



FOR IMMEDIATE RELEASE

January 30, 2024

Exchange Bank Announces Fourth Quarter and Year Ending 2023 Earnings

Santa Rosa, CA – (January 30, 2024) - Exchange Bank (OTC: EXSR) today announced its unaudited financial results for the fourth quarter and year ending 2023, reporting net income after taxes of \$6.77 million in the fourth quarter of 2023 and \$20.19 million for the year ended 2023.

HIGHLIGHTS:

- In 2023, the Bank grew gross loan balances by \$84.77 million or 5.61%.
- Loan quality remains strong, nonaccrual loans totaled \$4.1 million, or 0.26% of gross loans, as of December 31, 2023.
- The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$41.27 million, or 2.59% of total loans.
- The Bank had year to date net income after taxes of \$20.19 million, compared with \$37.48 million for 2022. The decrease in income is partially related to a one-time charge of \$9.10 million, net of taxes, related to the voluntary termination of the Exchange Bank Pension Plan in the second quarter of 2023. Additional decreases related to the increased costs of deposits and interest expense related to borrowings.
- Fourth quarter net income after taxes was \$6.77 million compared with \$6.34 million for the previous quarter, an increase of 6.75%.
- The Bank's liquidity position remains strong with more than \$1.59 billion in available liquidity as of December 31, 2023.
- The Bank remains well-capitalized, and all capital ratios were well above regulatory requirements with a total risk-based capital ratio of 18.84% on December 31, 2023.

INCOME STATEMENT:

The Bank's net interest income decreased from \$99.14 million during the 12 months ended December 31, 2022, to \$90.49 million for the same period in 2023, a decrease of 8.72%. The decrease in net interest income is due to the increased costs of deposits and interest expense related to borrowings. Total funding costs for 2023 were \$25.06 million as compared to \$2.08

million for 2022. Total funding costs are made up of interest paid to depositors of \$16.72 million and \$8.34 million paid on borrowings. For 2023, the cost of deposits was 0.59%, while the cost of total funding was 0.82%. In 2022, the total funding costs of 0.07% was nearly all allocated to interest paid to depositors. The Bank expects funding costs to remain elevated throughout 2024. The Bank's net interest margin decreased from 3.01% in 2022 to 2.86% in 2023; the Bank anticipates the net interest margin will continue to decrease as funding costs remain elevated.

The increased interest costs were partially offset by positive trends in interest income. Interest income on assets increased in 2023 by \$14.34 million, or 14.17%. Interest and fees earned on loans increased \$10.48 million in 2023 to \$81.92 million for the year due to increased volume and repricing of variable rate loans. Interest income on the investment portfolio increased year over year by \$3.86 million or 12.95%.

Non-interest income for 12 months ended December 31, 2023 decreased from \$24.37 million in 2022 to \$23.66 million for the same 12-month period in 2023.

Non-interest expenses increased 17.74% from 2022 to \$86.44 million for the year ended 2023. The increase in non-interest expenses primarily relates to the one-time charge in the second quarter related to the voluntary termination of the Exchange Bank Pension Plan.

The quality of the Bank's loan portfolio remains strong; the Bank did not take a provision for loan losses in 2022 nor 2023.

During the 12 months ending December 30, 2023, the Bank achieved net earnings of \$20.19 million after the one-time charge in the second quarter related to the voluntary termination of the Exchange Bank Pension Plan as compared with net income of \$37.48 million for the same period in 2022. Excluding this one-time charge, earnings from the operations of Exchange Bank for the year ended 2023 were \$29.25 million.

BALANCE SHEET:

Total assets increased to \$3.37 billion as of December 31, 2023, up from \$3.33 billion as of December 31, 2022.

The market value of the investment portfolio was \$1.49 billion as of December 31, 2023, down \$78.20 million from one year prior and up \$39.76 million from September 30, 2023. The change in investments in the fourth quarter of 2023 is related primarily to an increase in the current fair market value of securities. Based on current rate conditions, the Bank estimates investment portfolio paydowns of approximately \$200 million through the end of 2024. We continue to maintain our entire portfolio as available for sale, providing full transparency and management flexibility. The Bank's portfolio has unrealized losses that are a direct result of market interest rates and not a result of credit quality concerns.

Gross loans have increased, ending with \$1.59 billion as of December 31, 2023, representing an \$84.77 million increase from December 31, 2022. The Bank's largest loan types are commercial real estate loans, making up 39.70% of the portfolio, followed by 22.78% in residential loans and 9.95% in multifamily loans. Of the commercial real estate total, approximately 20% or \$124.90 million is considered owner occupied and the remaining 80% or \$507.14 million are non-owner occupied. The portfolio is well diversified between industries with no significant concentrations, including no material concentration in office space.

As mentioned previously, loan quality remains strong; nonaccrual loans totaled \$4.12 million, or 0.26% of gross loans, as of December 31, 2023, compared to \$3.15 million or 0.21% of gross loans as of December 31, 2022. The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$41.27 million, or 2.59% of total loans. Although the portfolio has grown, the Bank did not book provision expense as there is sufficient allowance for credit losses.

Deposits decreased \$227.65 million, or 7.42%, in the 12 months ended December 31, 2023, ending at \$2.84 billion. In the fourth quarter 2023, deposits decreased \$79.07 million or 2.71% primarily due to customer tax payments from the IRS payment extension for natural disaster relief.

Non-interest-bearing deposits made up 34.43% of total deposits as of December 31, 2023, compared to 38.80% as of December 31, 2022. In addition, we estimate approximately 75% of all deposits were fully insured by the FDIC as of December 31, 2023. The Bank's combined on-balance sheet liquidity and contingent liquidity equate to 453% of the estimated uninsured deposits.

The Bank had borrowings of \$225.00 million as of December 31, 2023.

The Bank's capital ratios remain well in excess of the regulatory minimums to be considered "well capitalized." As of December 31, 2023, the Bank reported a total risk-based capital ratio of 18.84% and a leverage ratio of 10.52%. The Bank's book equity increased \$53.39 million, or 26.43%, since December 31, 2022, to a total of \$225.41 million. The increase is due to a net income for the 2023 year of \$20.19 million and positive changes in the unrealized losses on available for sale securities. The unrealized losses net of tax on December 31, 2023 were \$110.30 million compared to \$145.65 million on December 31, 2022. The Bank has the intent and ability to hold the investments until maturity, expects full collection of the carrying amount of these securities, and does not expect to recognize the unrealized losses.

The Bank does not view the temporary nature of the book unrealized losses to be a significant risk to its long-term capital position. The unrealized losses reduce the Bank's accumulated other comprehensive income, which the Bank has opted to exclude from its common equity tier 1 capital. Therefore, the Bank's regulatory capital is not impacted by

the changes in the market value of the investment securities in the Bank's investment portfolio. The Bank's regulatory capital, as defined by the FDIC, was \$393.58 million as of December 31, 2023, an increase of \$13.33 million, or 3.51%, over the same period in 2022.

On an ongoing basis, the Bank reviews its liquidity sources. As of December 31, 2023, the Bank has more than \$1.59 billion in available borrowing capacity through numerous sources.

50.44% of the Bank's cash dividend goes to the Doyle Trust which funds the Doyle Scholarships at the Santa Rosa Junior College. In 2023, dividends to the Doyle Trust totaled approximately \$4.49 million.

FORWARD-LOOKING INFORMATION:

The following appears in accordance with the Private Securities Litigation Reform Act of 1995: This press release may contain forward-looking statements about the Company, including descriptions of plans or objectives of its management for future operations, products or services, and forecasts of its revenues, earnings, or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may."

Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors—many of which are beyond the Company's control—could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Forward-looking statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date forward looking statements are made.

About Exchange Bank

Headquartered in Sonoma County and founded in 1890, Exchange Bank is a full-service community bank with assets of \$3.37 billion. Exchange Bank provides a wide range of personal, commercial and trust and investment management services with 16 retail branches in Sonoma County, a commercial branch in Roseville and Trust & Investment Management offices in Santa Rosa, Roseville, 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. Exchange Bank is an 18-year winner of the North Bay Business Journal's Best Places to Work survey and the 2023 San Francisco Business Times Corporate Philanthropy Award. Exchange Bank was named Best Consumer Bank by the NorthBay biz Magazine's Best of the North Bay readers' poll. The Petaluma Argus Courier People's Choice Awards named Exchange Bank

Best Local Bank 2023 and the Bohemian Magazine's Best of the North Bay 2023 named Exchange Bank Best Business Bank and Best Consumer Bank. www.exchangebank.com

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