - Commercial Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Residential Grade:							Revolving Loans Amortized Cost Basis	Total
Pass	\$ 9,052	\$ 7,710	\$ 37,338	\$ 93,821	\$ 65,467	\$ 121,104	\$ 84,703	\$ 419,195
Special Mention	-	-	-	-	-	377	-	377
Substandard	-	-	-	1,103	969	1,444	1,233	4,749
Doubtful	-	-	-	-	285	-	-	285
Total	\$ 9,052	\$ 7,710	\$ 37,338	\$ 94,924	\$ 66,721	\$ 122,925	\$ 85,936	\$ 424,606
Real Estate - Residential Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24	\$ 24
Real Estate - Multifamily Grade:							Revolving Loans Amortized Cost Basis	Total
Pass	\$ 54,513	\$ 20,083	\$ 26,822	\$ 52,414	\$ 34,148	\$ 46,689	\$ -	\$ 234,669
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	\$ 54,513	\$ 20,083	\$ 26,822	\$ 52,414	\$ 34,148	\$ 46,689	\$ -	\$ 234,669
Real Estate - Multifamily Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Construction Grade:							Revolving Loans Amortized Cost Basis	Total
Pass	\$ 2,978	\$ 189	\$ 14,794	\$ -	\$ 9,742	\$ (1,025)	\$ 24,779	\$ 51,457
Special Mention	-	-	-	8,890	-	946	-	9,836
Substandard	-	-	-	-	-	3,139	-	3,139
Doubtful	-	-	-	-	-	-	-	-
Total	\$ 2,978	\$ 189	\$ 14,794	\$ 8,890	\$ 9,742	\$ 3,060	\$ 24,779	\$ 64,432
Real Estate - Construction Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

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NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial Grade:								
Pass	\$ 11,956	\$ 2,430	\$ 14,691	\$ 4,196	\$ 5,117	\$ 4,061	\$ 92,181	\$ 134,632
Special Mention	-	-	-	169	-	150	535	854
Substandard	-	-	35	81	-	373	431	920
Doubtful	-	-	-	-	-	296	-	296
Total	\$ 11,956	\$ 2,430	\$ 14,726	\$ 4,446	\$ 5,117	\$ 4,880	\$ 93,147	\$ 136,702
Commercial Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ 33
Lease Financing Grade:							Revolving Loans Amortized Cost Basis	Total
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425	\$ -	\$ 425
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	\$ -	\$ 425	\$ -	\$ 425				
Lease Financing Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85	\$ -	\$ 85
Consumer Grade:							Revolving Loans Amortized Cost Basis	Total
Pass	\$ 8,546	\$ 12,020	\$ 9,802	\$ 7,361	\$ 6,306	\$ 6,342	\$ 1,024	\$ 51,401
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	92	-	92
Doubtful	-	-	41	-	67	-	-	108
Total	\$ 8,546	\$ 12,020	\$ 9,843	\$ 7,361	\$ 6,373	\$ 6,434	\$ 1,024	\$ 51,601
Consumer Current Period Gross write offs	\$ -	\$ -	\$ 364	\$ -	\$ -	\$ -	\$ 240	\$ 604
Total Loans Grade:							Revolving Loans Amortized Cost Basis	Total
Pass	\$ 237,155	\$ 121,743	\$ 216,150	\$ 239,799	\$ 195,702	\$ 439,682	\$ 226,260	\$ 1,676,491
Special Mention	3,833	-	1,290	9,965	-	1,645	746	17,479
Substandard	600	-	35	2,724	8,305	21,813	1,870	35,347
Doubtful	-	-	41	561	352	1,182	-	2,136
Total	\$ 241,588	\$ 121,743	\$ 217,516	\$ 253,049	\$ 204,359	\$ 464,322	\$ 228,876	\$ 1,731,453

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans by origination year and risk grade as of the year ended December 31, 2024:

As of December 31, 2024	Term Loans Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	Prior		
Real Estate - Commercial Grade:							
Pass	\$ 64,118	\$ 108,386	\$ 80,902	\$ 73,349	\$ 324,142	\$ 2,132	\$ 653,029
Special Mention	-	1,315	2,123	279	7,065	250	11,032
Substandard	-	-	524	1,180	8,447	-	10,151
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 64,118</u>	<u>\$ 109,701</u>	<u>\$ 83,549</u>	<u>\$ 74,808</u>	<u>\$ 339,654</u>	<u>\$ 2,382</u>	<u>\$ 674,212</u>
Real Estate - Commercial Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Residential Grade:						Revolving Loans Amortized Cost Basis	Total
Pass	\$ 9,233	\$ 42,360	\$ 101,167	\$ 70,274	\$ 140,054	\$ 84,919	\$ 448,007
Special Mention	-	106	-	-	-	-	106
Substandard	380	-	1,324	980	3,421	1,038	7,143
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 9,613</u>	<u>\$ 42,466</u>	<u>\$ 102,491</u>	<u>\$ 71,254</u>	<u>\$ 143,475</u>	<u>\$ 85,957</u>	<u>\$ 455,256</u>
Real Estate - Residential Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 35	\$ 76	\$ 111
Real Estate - Multifamily Grade:						Revolving Loans Amortized Cost Basis	Total
Pass	\$ 13,249	\$ 27,374	\$ 51,075	\$ 34,775	\$ 54,948	\$ 660	\$ 182,081
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 13,249</u>	<u>\$ 27,374</u>	<u>\$ 51,075</u>	<u>\$ 34,775</u>	<u>\$ 54,948</u>	<u>\$ 660</u>	<u>\$ 182,081</u>
Real Estate - Multifamily Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Construction Grade:						Revolving Loans Amortized Cost Basis	Total
Pass	\$ 11,484	\$ 18,039	\$ 16,293	\$ 21,659	\$ 498	\$ 21,819	\$ 89,792
Special Mention	-	-	-	18,500	-	-	18,500
Substandard	-	4,140	-	-	-	-	4,140
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 11,484</u>	<u>\$ 22,179</u>	<u>\$ 16,293</u>	<u>\$ 40,159</u>	<u>\$ 498</u>	<u>\$ 21,819</u>	<u>\$ 112,432</u>
Real Estate - Construction Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial Grade:							
Pass	\$ 3,800	\$ 20,101	\$ 6,173	\$ 6,709	\$ 6,546	\$ 80,621	\$ 123,950
Special Mention	-	48	-	-	119	1,046	1,213
Substandard	-	-	100	-	951	2,600	3,651
Doubtful	-	-	-	-	133	25	158
Total	\$ 3,800	\$ 20,149	\$ 6,273	\$ 6,709	\$ 7,749	\$ 84,292	\$ 128,972
Commercial Current Period Gross write offs	\$ -	\$ 250	\$ -	\$ -	\$ -	\$ 263	\$ 513
Lease Financing Grade:						Revolving Loans Amortized Cost Basis	Total
Pass	\$ -	\$ -	\$ -	\$ -	\$ 2,050	\$ -	\$ 2,050
Special Mention	-	-	-	-	6	-	6
Substandard	-	-	-	-	47	-	47
Doubtful	-	-	-	-	28	-	28
Total	\$ -	\$ -	\$ -	\$ -	\$ 2,131	\$ -	\$ 2,131
Lease Financing Current Period Gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 93	\$ -	\$ 93
Consumer Grade:						Revolving Loans Amortized Cost Basis	Total
Pass	\$ 18,235	\$ 16,638	\$ 10,376	\$ 9,332	\$ 7,508	\$ 1,072	\$ 63,161
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	98	-	98
Doubtful	-	32	121	58	-	25	236
Total	\$ 18,235	\$ 16,670	\$ 10,497	\$ 9,390	\$ 7,606	\$ 1,097	\$ 63,495
Consumer Current Period Gross write offs	\$ -	\$ 270	\$ -	\$ -	\$ -	\$ 32	\$ 302
Total Loans Grade:						Revolving Loans Amortized Cost Basis	Total
Pass	\$ 120,119	\$ 232,898	\$ 265,986	\$ 216,098	\$ 535,746	\$ 191,223	\$ 1,562,070
Special Mention	-	1,469	2,123	18,779	7,190	1,296	30,857
Substandard	380	4,140	1,948	2,160	12,964	3,638	25,230
Doubtful	-	32	121	58	161	50	422
Total Loans	\$ 120,499	\$ 238,539	\$ 270,178	\$ 237,095	\$ 556,061	\$ 196,207	\$ 1,618,579

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EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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December 31, 2025 and 2024

NOTE 4 – FEDERAL HOME LOAN BANK STOCK

As a member of the Federal Home Loan Bank of San Francisco (FHLB), the Bank is required to own capital stock in an amount specified by regulation. At December 31, 2025 and 2024, the Bank owned 150,000 shares of \$100 par value FHLB stock, respectively. The stock is carried at cost and is redeemable at par with certain restrictions. The amount of stock required to be held is adjusted periodically based on a determination made by the FHLB.

NOTE 5 – BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31 consist of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 3,263	\$ 3,423
Buildings	30,199	31,271
Leasehold improvements	6,437	6,554
Equipment	15,813	15,387
Construction in Progress	<u>2,184</u>	<u>1,030</u>
	57,896	57,665
Less: accumulated depreciation and amortization	<u>(40,737)</u>	<u>(40,424)</u>
	<u>\$ 17,159</u>	<u>\$ 17,241</u>

Depreciation and amortization expense were \$2,093 and \$2,082 for the years ended December 31, 2025 and 2024, respectively.

NOTE 6 – INTEREST-BEARING DEPOSITS

Interest-bearing deposits at December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Savings	\$ 440,595	\$ 462,123
Money market	649,594	543,483
NOW accounts	426,307	439,993
Time, \$250,000 or more	177,961	176,880
Other time	<u>317,074</u>	<u>307,649</u>
	<u>\$ 2,011,531</u>	<u>\$ 1,930,128</u>

The Bank's other time deposits included reciprocal deposits which totaled \$170,889 or 5.94% and \$166,672 or 5.88% of total deposits at December 31, 2025 and 2024, respectively. Reciprocal deposits were under the Certificate of Deposit Account Registry Service (CDARS) program and IntraFi Cash Services (ICS), which allows the Bank's deposit customers to have the entire balance of their deposit account insured by the FDIC. There were no wholesale brokered deposits at December 31, 2025 and 2024.

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 6 – INTEREST-BEARING DEPOSITS (Continued)

Aggregate annual maturities of time deposits at December 31, 2025 are as follows:

Year Ending <u>December 31,</u>	
2026	\$ 477,037
2027	14,971
2028	950
2029	1,500
2030	577
Beyond	<u>-</u>
	<u>\$ 495,035</u>

NOTE 7 – BORROWINGS

Federal Home Loan Bank Advances: The Bank may borrow from the Federal Home Loan Bank, on either a short-term or long-term basis, up to 30% of its assets provided that adequate collateral has been pledged. As of December 31, 2025 and 2024, the Bank has pledged investment securities with a carrying value of \$268,272 and \$302,666 and loans with a carrying value of \$1,222,230 and \$1,141,293, respectively, to secure this borrowing arrangement. There were \$40,000 outstanding advances from the Federal Home Loan Bank of San Francisco (FHLB) at December 31, 2025 and December 31, 2024. The outstanding advances at December 31, 2025 were two year borrowings at inception, have a weighted average rate of 4.043%, and maturity dates ranging from August 6, 2026 through September 4, 2026.

Federal Reserve: The Bank may borrow from the Federal Reserve, Bank Term Funding Program loans up to one year in length, pledging qualifying assets as collateral. There were none and \$100,000 outstanding loans from the Federal Reserve Bank of San Francisco at December 31, 2025 and 2024, respectively. The \$100,000 outstanding loan at December 31, 2024 had a maturity date of January 16, 2025 with a rate of 4.760%. The Bank also has a secured line of credit of \$56,645 and \$67,200 as of December 31, 2025 and 2024, respectively, with no outstanding advances.

Lines of Credit: The Bank has an unsecured line of credit of \$50,000 with its correspondent bank, Pacific Coast Banker's Bank as of December 31, 2025 and 2024; \$10,000 unsecured line of credit with its correspondent bank, Wells Fargo as of December 31, 2025 and 2024, and a \$25,000 unsecured line of credit with its correspondent bank, Zions Bank as of December 31, 2025 and 2024. There were no outstanding balances at December 31, 2025 and 2024.

In aggregate, as of December 31, 2025, the Bank had total available borrowing capacity of \$1,046,760 from a variety of sources as described above.

NOTE 8 – LEASES

The Bank leases certain branch premises under operating lease agreements. The leases expire on various dates through 2030 and have renewal options for up to five years. The Bank includes lease extension options in the lease term if, after considering relevant economic factors, it is reasonably certain the Bank will exercise the option. The Bank has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 8 – LEASES (Continued)

the Bank's balance sheet. The Bank has elected to use U.S. Treasury yields as a proxy for its incremental borrowing rate. The weighted average discount rate applied to lease liabilities was 2.93% and 4.26% as of December 31, 2025 and 2024, respectively. At December 31, 2025, minimum commitments under these non-cancellable leases with initial or remaining terms of one year or more are as follows:

Year Ending, December 31,		
2025	\$	1,984
2026		1,734
2027		1,403
2028		1,013
2029		699
Thereafter		997
Total undiscounted lease payments		7,830
Less: imputed interest		(1,223)
Net lease liabilities	\$	6,607

Leases are classified as operating at the lease commencement date. Lease expenses for operating leases are recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Rent expense under operating leases was \$1,984 and \$1,927 for the years ended December 31, 2025 and 2024, respectively.

As the Bank has not participated in the secondary markets to raise new debt, the Bank has elected to use US Treasury yields as a proxy for the incremental implicit rate of its leases. The Bank believes that US Treasury yields are not materially different from its ability to access the market through a fully secured borrowing rate.

Right-of-use assets and lease liabilities by lease type and the associated balance sheet classifications for the years ending December 31, 2025 and 2024 are as follows:

	Balance Sheet Classification	<u>2025</u>	<u>2024</u>
Right-of-use assets:			
Operating lease	Accrued interest receivable and other assets	\$ 6,607	\$ 7,229
Lease liabilities:			
Operating lease	Accrued interest payable and other liabilities	\$ 6,607	\$ 7,229

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 9 – COMMITMENTS AND CONTINGENCIES

Financial Instruments With Off-Balance-Sheet Risk: The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments represent commitments to originate fixed and variable rate loans and lines of credit and involve, to varying degrees, elements of interest rate risk and credit risk in excess of the amount recognized in the Bank's consolidated balance sheet. The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments.

The Bank uses the same credit policies in making commitments to originate loans and lines of credit as it does for on-balance sheet instruments.

The following financial instruments represent off-balance-sheet credit risk at December 31:

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 370,507	\$ 400,760
Standby letters of credit	<u>12,335</u>	<u>12,335</u>
 Total loan commitments	 <u>\$ 382,842</u>	 <u>\$ 413,095</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include deposit accounts, accounts receivable, inventory, equipment and deeds of trust on residential real estate, land held for development and income-producing commercial properties. Reserve for unfunded commitments totaled \$2.8 million and \$2.1 million for the years ended December 31, 2025 and December 31, 2024, respectively. The provision for credit losses for unfunded commitments was \$675 and \$0 for the years ended December 31, 2025 and 2024.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. The fair value of the liability related to commitments to extend credit and standby letters of credit, which represents the fees received for issuing the guarantees, was not significant at December 31, 2025 and 2024. The Bank recognizes these fees as revenue over the term of the commitment or when the commitment is used.

Contingencies: The Bank is involved in legal proceedings arising in the normal course of business. In the opinion of management, the outcomes of such proceedings will not have a material adverse effect on the Bank's financial position or results of operations.

Uninsured Deposits: The Bank maintains funds on deposit with the Federal Home Loan Bank (FHLB) and other federally insured financial institutions under correspondent banking agreements. Uninsured deposits with the FHLB and correspondent banks totaled \$5,382 and \$8,222 at December 31, 2025 and 2024, respectively.

Postretirement Benefits: The Bank has salary continuation agreements in place to provide nonqualified defined benefit retirement income for certain executive officers of the Bank. In connection with establishing these agreements, the Bank purchased split-dollar single premium life insurance policies on each participant. The agreements provide that each executive will receive annual benefits over their lifetime commencing with the month following their normal retirement date.

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

The Bank accrues for these future benefits from the effective date of the agreements until the executives' expected final payment dates in a systematic and rational manner. As of December 31, 2025, and 2024, the Bank had accrued \$9,638 and \$10,546, respectively, for benefits payable. This payable approximates the present value of the benefits expected to be provided at retirement. The expense recognized under these agreements totaled \$634 and \$686 for the years ended December 31, 2025 and 2024, respectively.

Amounts recognized in accumulated other comprehensive income as of December 31, 2025 and 2024, were not considered material.

The Bank has also established a deferred compensation plan for certain members of management for the purpose of providing the opportunity to defer compensation. At December 31, 2025 and 2024, the liability for accrued deferred compensation, including interest earned, totaled \$3,193 and \$4,121, respectively.

The Bank has also executed split-dollar life insurance agreements with certain employees in connection with the salary continuation agreements and deferred compensation plan whereby the Bank has effectively agreed to maintain a life insurance policy during the employees' postretirement period. The Bank had accrued a liability at December 31, 2025 and 2024 in the amount of \$3,114 and \$3,054, respectively, representing the actuarial present value of the costs to maintain life insurance during the employees' postretirement period.

The cash surrender value of life insurance purchased in connection with these agreements totaled \$76,151 and \$72,266 as of December 31, 2025 and 2024, respectively.

NOTE 10 – POSTRETIREMENT HEALTHCARE PLAN

The following presents the postretirement healthcare plan's combined funded status:

	<u>2025</u>	<u>2024</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,438	\$ 4,959
Service cost	20	20
Plan Amendment	-	-
Interest cost	3	5
Benefits paid	(444)	(475)
Plan participant contribution	-	-
Actuarial (gain) loss	(48)	(71)
	<u>\$ 3,969</u>	<u>\$ 4,438</u>

(Continued)

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NOTE 10 – POSTRETIREMENT HEALTHCARE PLAN (Continued)

	<u>2025</u>	<u>2024</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 5,317	\$ 5,666
Other payments	(117)	(162)
Plan participant contribution	-	-
Benefits paid	(444)	(475)
Employer contribution	7	9
Actual return on plan assets	<u>212</u>	<u>279</u>
Fair value of plan assets at end of year	<u>\$ 4,975</u>	<u>\$ 5,317</u>
Plan assets less benefit obligation at end of year	<u>\$ 1,006</u>	<u>\$ 879</u>

Amounts recognized in accumulated other comprehensive income at December 31 consist of:

	<u>2025</u>	<u>2024</u>
Net actuarial loss	\$ 1,384	\$ 1,420
Prior service cost	<u>634</u>	<u>684</u>
	<u>\$ 2,018</u>	<u>\$ 2,104</u>

The accumulated benefit obligation was \$3,969 and \$4,438 at December 31, 2025 and 2024. At December 31, 2025 and 2024, the Bank contributed \$7 and \$9, respectively to the Plan. The Bank does not expect to contribute to the Plan in 2026.

	<u>2025</u>	<u>2024</u>
Components of net periodic benefit cost:		
Service Cost	\$ 20	\$ 20
Interest Cost	3	5
Expected return on plan assets	(165)	(189)
Loss (gain)	57	56
Amortization of unrecognized prior service cost	<u>50</u>	<u>50</u>
Total net periodic benefit cost	<u>\$ (35)</u>	<u>\$ (58)</u>

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 10 – POSTRETIREMENT HEALTHCARE PLAN (Continued)

	<u>2025</u>	<u>2024</u>
Net loss (gain)	\$ 22	\$ -
Amortization of net (gain) loss	(57)	(56)
Prior Service costs	-	-
Amortization of prior service cost	<u>(50)</u>	<u>(50)</u>
Total recognized in other comprehensive income	<u>(85)</u>	<u>(106)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (120)</u>	<u>\$ (164)</u>

The following table represents the assumed health care trend rates at December 31:

	<u>2025</u>	<u>2024</u>
Health care trend rate assumed for next year	5.50%	5.50%
Rate to which the cost trend rate is assumed to decline	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	2010	2010

Plan investments as of December 31, 2025 and 2024 totaled \$4,975 and \$5,317, respectively. These amounts are also considered fair value. Assets in this category are all held in liquid instruments with quoted market prices (Level 1).

As of November 1, 2022, the Plan was amended and is no longer a fully-insured medical plan nor a self-funded dental and vision plan for its retirees. After the amendment, the plan consists of individual retiree health reimbursement accounts to help eligible retirees pay for medical, dental, vision and prescription drug plans.

For the plan amendment, all investments were converted to cash. The Plan will only hold cash going forward.

Stated are the maximum and minimum asset allocation levels at market for each asset category as well as the weighted average expected return for each asset class.

	<u>Policy</u>	<u>Weighted Average Expected Return</u>
Cash and equivalents	100%	0%

All assets are held in Cash and Cash Equivalents as of December 31, 2025 and 2024.

The Bank uses a December 31 measurement date for the Plan. For measurement purposes, the healthcare trend rate of 5.5% was used in 2025 and 2024. They will remain at that level thereafter except where the Bank's contribution limit applies. The healthcare cost trend rate assumptions have a significant effect on the amounts reported, but their impact is lessened because the Bank limits its annual increase at twice the 1991 average

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 10 – POSTRETIREMENT HEALTHCARE PLAN (Continued)

premium rate. Increasing or decreasing the assumed healthcare cost trend rates by 1.0% in each year would not change the accumulated postretirement benefit obligation nor would the aggregate of the service and interest components of net periodic postretirement benefit cost change.

The weighted average assumptions used to determine benefit obligations at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Discount rate	5.60%	5.70%
Rate of compensation increase	N/A	N/A

The weighted average assumptions used to determine net periodic benefit cost at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Discount rate	5.70%	5.10%
Expected return of plan assets	3.25%	3.50%
Rate of compensation increase	N/A	N/A

The expected return on retirement plan assets is developed using inflation expectations and risk factors to arrive at a long-term nominal expected return for each asset class. The nominal expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on plan assets.

The plan assets are invested in a 501(c)(9) Voluntary Employees' Beneficiary Association trust which is subject to unrelated business income tax. The plan assets were funded by the Bank initially on December 31, 1991 and periodic contributions have been made since then.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law on December 8, 2003. The Plan was designed to provide only for healthcare premiums and, consequently, the measures of the postretirement benefit obligations and net periodic postretirement benefit cost do not reflect effects of the Act.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Year Ending, December 31,</u>	<u>Pension Benefits</u>
2026	\$ 468
2027	442
2028	417
2029	395
2030	371
2031 through 2035	1,530

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 11 – INCOME TAXES

The Bank does not have any pretax income from continuing foreign operations or foreign tax expense. The provision (benefit) for income taxes from continuing operations consists of the following components (in accordance with ASU 2023-09) for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Current		
Federal	\$ 7,289	\$ 4,028
State and local	1,098	2,772
Total current tax provision (benefit)	8,387	6,800
Deferred		
Federal	350	2,229
State and local	244	696
Total deferred tax provision (benefit)	594	2,925
Total tax provision (benefit) from continuing operations	\$ 8,981	\$ 9,725

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
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NOTE 11 – INCOME TAXES (Continued)

Deferred tax assets (liabilities) are included in accrued interest receivable and other assets. Deferred taxes are comprised of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for credit losses	\$ 10,811	\$ 10,976
Deferred Compensation	3,737	4,322
Postretirement benefits	823	992
Nonaccrual interest	203	331
State taxes	268	121
Deferred gain	138	154
Bank premises and equipment	991	979
Amortization of trust assets	86	96
Lease Liability	1,953	2,137
Unrealized losses on available for sale investment securities	23,112	41,896
Other	<u>464</u>	<u>363</u>
 Total deferred tax assets	 <u>42,586</u>	 <u>62,367</u>
Deferred tax liabilities:		
Deferred loan costs	(359)	(333)
Prepaid expenses	(305)	(267)
Prepaid profit sharing	(989)	(1,208)
FHLB stock dividends	(272)	(272)
Right of Use asset	(1,953)	(2,137)
Other	<u>-</u>	<u>(3)</u>
 Total deferred tax liabilities	 <u>(3,878)</u>	 <u>(4,220)</u>
 Net deferred tax assets	 <u>\$ 38,708</u>	 <u>\$ 58,147</u>

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 11 – INCOME TAXES (Continued)

Income tax expense for the year ended December 31, 2025 differed from the federal statutory rate applied to income before taxes for the following (in accordance with ASU 2023-09):

	2025	
Federal income tax expense, at statutory rate	\$ 8,179	21.0%
State and local income taxes, net of Federal tax effect ⁽¹⁾	1,061	2.7
Tax Credits		
Low income housing (includes benefit of tax losses, net of amortization)	(1,090)	(2.8)
Nontaxable or Nondeductible items		
Bank owned life insurance	(540)	(1.4)
Other	(202)	(0.5)
Other adjustments		
Prior year true ups	1,737	4.5
Other	(164)	(0.4)
Taxes at effective rate	\$ 8,981	23.1%

⁽¹⁾ State taxes in California made up the majority (greater than 50%) of the tax effect in this category.

Income tax expense for the year ended December 31, 2024 differed from the federal statutory rate applied to income before income taxes for the following (before the adoption of ASU 2023-09):

	2024	
Federal income tax expense, at statutory rate		21.0%
State franchise tax, net of Federal tax effect		8.2
Tax-exempt interest on obligations of states and political subdivisions		(0.6)
Cash surrender value of life insurance		(1.1)
Low income housing tax losses and tax credits, net of amortization		(2.0)
Other		3.5
Effective tax rate		29.0%

Income taxes paid were as follows:

	2025	
Federal	\$ 3,431	
States		
California	3,399	
Foreign	-	
	\$ 6,830	

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 11 – INCOME TAXES (Continued)

The Bank files income tax returns in the United States jurisdiction and the State of California jurisdiction. The Bank is no longer subject to Federal income tax examinations by tax authorities for years before 2022. The Bank is no longer subject to California income tax examinations by tax authorities for years before 2021.

Unrecognized Tax Benefits: The Bank recognizes the financial statement effects of a tax position when it is more likely than not (greater than 50% likelihood) that the position will be sustained upon examination by tax authorities, based on the technical merits of the position. If a tax position does not meet this threshold, no tax benefit is recorded in the financial statements. As of December 31, 2025 and 2024 the Bank has no unrecognized tax benefit recorded.

The Bank's policy is to recognize interest and penalties related to unrecognized tax benefits as part of income tax expense in the consolidated statements of income. As of December 31, 2025 and 2024, the Bank has not accrued any interest or penalties related to unrecognized tax benefits.

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ending December 31, 2025 and 2024:

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Plan Items	Deferred Compensation Trust	Total
<u>December 31, 2025</u>				
Beginning Balance	\$ (99,819)	\$ (1,449)	\$ 174	\$ (101,094)
Amounts reclassified from accumulated other comprehensive income	-	(61)	-	\$ (61)
Net current period other comprehensive income	<u>44,754</u>	<u>89</u>	<u>82</u>	<u>44,925</u>
Ending balance	<u>\$ (55,065)</u>	<u>\$ (1,421)</u>	<u>\$ 256</u>	<u>\$ (56,230)</u>

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Plan Items	Deferred Compensation Trust	Total
<u>December 31, 2024</u>				
Beginning Balance	\$ (110,302)	\$ (1,557)	\$ 119	\$ (111,740)
Amounts reclassified from accumulated other comprehensive income	-	(64)	-	\$ (64)
Net current period other comprehensive income	<u>10,483</u>	<u>172</u>	<u>55</u>	<u>10,710</u>
Ending balance	<u>\$ (99,819)</u>	<u>\$ (1,449)</u>	<u>\$ 174</u>	<u>\$ (101,094)</u>

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME (Continued)

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2025:

2025 Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in Statement Where Net Income is Presented
Amortization of defined benefit pension items including prior service costs and actuarial gains (losses)	\$ (50)	Other expense
	<u>(15)</u>	Provision for income taxes
	<u>\$ (65)</u>	Net of tax

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2024:

2024 Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in Statement Where Net Income is Presented
Amortization of defined benefit pension items including prior service costs and actuarial gains (losses)	\$ (50)	Other expense
	<u>(14)</u>	Provision for income taxes
	<u>\$ (64)</u>	Net of tax

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS

A subset of our noninterest income relates to certain fee-based revenue within the scope of ASC 606 – *Revenue from Contracts with Customers*. The objective of the standard is to clarify the principles for recognizing revenue from contracts with customers across all industries and to develop a common revenue standard under GAAP. All of the Bank’s revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Bank’s sources of Non-Interest Income for the twelve months ended December 31, 2025 and 2024. Items outside the scope of ASC 606 are noted as such.

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NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

	<u>2025</u>	<u>2024</u>
Non-interest Income		
Service charges and fees	\$ 3,143	\$ 3,337
Trust income	11,742	10,332
Merchant service income and interchange fees	5,043	5,030
Income from bank owned life insurance ^(a)	3,337	2,468
Other income ^(a)	<u>3,547</u>	<u>2,218</u>
 Total non-interest income	 <u>\$ 26,812</u>	 <u>\$ 23,385</u>

^(a)Not within the scope of ASC 606.

A description of the Bank's revenue streams accounted for under ASC 606 follows.

Service charges and fees: Retail Banking provides demand deposit, money market and savings account products for consumer and small business customers. Services include online and branch banking, overdraft, ATM use fees, wire transfer services, imaging services and cash alternative services such as cashier's checks. We recognize fee income at the time these services are performed for the customer.

Trust Income: Services provided to Trust customers are a series of distinct services that have the same pattern of transfer each month. Fees for trust accounts are billed and drafted from trust accounts on a predominately monthly basis. The Bank records these fees on the income statement on a monthly basis. Fees are assessed based on the total investable assets of the customer's trust account. A signed contract between the Bank and the customer is maintained for all customer trust accounts with payment terms identified. It is probable that the fees will be collectible as funds being managed are accessible by the asset manager. Past history of trust fee income recorded by the Bank indicates it is highly unlikely that a significant reversal could occur.

Merchant Service Income and Interchange Fee: Retail Banking earns fee revenue for debit and credit card processing services. We provide these services to merchant businesses including point-of-sale payment acceptance capabilities and customized payment processing built around the merchant's specific requirements. We earn fee revenue as the merchant's customers make purchases.

Gains/Losses on Sales of OREO: The Bank records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. Upon the transfer of control of the property to the buyer, the OREO asset is derecognized and the gain or loss on sale is recorded. Any sales are reflected in other income. There were no gains on sales for the years ended December 31, 2025 and 2024.

NOTE 14 – REGULATORY MATTERS

Regulatory Capital: Banks are subject to regulatory capital requirements administered by federal and state banking agencies. Capital adequacy guidelines and prompt corrective action regulation involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The Bank's net accumulated other comprehensive income, including unrealized gain or losses, are not included in regulatory capital. Management believes as of December 31, 2025, the Bank met all capital adequacy requirements to which it was subject.

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 14 – REGULATORY MATTERS (Continued)

Prompt corrective action regulations provide five classifications; well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2025 and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt correction action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following table represents the Bank's regulatory capital position as of December 31, 2025 and 2024 in relationship to the regulatory requirements to meet the definitions of adequately capitalized and well capitalized. There is an additional element of capital required referred to as the capital conservation buffer that is not included in this table. The capital conservation buffer adds another level of capital of 2.50% over the adequately capitalized ratios and is required to eliminate any regulatory restrictions from the Bank's ability to issued dividends, complete stock buybacks or pay management discretionary bonuses.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Minimum Amount	Minimum Ratio	Minimum Amount	Minimum Ratio
<u>December 31, 2025</u>						
Total capital (to risk-weighted assets)	\$ 430,350	19.71%	\$ 174,633	8.0%	\$ 218,291	10.0%
Tier 1 capital (to risk-weighted assets)	\$ 402,957	18.46%	\$ 130,975	6.0%	\$ 174,633	8.0%
Common Tier 1 (CET I)	\$ 402,957	18.46%	\$ 98,231	4.5%	\$ 141,889	6.5%
Tier 1 capital (to average assets)	\$ 402,957	11.86%	\$ 135,865	4.0%	\$ 169,832	5.0%
<u>December 31, 2024</u>						
Total capital (to risk-weighted assets)	\$ 408,222	19.43%	\$ 168,040	8.0%	\$ 210,049	10.0%
Tier 1 capital (to risk-weighted assets)	\$ 381,903	18.18%	\$ 126,030	6.0%	\$ 168,040	8.0%
Common Tier 1 (CET I)	\$ 381,903	18.18%	\$ 94,522	4.5%	\$ 136,532	6.5%
Tier 1 capital (to average assets)	\$ 381,903	11.07%	\$ 138,057	4.0%	\$ 172,571	5.0%

Dividend Restrictions: The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the bank's retained earnings or (2) the bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. In addition, subject to prior regulatory approval, any state banking association may request an exception to this restriction.

NOTE 15 – FAIR VALUE MEASUREMENTS

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

Assets Recorded at Fair Value - The following tables present information about the Bank's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2025 and 2024:

Recurring Basis

<u>Description</u>	2025			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Debt Securities:</i>				
U.S. Government agencies	\$ 492,330	\$ -	\$ 492,330	\$ -
Obligations of state and political subdivisions	205,081	-	205,081	-
Government sponsored entities residential mortgage-backed securities	493,767	-	493,767	-
U.S. Treasuries	10,463	-	10,463	-
Other securities	6,148	-	6,148	-
	<u>6,148</u>	<u>-</u>	<u>6,148</u>	<u>-</u>
 Total assets measured at fair value	 <u>\$ 1,207,789</u>	 <u>\$ -</u>	 <u>\$ 1,207,789</u>	 <u>\$ -</u>

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

<u>Description</u>	<u>2024</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities:				
U.S. Government agencies	\$ 542,932	\$ -	\$ 542,932	\$ -
Obligations of state and political subdivisions	219,351	-	219,351	-
Government sponsored entities residential mortgage-backed securities	581,093	-	581,093	-
U.S. Treasuries	12,818	-	12,818	-
Other securities	6,151	-	6,151	-
	<u>6,151</u>	<u>-</u>	<u>6,151</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 1,362,345</u>	<u>\$ -</u>	<u>\$ 1,362,345</u>	<u>\$ -</u>

Fair values for available-for-sale investment securities are based on quoted market prices for similar securities.

Non-recurring Basis

The Bank may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These include assets that are measured at the lower of cost or market value that were recognized at fair value which was below cost at the reporting date.

<u>Description</u>	<u>2025</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets measured at fair value on a non-recurring basis				
Collateral dependent loans				
Real estate - commercial	\$ 6,348	\$ -	\$ -	\$ 6,348
Real estate - residential	245	-	-	245
Real estate - construction	2,425	-	-	2,425
Commercial	154	-	-	154
Lease financing	-	-	-	-
Consumer	79	-	-	\$ 79
	<u>79</u>	<u>-</u>	<u>-</u>	<u>\$ 79</u>
Total assets measured at fair value on a non-recurring basis	<u>\$ 9,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,251</u>

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

	2024			
	Fair Value	Level 1	Level 2	Level 3
Assets measured at fair value on a non-recurring basis				
Collateral dependent loans				
Consumer	\$ 67	-	-	\$ 67
Total assets measured at fair value on a non-recurring basis	\$ 67	\$ -	\$ -	\$ 67

Loans that do not share similar risk characteristics with other loan pools are evaluated individually and have been adjusted to fair value using either a discounted cash flow analysis or based on the estimated fair value of the underlying collateral, less estimated selling costs. If the Bank determines that the value of these loans is less than the recorded investment in the loan, the carrying value is adjusted through a charge-off recorded through the allowance for credit losses. There were no such adjustments for the years ended December 31, 2025 and 2024.

Management used the following methods to estimate the fair value of each class of assets above:

Collateral Value Approach: Fair value of collateral-dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments were considered immaterial for December 31, 2025 and 2024. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's historical knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral-dependent loans are evaluated on a quarterly basis and adjusted in accordance with the allowance policy.

For the years ended December 31, 2025, and 2024 there were no transfers between Level 1, Level 2, or Level 3 fair value measurements.

The following table presents quantitative information about Level 3 fair value measurements for loans measured at fair value on a non-recurring basis at December 31, 2025:

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NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

Description	Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)
Real Estate Commercial	\$ 6,348	Collateral Value/ Appraisal approach	a. External appraised values, management assumptions regarding market trends or other relevant factors, selling costs generally ranging from 6% to 10%	5.90%
Real Estate Residential	\$ 245	Collateral Value/ Appraisal approach	a. External appraised values, management assumptions regarding market trends or other relevant factors, selling costs generally ranging from 6% to 10%	9.00% to 9.50%
Real Estate Construction	\$ 2,425	Collateral Value/ Appraisal approach	a. External appraised values, management assumptions regarding market trends or other relevant factors, selling costs generally ranging from 6% to 10%	7.80%
Commercial	\$ 154	Collateral Value/ Appraisal approach	a. External appraised values, management assumptions regarding market trends or other relevant factors, selling costs generally ranging from 6% to 10%	6.40%
Consumer	\$ 79	Liquidation value	a. Adjustments can range up to 25% of liquidation costs plus 15% for related expenses.	1.60% to 2.30%

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2024:

Description	Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)
Consumer	\$ 67	Liquidation value	a. Adjustments can range up to 25% of liquidation costs plus 15% for related expenses.	3.40% to 10.00%

Fair Value of Financial Instruments: The Bank estimates the fair value of financial instruments using the following methodologies:

Cash and cash equivalents - The carrying amount approximates fair value due to the short-term nature of these instruments (Level 1).

AFS Investment Securities - Based on market price quotations or observable market data for similar securities, categorized as Level 2.

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EXCHANGE BANK AND SUBSIDIARIES
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NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

Loans and Leases - The fair value of loans is estimated using discounted cash flow models, incorporating credit spreads, prepayment speeds, and other borrower-specific characteristics. These estimates are considered Level 3 as they require significant unobservable inputs.

Deposits - The fair value of deposits with no stated maturity (e.g., demand deposits, savings accounts) is assumed to equal their carrying amount. The fair value of time deposits is based on the present value of future cash flows using current rates (Level 2).

Accrued Interest Receivable and Payable - The fair values of accrued interest receivable and payable approximate their carrying amounts due to their short-term nature.

The estimated carrying amounts and fair values of the Bank's financial instruments are as follows:

<u>December 31, 2025</u>	<u>Carrying Amount</u>	<u>Fair Value Measurements Using:</u>				<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Financial Assets						
Cash and Cash Equivalents	\$ 188,268	\$ 188,268	\$ -	\$ -	\$ 188,268	
Available-for-sale securities	1,207,789	-	1,207,789	-	1,207,789	
Loans and leases, net	1,697,588	-	-	1,683,860	1,683,860	
Accrued interest receivable	12,184	4,931	318	6,935	12,184	
Financial Liabilities:						
Deposits	\$ 2,011,531	\$ -	1,761,825	\$ -	\$ 1,761,825	
Accrued interest payable	1,482	735	747	-	1,482	
<u>December 31, 2024</u>	<u>Carrying Amount</u>	<u>Fair Value Measurements Using:</u>				<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Financial Assets						
Cash and Cash Equivalents	\$ 134,876	\$ 134,876	\$ -	\$ -	\$ 134,876	
Available-for-sale securities	1,362,345	-	1,362,345	-	1,362,345	
Loans and leases, net	1,583,480	-	-	1,546,726	1,546,726	
Accrued interest receivable	11,901	5,678	265	5,958	11,901	
Financial Liabilities:						
Deposits	\$ 2,832,443	\$ 902,338	1,595,295	\$ -	\$ 2,497,633	
Accrued interest payable	1,760	902	858	-	1,760	

Because no market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the fair values presented.

(Continued)

EXCHANGE BANK AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
December 31, 2025 and 2024

NOTE 16 – RELATED PARTY TRANSACTIONS

During the normal course of business, the Bank enters into transactions with related parties, including Directors and executive officers. The following is a summary of the aggregate activity involving related party borrowers during 2025:

Balance, January 1, 2024	\$ 11,470
Disbursements	16,294
Amounts repaid	(15,453)
Change in relationship	<u>(448)</u>
Balance, December 31, 2025	<u>\$ 11,863</u>
Undisbursed commitments to related parties, December 31, 2025	<u>\$ 8,668</u>

NOTE 17 – SUBSEQUENT EVENTS

The Bank reviewed all events occurring from December 31, 2025 through March 4, 2026, the date the financial statements were available to be issued. There were no subsequent events that were considered material for disclosure and there were no subsequent events requiring accrual.