Exchange Bank

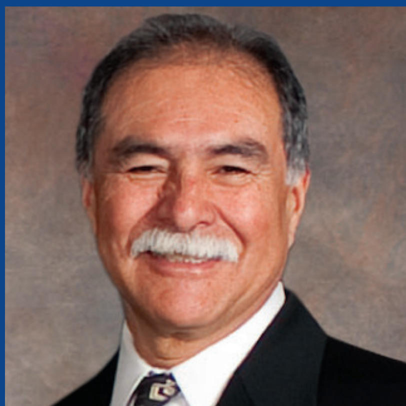
Invested in you.

2022

ANNUAL REPORT

"Partnering to Build a Better Community."

IN RECOGNITION OF **CARLOS TAMAYO**

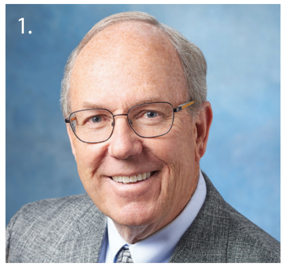


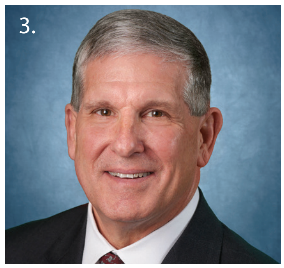
CARLOS TAMAYO
Founder, La Tortilla Factory
1946 – 2022

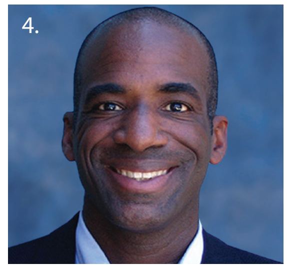
THANK YOU FOR YOUR YEARS OF SERVICE

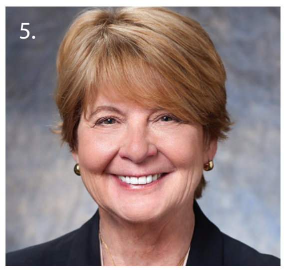
The Board of Directors and employees of Exchange Bank wish to express their sincere appreciation and gratitude to Carlos Tamayo for his years of dedicated service to Exchange Bank and the Sonoma County community. Carlos served on the board of Exchange Bank from 2004-2019. His immense contributions and dedication to Exchange Bank will be forever remembered.

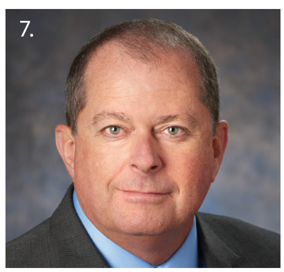
BOARD OF DIRECTORS







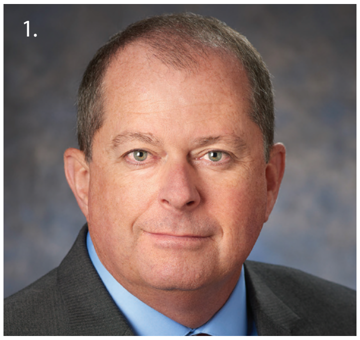


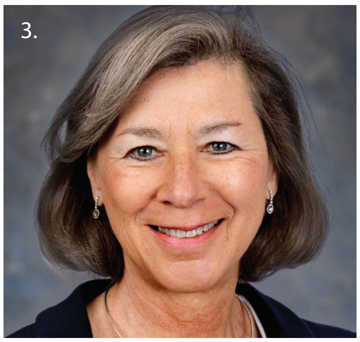


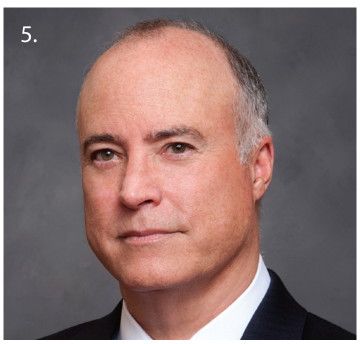
1. **Bruce E. DeCrona**
   Retired, Banker
2. **Steven G. Dutton**
   President and Co-owner
   Dutton Ranch Corp.
3. **Gary Hartwick**
   Retired, Banker
4. **Eric McHenry**
   Retired, Executive
5. **Deborah A. Meekins**
   Retired, Banker
6. **James M. Ryan**
   President, Ryan Mortgage Co.
   Vice Chairman of the Board
   Trustee, Frank P. Doyle Trust
7. **Troy Sanderson**
   President and CEO
   Exchange Bank
8. **William R. Schrader**
   Chairman of the Board
   Trustee, Frank P. Doyle Trust
9. **Marlene K. Soiland**
   President and CEO,
   Soiland Management Co.
   Corporate Secretary,
   Exchange Bank
10. **Gregory S. Steele**
    Retired, Technology
    Executive

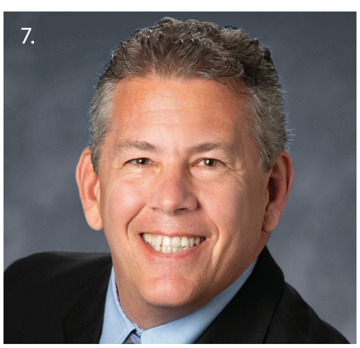
MISSION STATEMENT

From generation to generation, we invest in people, business and community to build a strong future.









1. **Troy Sanderson**
   President and Chief Executive Officer

2. **Shari DeMaris**
   Executive Vice President,
   Chief Financial Officer

3. **Mary Leonard-Wilson**
   Senior Vice President,
   Chief Credit Officer

4. **Ann Lobdell Hudson**
   Senior Vice President,
   Chief Administrative Officer

5. **John Mackey**
   Senior Vice President, Managing Director
   of Investment and Fiduciary Services

6. **Brian Rober**
   Senior Vice President,
   Chief Information Officer

7. **Paul Yeomans**
   Senior Vice President,
   Wholesale Banking Sales Manager

8. **Lori Zaret**
   Senior Vice President,
   Chief HR Officer

VISION STATEMENT

We want to be your bank, making a difference in the communities we serve,
to create a better future for generations to come.

CORE VALUES

Commitment | Respect | Integrity | Teamwork

Dear Shareholders:

At year-end, it's common for a company to begin the overall assessment of its annual results by first revisiting the assumptions and expectations that were originally forecasted. Each year, Exchange Bank puts significant effort into a robust strategic planning and budgeting process that aligns our short and long-term goals with the economic environment and opportunities that we anticipate for the coming year. Key to this planning process is the forecast of the coming interest rate environment as well as loan and deposit growth opportunities. Of course, each year, and perhaps even more so in the past three years, there are always some surprises. In that regard, 2022 was no different. In contrast to almost all forecasts of interest rate movements at near year-end 2021, and in reaction to inflation that turned out not to be "transitory," during a nine-month period from March - December of 2022, the Federal Reserve hiked interest rates seven times, accounting for a 425-basis point increase in the benchmark Federal Funds rate.

While clearly not forecasted at the beginning of 2022, these rate increases played directly to the core strength of Exchange Bank—our very low cost and loyal deposit base. Leveraging that rising rate environment, the Bank's net interest margin increased from 2.87% in 2021 to 3.01% in 2022. The Bank reported net income for 2022 of $37.48 million, a 2.94% increase over net income of $36.41 million 2021.

The predominant driver of the Bank's growth in net income was an increase in net interest income. For reference, net interest income is the difference between interest income (interest and fees earned on loans and investments) and interest expense (interest paid on deposits and borrowings). In 2022, net interest income totaled $99.14 million, an increase of 5.97% or $5.59 million over 2021.

On the income side of this calculation, the rising interest rate environment had the most impact on income generated by the Bank's investment portfolio, an increase of 70.85% from $17.43 million to $29.77 million. In contrast, interest and fees on loans in 2022 were $71.44 million, a decrease of 8.27%, or $6.44 million as compared with 2021. The predominant reason for this decrease can be explained by the diminished amount of PPP loan fees earned in 2022. In 2021, net interest income was positively impacted by PPP loan fees totaling $8.87 million. In 2022, those fees decreased to $2.26 million, a decline of $6.61 million year over year. Additionally, although gross loan originations were up, desired loan growth was not achieved in 2022.

On the expense side of this calculation, while total interest expense increased by 18.10%, that equated to only a $0.32 million increase, from $1.76 million in 2021 to $2.08 million in 2022, demonstrating the strength of the Bank's low-cost core deposits. The Bank's cost of funds at the end of 2021 was a very low 0.05%, ranked in the lowest 9% of peer banks. In the rising interest rate environment of 2022, that cost of funds increased to only 0.06% at the end of the year, improving our ranking to the lowest 4% of peer banks.

Recognizing that many forms of commonly earned bank fee income are increasingly being challenged by non-bank competition and regulatory considerations, non-interest income remains a significant driver of profitability at Exchange Bank, mainly due to the Bank's very successful Trust and Investment Management group. While strong headwinds that negatively affected bond and stock prices by as much as 15% during the year diminished the income they earned by $0.46 million in 2022 as compared with 2021, the Trust and Investment Management group still contributed $10.02 million in non-interest income to the Bank's performance. Overall, non-interest income in 2022 was $24.37 million, up 3.06% from 2021. Offsetting the slight decline in trust income was a $1.42 million increase in consumer and business-related usage fees and $828,000 in other insurance related settlements.

Non-interest expense increased 13.57% from $64.65 million in 2021 to $73.42 in 2022. The reasons for this increase are clear; just over half (or $4.66 million) of the year-over-year increase in expenses relates to salaries and benefits. The "Great Resignation" that occurred during the pandemic forced most employers, including Exchange Bank, to operate with many positions unfilled. While in some cases, the Bank was able to retool processes and create efficiencies, in most cases, production simply suffered and important work necessary to move the Bank forward slowed. In 2022, the Bank was able to fill many of these vacant and necessary positions. Additionally, salary adjustments and increased incentives required to retain valuable employees had a noticeable impact on non-interest expense.

Costs related to technology were the second largest driver of the increase in non-interest expense. In 2018, we began to significantly upgrade our full technology footprint, delivering a best in class, secure and convenient digital banking channel for Exchange Bank customers. In 2019, the Bank converted two separate consumer and business digital platforms into a single mobile and online platform hosted by Q2, a leading nationwide provider. Next, in 2020, we significantly upgraded our core processing system to provide the technological architecture and infrastructure to be able to offer high-level digital products to our customers today and in the foreseeable future. While technology investments do create efficiencies Bank-wide, they also come at a cost. In 2022, software and professional fees related to technology increased $2.50 million to $14.24 million. However, $1.20 million of those increased costs are related to the expiration of vendor subscription credits used in 2021.

Controlling non-interest expenses will be an important priority in 2023. The velocity of technological change is dramatic, and the effects of falling behind in this arena, even for a short time, can have a negative multiplier effect, both in terms of customer satisfaction and costs to catch up. Fortunately, in 2022, the Bank put in place a number of internal initiatives to provide aggressive management and oversight of these costs going forward. We believe our investments in technology are helping the Bank grow without significant new personnel expense. That being said, we acknowledge that our employees are our greatest asset. We will continue to look for ways to recognize and reward their great work while running the Bank in the most efficient manner possible.

In 2022, our operating performance allowed the Bank to pay total dividends of $4.90 per share, up from $4.80 in 2021. Total dividends paid to shareholders amounted to $8.40 million. As is commonly known, 50.44% of the shares of Exchange Bank are owned by the separately controlled Doyle Trust. In 1948, upon the passing of Frank Doyle, the terms of the Trust directed it to distribute the dividend payments it receives from Exchange Bank to the trustees of Santa Rosa Junior College for the primary purpose of funding scholarships to "worthy young men and women attending the Santa Rosa Junior College." In 2022, that dividend payment totaled $4.24 million, and we are very proud to announce that, through the profitability of the Bank over these 74 years, the total amount of dividends paid to the Doyle Trust has exceeded $100 million for the benefit of over 140,000 students.

Moving to the balance sheet, we began 2022 with optimism that we would be able to achieve the steady and high-quality loan growth we have desired for the past few years. Our greatest lever to increase the financial performance of this Bank is to smartly increase our loan portfolio with new outstanding loan commitments. However, we are only willing to do so within our well-defined risk appetite.

In pursuit of these loan growth goals, our commercial loan production increased almost 34.6% in 2022 as compared with 2021 (even when excluding the PPP loans that were funded in early 2021). As well, our residential portfolio loan production increased year-over-year by 13.8%. However, even with the increases in the origination activities of those important groups, overall growth in the loan portfolio in 2022 remained basically flat. This was a product of normal principal paydown, an accelerated level of refinances in a lower interest rate environment in early 2022, and the forgiveness of $57.68 million in PPP loans funded during the pandemic. Our focus again in 2023 is the smart and steady growth of our loan portfolio.

The performance of our loan portfolio in 2022 is the result of this focus on and fidelity to our credit risk appetite. The Bank ended 2022 with a classified asset ratio of just 4.81% and net charge-offs of only $307,000. To further support credit quality within the portfolio, the Bank did not make any provisions for loan losses in 2022 and retains a strong ALLL reserve of 2.88% of outstanding loans at year-end.

As we have talked about in detail in prior shareholder letters, the Bank grew deposits substantially during the pandemic. In 2020, our deposit base grew by $423.57 million, and in 2021 it grew by an additional $400.55 million. This growth was the result of our aggressive PPP funding program to our business customer base and the increased savings activity of both business and consumer customers. We are proud that our customers leaned upon us during these uncertain times.

The unique nature and circumstance of this surge deposit growth made the 2022 budget forecast for deposits challenging. We had never previously experienced that amount of direct governmental support coupled with a dramatic increase in the savings rates of both business and consumer customers. In late 2021, we expected the surge deposits to start naturally exiting the Bank as the economy was forecasted to normalize. Businesses and consumers were expected to spend money again. As noted previously, that did not occur, and through the third quarter of 2022, the Bank's deposits remained mostly flat, hovering around the $3.2 billion mark as global uncertainty did not abate and our customers continued to spend less and save more. Finally, in October of 2022, and most likely attributable to the five interest rate hikes totaling 300 basis points that had already occurred in 2022, our surge deposits began to show signs of mobility.

Total deposits ended the year 2022 down 3.55%, or $112.84 million. This decrease in deposits was slightly less than the $175 million decrease we had forecasted for the year. As the Federal Reserve continues to present a strong inflation-fighting posture and more but smaller interest rate hikes are predicted in the near-term, it is possible that pricing pressures will continue to create some amount of runoff of our surge deposits due to their unusual nature.

At the beginning of 2022, using what we considered to be reasonable and reliable forecasts for the interest rate environment for the upcoming 12 months, we projected only slight interest rate increases across the board. Flush with surge deposits that we were unable to put to use in the loan portfolio, and dissatisfied with the liquid, but very low Fed overnight rate, we began to carefully move excess cash into our investment portfolio in the form of high-quality investments with reasonable durations. As always, we made this decision with the primary consideration of maintaining more than adequate liquidity. In the first quarter of 2022, we purchased $270.54 million in securities. As the interest rate environment became more uncertain, we slowed the pace of purchases to $47.72 million in the second quarter and to $59.22 million early in the third quarter. No purchases were made in the fourth quarter. This activity resulted in growth of the investment portfolio by $168.40 million after scheduled portfolio principal reductions. Note that this activity contributed toward a $12.35 million, or 70.85%, increase in interest income derived from the investment portfolio in 2022.

In order to maintain and maximize our liquidity options, from an accounting standpoint, the Bank made the choice to hold the securities within our investment portfolio as Available for Sale (AFS) as compared with Held to Maturity. Accounting rules dictate that securities that are held AFS must be marked to their market price. Increases or decreases in the market value of AFS securities become either unrealized gains or unrealized losses and are accounted for on the balance sheet, net of deferred taxes, as Accumulated Other Comprehensive Income (AOCI). Securities with unrealized gains create a lift to AOCI and, in turn, increase book equity. Securities with losses have the opposite effect. Increases or decreases in the market value of securities, and thus in AOCI, are mainly driven by two factors—underlying credit issues in an individual security and the movement of interest rates. Regarding the movement of interest rates, the longer the duration of the investment, the more the market value of the security will be impacted by rising or lowering rates.

The dramatic increase in interest rates in 2022 has significantly impacted the book capital of banks that have investment portfolios with AFS securities held on their balance sheets, which is the majority of banks in the United States. Even though the duration of Exchange Bank's investment portfolio is lower than peer average, because of the Bank's larger than typical investment portfolio, the negative impact to AOCI and thus to our book capital is material. We note that while the Bank earned net income of $37.48 million in 2022 and booked $29.08 million of that as retained capital, our book equity decreased $117.2 million, or 36.71% since December 31, 2021. The Bank has no known credit issues in the investment portfolio at this time. This decrease in book equity is due only to the unrealized losses, accounted for through AOCI, on the Bank's investment portfolio. We believe this to be temporary in nature.

In 2015, banking regulators determined that the volatile nature of AOCI created swings in book capital that were not necessarily indicative of the overall health of a bank. At that time, banks not defined as "advanced approaches institutions" were given the opportunity to permanently exclude gains and losses on securities held AFS from AOCI when calculating common equity tier one capital. Like the vast majority of banks given this option, Exchange Bank chose this path. Therefore, although book capital has decreased significantly by 36.71%, regulatory capital actually increased by 8.90%. The Bank's capital ratios remain well in excess of the regulatory minimums to be considered "well-capitalized." As of December 31, 2022, the Bank reported total risk-based capital of 19.54% and tier one capital of 18.27%.

Critical to understanding the impact of this large decrease in book capital caused by rising interest rates and its effect on the investment portfolio, is the following statement:

The Bank has the intent and the ability to hold the securities in the investment portfolio until maturity. We expect full collection of the carrying amount of these securities, and therefore we do not expect to recognize these unrealized losses.

Noted earlier in this letter was the statement that the Bank places a very high focus on maintaining more than adequate liquidity and strong asset quality. Having adequate liquidity sources is the best defense against the possibility of having to realize any unrealized losses in the investment portfolio. As of December 31, 2022, the Bank had in excess of $1.0 billion in accessible liquidity.

The two most common measurements of bank performance, taking into consideration both the income statement and the balance sheet, are the Return on Average Assets (ROAA) and the Return on Average Equity (ROAE). ROAA is calculated by dividing net operating income by the average of assets over the same period. ROAE is calculated by dividing net operating income by the average of equity over the same time. In this current economic environment, both calculations pose interesting challenges when comparing them with historical bank performance.

As mentioned previously, mostly due to customer behavior during the pandemic, the Bank grew deposits by just over $824 million in the past two years. However, some unknown portion of these deposits will ultimately be transitory and may not be relied on as core deposits. This changes the strategy the Bank considers when deploying these liabilities into earning assets, causing the Bank to take a more conservative approach, focusing on high-quality investments at appropriate durations. While ROAA was a reasonable 1.08%, it can be said that it was negatively impacted by our surge deposits.

Many would suggest that ROAE is the better gauge of a bank's performance. But as was just discussed, the Bank's book equity has been significantly reduced by the effects of holding our investment portfolio as AFS. This diminution of book equity inflates the Bank's ROAE, making it appear as though the Bank performed much better than it actually did (due to earning the same amount of income while leveraging less equity). The calculation using book equity inflates the Bank's ROAE to 15.24%. We believe that the most appropriate measure of ROAE, and of the Bank in general, utilizes average regulatory capital (equity) as the denominator of the calculation. The investment portfolio is embedded with unrealized losses that will reverse as individual securities move toward their maturities. As previously noted, we have the intent and ability to hold our investment portfolio to maturity, collecting the full carrying amount. Therefore, a calculation utilizing regulatory capital provides a much more reasonable, accurate and comparable alternative ROAE of 11.01%.

Earlier in this letter, we briefly reported on the significant non-interest income contribution that comes from our Trust and Investment Management group. This group, originally formed at Exchange Bank in 1963, consists of 27 highly-skilled financial professionals in three offices in northern California—Santa Rosa, Roseville and Los Altos. The services they provide, including trust administration, investment management, estate settlement and retirement accounts, are essential to our role as a full-service community bank. We are very proud to announce that we will be opening a fourth office later this summer in Marin County. We believe that our suite of products and style of service perfectly fit the Marin County community, and we look forward to developing new relationships. Especially within Trust and Investment Management, the personal connections forged with our customers—often solidified when families find themselves in difficult times or uncharted waters—remind us that our business will always be driven by people and personal relationships.

While our focus is and will always be on personal relationships, we acknowledge that technology continues to be the biggest driver in the financial industry. This is especially true for community banks like Exchange Bank who put such a high value on providing personalized service. We know that we must provide each of our unique customers with the ability to bank with us how they want, when they want and where they want. That means we must maintain drive-through banking options (with dog treats at the ready), while also maintaining a cutting-edge suite of always-on digital products for both our consumer and business customers who prefer to interact with us remotely and at all times of the day and night. As noted earlier, this technology footprint is not inexpensive, but we acknowledge that we must continually meet the expectations of a changing market. Our commitment is to maintain a suite of digital products that effectively compete against the biggest banks while concurrently providing a community banking experience. In support of this commitment, in 2022 we added the payment service Zelle to our product line and introduced an on-line appointment scheduler to efficiently meet the banking needs of our customers. As other digital products and services that will better serve our customers become available, we will continually evaluate them for their ability to deliver a more robust customer experience in a safe and secure manner.

The safety and security of our customers is our primary focus on all of our digital banking platforms. We take this responsibility seriously, and we continually commit significant resources to provide a robust level of cybersecurity protection both in terms of technology and people. We utilize both in-house and third-party expertise to provide multiple layers of protection to our customers' data and transactions. As well, we work with our customers to promote good cybersecurity habits realizing that, as their trusted community banker, our responsibility is to help protect them.

We realize that our employees take responsibility for their customers beyond just transactional interactions. This is essentially what sets our employees apart. While our team members may be bankers, before that they are community leaders, civic-minded volunteers, friends, neighbors and family. Working at Exchange Bank isn't simply a job. It is a commitment to the betterment of our community. Our employees take great pride in the mission and history of the Bank, the legacy of the Doyle family, the Bank's philanthropic activities (including $798,000 in local donations), and maybe most importantly, their teammates' extraordinary level of community volunteerism. Simply said, volunteerism is an integral part of the culture at Exchange Bank. We are proud to note that we currently have 60 Exchange Bank employees who serve on 72 different nonprofit boards, and our employees as a whole volunteer with 138 charitable organizations, donating 3,875 hours of their time either serving on these boards or working behind the scenes to deliver needed services to our community members. For that, and many other reasons, for the 17th year in a row, Exchange Bank was again named a *Sonoma County Best Place to Work* by the North Bay Business Journal.

The spirit of volunteerism runs deep within Exchange Bank, passed down from our co-founder Frank Doyle. While most people in our community know of Frank Doyle through his visionary philanthropic act of bequeathing his controlling shares of Exchange to the Doyle Trust in 1948 for the benefit of thousands upon thousands of students attending Santa Rosa Junior College, some don't realize that he is also considered the "Father of the Golden Gate Bridge." In the 1930s, Frank realized that the economic future of Northern California counties, mostly timber and agriculture at that time, was tied to the ability to better access San Francisco. He became the leading proponent of building the Golden Gate Bridge, and 100 years ago on January 13, 1923 he organized and led the first meeting of the Bridging the Golden Gate Association in Santa Rosa with business and government leaders from all over Northern California. Frank became the driving force behind the political, financial and public efforts to build the Golden Gate Bridge. Some thought that it could never be done; they clearly didn't know Frank Doyle. When construction was completed in 1937, he was honored as the first civilian to drive a car across the Golden Gate and down Doyle Drive. Frank's vision and dedication to our community still continues to inspire our employees 100 years later.

In our 132-year history, Exchange Bank has been extraordinarily lucky to be closely associated with influential community leaders. Carlos Tamayo was one of those individuals, and we were so very sad when he passed away in July of 2022. Carlos was a member of the Bank's Board of Directors for 15 years, retiring in 2019. Every day he brought his wise business acumen, deep commitment to our community and intellectual curiosity to his leadership role at the Bank. A proud self-described "non-banker," Carlos and his family started the very successful Tortilla Factory in Santa Rosa in 1977, building it into a large and important employer in Sonoma County. His perspective as a business and community leader was important in helping Exchange Bank grow, while maintaining our focus of serving all members of our community.

Yet again, 2022 was a challenging, but ultimately financially successful year for Exchange Bank, and we are proud of how we adapted to and overcame those challenges. The community banking industry is rapidly changing. Our competition is multi-faceted, coming from regional and national banks as was historically the case, but now also from FinTech start-ups and investment houses. Even so, we know there remains an important place in this country for strong and secure community banks like Exchange Bank. Our focus continues to be our customers and our community. We were there for our local businesses and nonprofits with $383 million PPP loans in 2020 and 2021, and again in 2022 to safeguard deposits in uncertain economic times. For 132 years, we have existed to serve our customers and our community, and we look forward to the opportunities that 2023 will bring us all.

Sincerely,

William R. Schrader
Chairman of the Board

Troy J. Sanderson
President and Chief Executive Officer

Exchange Bank
Invested in community.

Since 1890, our co-founders Manville and Frank P. Doyle's vision for Exchange Bank has not changed.

GIVING BACK TO OUR COMMUNITY HAS BEEN A PART OF OUR RICH LEGACY
and remains integral to who we are today.

2022 PHILANTHROPY

280
Nonprofit and charitable organizations supported

$798,000
in charitable donations

3,875
Team member volunteer hours

60
Team members served on a board or in a committee leadership role

2022 AWARDS & ACCOLADES

Business Journal 2022 BEST PLACES to Work 2006-2022 17x Winner

17-year winner of the North Bay Business Journal's Best Places to Work survey

BEST NORTHBAY BIZ 2022

Named Best Consumer Bank by the NorthBay biz Magazine's Best of the North Bay readers' poll

SAN FRANCISCO BUSINESS TIMES

Winner of the 2022 San Francisco Business Times Corporate Philanthropy Award

Petaluma Argus-Courier People's Choice 2022

Named Best Local Bank by the Petaluma Argus Courier People's Choice Awards

Best of the North Bay Bohemian 2022

Named Best Business Bank and Best Consumer Bank by the Bohemian Magazine's Best of the North Bay

Sonoma Index-Tribune People's Choice Awards 2022

Named Best Local Bank by the Sonoma Index-Tribune People's Choice Awards

Partnering to build a better community.

CONSOLIDATED BALANCE SHEETS

EXCHANGE BANK AND SUBSIDIARIES

– Unaudited –

December 31, 2022 and 2021 (In thousands, except share and par value amounts)	2022	2021
ASSETS		
Cash and due from banks	$ 48,129	$ 472,728
Short-term investments	244	241
Total cash and cash equivalents	48,373	472,969
Interest-bearing deposits in other financial institutions	1,000	17,000
Available-for-sale investment securities	1,575,648	1,407,247
Loans and leases	1,509,908	1,510,107
Less allowance for loan and lease losses	(43,540)	(43,847)
Net loans and leases	1,466,368	1,466,260
Federal Home Loan Bank stock	15,000	14,465
Bank premises and equipment, net	17,217	18,717
Bank owned life insurance	66,597	64,453
Other real estate owned	310	—
Accrued interest receivable and other assets	143,884	75,640
Total assets	$ 3,334,397	$ 3,536,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 1,189,742	$ 1,232,666
Interest bearing	1,876,539	1,946,452
Total deposits	3,066,281	3,179,118
Federal Home Loan Bank advances	20,000	—
Accrued interest payable and other liabilities	46,092	38,431
Total liabilities	3,132,373	3,217,549
Commitments and contingencies		
Stockholders' equity:		
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	305,373	276,294
Accumulated other comprehensive income (loss), net of taxes	(153,661)	(7,404)
Total stockholders' equity	202,024	319,202
Total liabilities and stockholders' equity	$ 3,334,397	$ 3,536,751

CONSOLIDATED STATEMENTS OF INCOME

EXCHANGE BANK AND SUBSIDIARIES

– Unaudited –

For the Years Ended December 31, 2022 and 2021 (In thousands, except per share amounts)	2022	2021
Interest income:		
Interest and fees on loans and leases	$ 71,437	$ 77,880
Interest on investment securities:		
Taxable	27,353	15,794
Exempt from Federal income taxes	2,420	1,632
Total interest income	**101,210**	**95,306**
Interest expense:		
Interest on deposits	2,035	1,757
Interest on borrowings	40	—
Total interest expense	**2,075**	**1,757**
Net interest income before provision for loan and lease losses	**99,135**	**93,549**
Provision for loan and lease losses	—	2,000
Net interest income after provision for loan and lease losses	**99,135**	**91,549**
Non-interest income:		
Service charges and fees	3,279	3,159
Trust income	10,024	10,482
Merchant discount and interchange fees	5,200	3,904
Income from bank owned life insurance	2,121	1,902
Other income	3,744	4,198
Total non-interest income	**24,368**	**23,645**
Non-interest expense:		
Salaries and employee benefits	40,279	35,622
Occupancy and equipment	7,621	7,916
Professional fees	7,855	6,536
FDIC assessments	990	711
Other expenses	16,672	13,861
Total non-interest expense	**73,417**	**64,646**
Income before provision for income taxes	**50,086**	**50,548**
Provision for income taxes	12,606	14,138
Net income	**$ 37,480**	**$ 36,410**
Basic and diluted earnings per common share	**$ 21.86**	**$ 21.24**

EXCHANGE BANK OFFICERS

EXECUTIVE TEAM

Troy Sanderson
President and Chief Executive Officer

Shari DeMaris
Executive Vice President, Chief Financial Officer

Mary Leonard-Wilson
Senior Vice President, Chief Credit Officer

Ann Lobdell Hudson
Senior Vice President, Chief Administrative Officer

John Mackey
Senior Vice President, Managing Director of Investment and Fiduciary Services

Brian Rober
Senior Vice President, Chief Information Officer

Paul Yeomans
Senior Vice President, Wholesale Banking Sales Manager

Lori Zaret
Senior Vice President, Chief HR Officer

Breanne Sturdevant
Assistant Vice President, Project Manager

Kathy Sutliff
Executive Assistant

ACCOUNTING

Shauna Lorenzen
VP, Controller

Stacy McKee
AVP, Assistant Controller

APPLICATION SUPPORT

Bryna McCulley
VP, Application Support Manager

Antonio Becerra
Business Solutions Analyst

ATM/DEBIT CARD SERVICES

Byron Webb
VP, Electronic Banking Manager

Tony De Mattei
VP, Digital Channels Product Manager

Heather Brewer
AVP, Electronic Banking Assistant Manager

BANK OPERATIONS

Stacy Small
VP, Bank Operations Manager

Nicole Khan
Bank Operations Supervisor

Amy Bravin
Risk Mitigation Analyst

BRANCH BANKING

Rick Mossi
SVP, Retail Banking

Jaimie Galeano
SVP, Retail Banking

Dorothy Rodella
VP, Regional Sales Manager

Thomas Sands
VP, Regional Sales Manager

Cassandra Zorn
VP, Retail Operations Officer

Kenn Cunningham
AVP, Sales Officer

Chrissy Nelson
Relationship Banking Wholesaler

COMMERCIAL BANKING

Steve Herron
SVP, Commercial Banking Manager

Ramsay Brown
VP, Commercial Relationship Manager

Carolyn Derr
VP, Senior Commercial Underwriter

Stacey Powers
VP, Commercial Relationship Manager

Chad Hansen
AVP, Commercial Portfolio Manager

CONSTRUCTION & MORTGAGE LENDING

Terry Flynn
SVP, Commercial Real Estate Banking Manager

Jerry Gamboa
SVP, Commercial Banking Regional Manager

Geof Fong
VP, Commercial Relationship Manager

Jamie Ganly
VP, Commercial Relationship Manager

Greg Hancock
VP, Commercial Relationship Manager

Jeff Owen
VP, Commercial Relationship Manager

CONSUMER LENDING

Lori DeCosta
VP, Retail Lending Manager

CREDIT ADMINISTRATION

Cory Kellogg
VP, Senior Commercial Underwriter

Ali Spitzer
VP, Credit Administrator

Antonio Uribe
VP, Small Business Credit Administrator

Chris Nugent
AVP, Real Estate Risk Officer

CUSTOMER CARE CENTER

Kristie Clay
AVP, Customer Care Manager

FACILITIES AND PURCHASING

Sue Maddigan
VP, Facilities and Purchasing Manager

HELP DESK

Bren Hanson
AVP, Help Desk Manager

HOME LOANS

Colleen Oller
VP, Retail Lending Underwriting Manager

Denise Davis
Residential Loan Underwriter

HUMAN RESOURCES

Randy Ferino
VP, Senior HR Business Partner

Cristina Holloway
AVP, Senior HR Business Partner

Kelly Obremski
AVP, Compensation and Benefits Manager

Joe Muldowney
Payroll and HRIS Manager

LEARNING AND DEVELOPMENT

Dawn Warner
VP, Learning and Development Director

Kelly Dibblee
AVP, Learning Business Partner

Erin Williams
AVP, Senior Learning Business Partner

Laura Hastings
Senior Learning Business Partner

LOAN SERVICE CENTER

Sandra Funtanellas
AVP, Loan Closing Manager

Suzanne Geske
AVP, Quality Control Manager

Barb Myers
AVP, Business Solutions Analyst

Julie Oyler
AVP, Loan Documentation Manager

MARKETING

Fabia Butler
VP, Director of Marketing and Community Relations

Beth Ryan
VP, Community Relations and Engagement Officer

Carol Washburn
VP, Product Manager

Carolyn Cole-Schweizer
Marketing Services Manager

RESIDENTIAL MORTGAGE

Kevin Smart
SVP, Residential Mortgage Manager

Lori Mauchley
AVP, Residential Mortgage Operations Manager

RISK MANAGEMENT

Jamie Hidalgo
VP, Risk Management Officer

Irshad Hirani
VP, Information Security Officer

Kerri Howard
VP, BSA Officer

Morgan Steele
VP, Compliance and CRA Officer

Diane Bogges
AVP, Third Party Risk Management and Business Continuity Manager

Andrea Gondola
Compliance Analyst

Rebekah Tyrrell
Enterprise Risk Analyst

SALES AND BUSINESS DEVELOPMENT

Summer Jeffus
VP, Regional Business Development Officer

SMALL BUSINESS CREDIT ADMIN

Chad Barbieri
VP, SBA Business Development Officer

Joe Carbonaro
VP, Small Business Credit Supervisor

Paul Garayalde
VP, Small Business Credit Portfolio Manager

Maryanne Harris
VP, SBA Business Development Officer

June Ingalls
VP, Small Business Credit Operations Manager

Joe Maurer
VP, Small Business Credit Underwriter

Bill Deedy
AVP, Small Business Credit Underwriter

Dan Farris
AVP, Small Business Credit Underwriter

Terrie King
AVP, Small Business Credit Underwriter

Lachele Plaskett
AVP, Small Business Credit Underwriter

SPECIAL ASSETS DEPARTMENT

Lori Crechriou
VP, Special Assets Manager

Susan Corbisiero
Special Assets Officer

TECHNICAL SERVICES

Linda Wilson
VP, Project Manager

Jody Lee
AVP, Technical Project Manager

TRUST- ROSEVILLE/SACRAMENTO

Alysia Corell
VP, Personal Trust Officer

Greg Finn
VP, Personal Trust Officer

Tiffany Terrell
AVP, Personal Trust Officer

TRUST- SILICON VALLEY

Cathy Colgan
VP, Personal Trust Officer

Cathy Larson
AVP, Personal Trust Officer

TRUST AND INVESTMENT MANAGEMENT

Diana Angell
VP, Personal Trust Officer

Matt Kelman
VP, Institutional Trust Fiduciary Manager

Andriy Lesyshyn
VP, Personal Trust Officer

Emily Menjou
VP, Personal Trust Fiduciary Manager

David Rapoport
VP, Investment Officer

Bill Ryan
VP, Investment Officer

Renee Pilkenton
AVP, Trust Operations and Compliance Manager

Chris Stafford
AVP, Personal Trust Officer

Andrea Ruiz
Personal Trust Officer

Katelyn Barr
Institutional Trust Officer

Tom Del Signore
Institutional Trust Officer

Michelle Gordon
Investment Officer

Karly Seitzer
Institutional Trust Officer

BRANCH MANAGERS

Cloverdale Branch
Ramiro Rodriguez
VP, Branch Manager

Cotati Branch
Dana O'Halloran
VP, Branch Manager

Coddingtown Branch
Cameron Belvedere
VP, Branch Manager

Carrie Winn
Retail Service Manager

Dutton Branch
Carmen Garcia
VP, Branch Manager

Healdsburg Branch
Patti Mannatt
VP, Branch Manager

Larkfield Branch
Veronica Rincon
VP, Branch Manager

Petaluma East Branch
Edie Cheda
VP, Branch Manager

Petaluma Main Branch
Rick Gorman
VP, Branch Manager

Reinking Branch
Terry Fassold
VP, Branch Manager

Rohnert Park Branch
Dan Reilly
VP, Branch Manager

Santa Rosa Main Branch
Britt Cooper
VP, Branch Manager

Sebastopol Branch
Kelly Back
VP, Branch Manager

Sonoma Branch
Jessica Hidalgo
VP, Branch Manager

St. Francis Branch
Shaun Vongphakham
VP, Branch Manager

Stony Point Branch
Santiago Ramirez
VP, Branch Manager

Windsor Branch
Jim Curry
VP, Branch Manager

SUPPORTING

1873 Then &

1873
Exchange Bank founder Manville Doyle settles in Sonoma County.

1890
May 1, 1890 Exchange Bank opens its doors at Fourth and Mendocino Ave. in Santa Rosa.

1906
On April 18, the San Francisco earthquake strikes. In less than 10 minutes, Santa Rosa is nearly leveled. Frank Doyle is instrumental in the rebuilding of the city.

1916
On August 21, Frank Doyle, Manville's son, assumes the presidency of Exchange Bank.

1922
The Frankie Doyle Memorial Park in Santa Rosa is established in honor of Frank and Polly O'Meara Doyle's son.

1923
January 13, Frank Doyle calls the first meeting of the Bridging the Golden Gate Association to advocate building a bridge from San Francisco to the North Bay.

1925
Exchange Bank opens its first branch in Windsor.

1937
On May 28, Frank Doyle becomes the first person to cross the Golden Gate Bridge in a motorized vehicle.

1948
The Frank P. Doyle and Polly O'Meara Doyle Perpetual Trust is established, commonly called the Doyle Trust today.

OUR COMMUNITY

Now 2023

1950
Exchange Bank opens its fourth branch, Dutton, the first drive-up in Sonoma County.

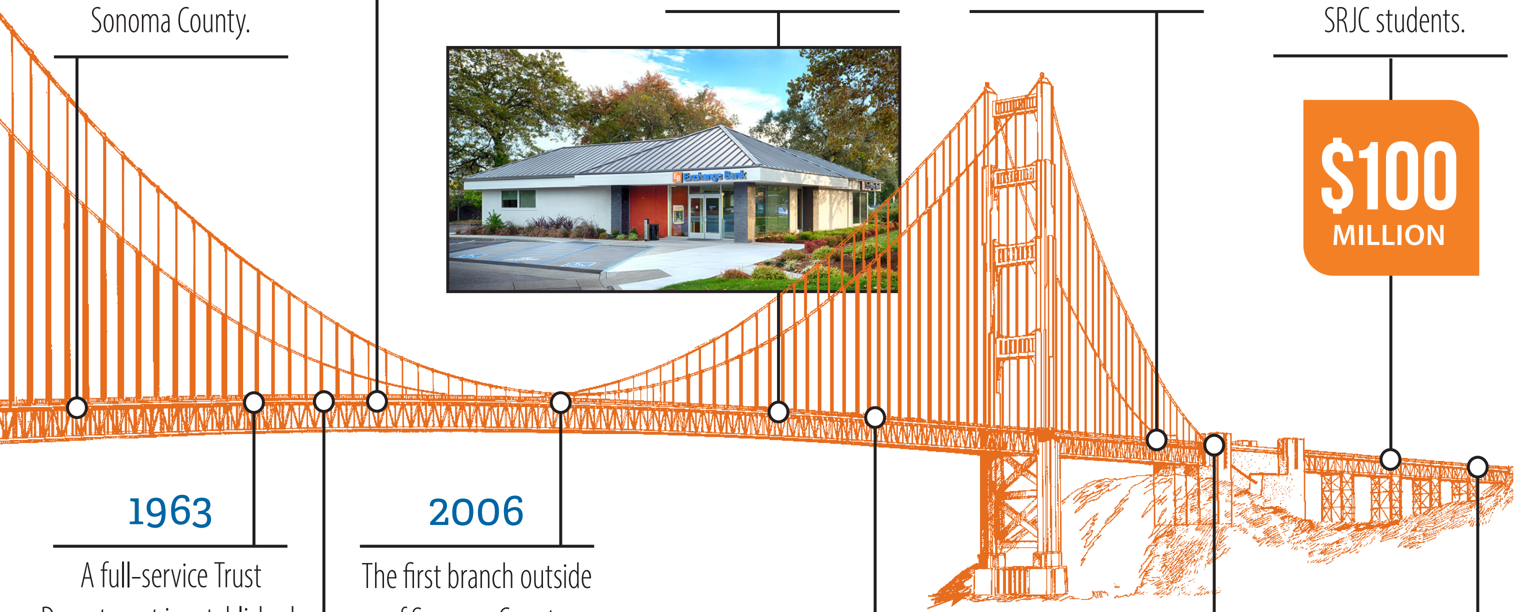
1963
A full-service Trust Department is established.

1970
The first ATM in Sonoma County is installed at the main branch in Santa Rosa.

1996
Exchange Bank expands to Cloverdale.

2006
The first branch outside of Sonoma County opens in Roseville.

2014
The new Windsor branch opens as the first "Branch of the Future".



2015
Exchange Bank celebrates its 125th anniversary.

Exchange Bank 125 YEARS 1890 – 2015 Member FDIC

2018
Trust & Investment Management expands to Roseville.

2019-2020
Exchange Bank distributes $383 million in PPP loans to 2,900 local businesses.

2022
The Doyle Trust surpasses $100 million in scholarship funding to local SRJC students.

$100 MILLION

2023
On January 13, the 100th anniversary of Bridging the Golden Gate Association's first meeting is celebrated.