



## FOR IMMEDIATE RELEASE

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### Exchange Bank Announces First Quarter 2024 Earnings

**Santa Rosa, CA** – (April 30, 2024) - Exchange Bank (OTC: EXSR) today announced its unaudited financial results for the first quarter 2024, reporting net income after taxes of \$4.9 million.

#### HIGHLIGHTS:

- Loan balances have remained relatively constant since prior quarter, growing by \$3.5 million from December 31, 2023. Since March 31, 2023, loan balances have increased by \$68.3 million.
- Loan quality remains strong, nonaccrual loans totaled \$4.7 million, or 0.29% of gross loans, as of March 31, 2024.
- The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$41.2 million, or 2.58% of total loans.
- First quarter net income after taxes was \$4.9 million compared with \$6.8 million for the previous quarter ending December 31, 2023.
- Deposits have decreased \$29.3 million since the prior quarter and \$109.8 million since March 31, 2023.
- The Bank's on balance sheet liquidity (cash and equivalents, deposits held in other institutions, and unpledged available-for-sale (AFS) securities) remains strong at \$727.2 million or 21.8% of total assets as of March 31, 2024. In addition, the Bank has available borrowing capacity of \$982.8 million or 29.5% of total assets.
- The Bank remains well-capitalized, and all regulatory capital ratios were well above minimum requirements with a total risk-based capital ratio of 18.97% on March 31, 2024.

“Exchange Bank is focused on serving our community and being a partner in the business environment. While the Bank has seen an increase in the overall cost of funds along with a deposit mix shift to higher cost deposits, we have maintained core deposit relationships. We

have a strong liquidity position, asset quality, and conservative lending practices that will allow us to serve our community for years to come,” said Troy Sanderson, President and CEO.

#### **INCOME STATEMENT:**

The Bank’s net interest income decreased from \$24.7 million during the three months ended March 31, 2023, to \$20.3 million for the same period in 2024, a decrease of 17.96%. The decrease in net interest income is predominantly due to the increase in interest expense related to deposits and borrowings. Total funding costs for the first quarter of 2024 were \$10.0 million as compared to \$2.7 million for the same period of 2023. In the current quarter, total funding costs are made up of interest paid to depositors of \$7.4 million and \$2.6 million paid on borrowings. In the first quarter of 2024, the annualized cost of deposits was 1.05%, while the cost of total funding was 1.32%. In the first quarter of 2023, the annualized cost of deposits was 0.20%, while the cost of total funding was 0.35%. The Bank expects funding costs to remain elevated throughout the rest of 2024. The Bank’s net interest margin decreased from 3.12% in the first quarter of 2023 to 2.57% in 2024; 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 compared to the first quarter of 2023 by \$2.9 million, or 10.65%. Interest and fees earned on loans increased \$2.6 million to \$21.8 million for the quarter due to increased volume and repricing of variable rate loans.

Non-interest income for three months ended March 31, 2024 decreased from \$6.0 million in 2023 to \$5.7 million. Non-interest expenses increased 8.14% from the first quarter of 2023 to \$19.6 million.

During the three months ending March 31, 2024, the Bank had net income after tax of \$4.9 million compared with net income of \$9.2 million for the quarter ending March 31, 2023.

#### **BALANCE SHEET:**

Total assets were \$3.33 billion as of March 31, 2024, essentially unchanged from \$3.36 billion as of March 31, 2023.

The market value of the investment portfolio was \$1.46 billion as of March 31, 2024, down \$119.0 million from one year prior and down \$38.0 million from December 31, 2023. The change in investments in the first quarter of 2024 is related primarily to a decrease in the current fair market value of securities coupled with normal paydowns and attrition in the portfolio. Based on current rate conditions, the Bank estimates investment portfolio paydowns of approximately \$128 million through the rest 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 related factors.

Gross loans at the end of the first quarter were \$1.59 billion, representing a \$68.3 million increase from March 31, 2023. The Bank's largest loan types are commercial real estate loans, making up 39.34% of the portfolio, followed by 23.92% in residential loans and 10.02% in multifamily loans. Of the commercial real estate total, approximately 19% or \$119.7 million is considered owner occupied and the remaining 81% or \$509.0 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 \$4.7 million, or 0.29% of gross loans, as of March 31, 2024, compared to \$2.9 million or 0.19% of gross loans as of March 31, 2023. The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$41.2 million, or 2.58% of total loans. Although the portfolio has grown, the Bank did not book provision expense as there is sufficient allowance for credit losses.

Deposits have decreased \$109.8 million, or 3.76%, since March 31, 2023, ending at \$2.81 billion. In the first quarter 2024, deposits have decreased \$29.3 million or 1.03%. The Bank has seen elevated competition for deposits in our market. This coupled with the rate environment has led the Bank to make strategic decisions to maintain core deposit relationships. The industry has also seen consumers use more of their liquid funds instead of borrowing, due to the elevated interest rates.

Non-interest-bearing deposits made up 32.63% of total deposits as of March 31, 2024, compared to 37.84% as of March 31, 2023. We estimate approximately 76.45% of all deposits were fully insured by the FDIC as of March 31, 2024. The Bank's combined on-balance sheet liquidity and contingent liquidity equate to 258% of the estimated uninsured deposits.

The Bank had borrowings of \$225.0 million as of March 31, 2024, unchanged from the prior quarter and compared to \$155.0 million as of March 31, 2023.

The Bank's regulatory capital ratios remain well in excess of the minimums to be considered "well capitalized." As of March 31, 2024, the Bank reported a total risk-based capital ratio of 18.97% and a leverage ratio of 10.73%. The Bank's book equity increased \$21.5 million, or 9.3%, since March 31, 2023, to a total of \$252.5 million. The increase is due to net income and changes in the unrealized losses on available for sale securities. The unrealized losses net of tax on March 31, 2024 were \$115.9 million compared to \$123.7 million on March 31, 2023. 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 realize 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 \$395.9 million as of March 31, 2024, an increase of \$9.5 million, or 2.46%, over the same period in 2023.

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 the first quarter of 2024, dividends to the Doyle Trust totaled approximately \$1.1 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 efforts 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 \$3.33 billion. Exchange Bank provides a wide range of personal, commercial, and trust and investment management services with 16 retail branches in Sonoma County, a retail 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](http://www.exchangebank.com)

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