



FOR IMMEDIATE RELEASE

Charlotte Radmilovic
SVP, Chief Financial Officer
Exchange Bank
(707) 521-3751

Exchange Bank Announces Second Quarter 2024 Earnings

Santa Rosa, CA – (July 25, 2024) - Exchange Bank (OTC: EXSR) today announced its unaudited financial results for the second quarter 2024, reporting net income after taxes of \$5.2 million.

HIGHLIGHTS:

- Second quarter net income after taxes was \$5.2 million compared with \$4.9 million for the previous quarter ending March 31, 2024.
- The Bank's on balance sheet liquidity (cash and equivalents, deposits held in other institutions, and unpledged available-for-sale securities) remains strong at \$715.1 million or 21.6% of total assets as of June 30, 2024. In addition, the Bank has available borrowing capacity of \$1.03 billion or 31.2% of total assets.
- Loan balances have remained relatively constant since prior quarter, growing by \$1.6 million from March 31, 2024. Since June 30, 2023, loan balances have increased by \$52.1 million or 3.4%.
- Loan quality remains strong, nonaccrual loans totaled \$4.0 million, or 0.25% of gross loans, as of June 30, 2024.
- The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$40.8 million, or 2.55% of total loans.
- The Bank remains well-capitalized, and all regulatory capital ratios were well above minimum requirements with a total risk-based capital ratio of 19.11% on June 30, 2024.

INCOME STATEMENT:

Second quarter 2024 net income after taxes was \$5.2 million compared with a net loss of \$2.1 million in the second quarter of 2023 and \$4.9 million for the previous quarter ending March 31, 2024. On a year to date basis, net income for 2024 through June was \$10.1 million compared to \$7.1 million for the same period of 2023. In the second quarter of 2023, the Bank

booked a one-time after-tax expenditure of \$9.1 million in connection with voluntary, full and final termination of the Exchange Bank Pension Plan.

The Bank's net interest income for the quarter ended June 30, 2024 was \$20.3 million, a \$2.5 million or 10.9% decrease from the three months ended June 30, 2023. Quarterly interest income increased from the prior quarter ended March 31, 2024 by \$0.6 million which was offset by interest expense increases of \$0.5 million.

On a year to date basis, net interest income through June 30, 2024 was \$40.6 million compared to \$47.6 million for the same period of 2023. The decrease in net interest income is predominantly due to the increase in interest expense related to deposits and borrowings. Total funding costs have increased by \$12.2 million year over year. Year to date, total funding costs are made up of interest paid to depositors of \$15.3 million and \$5.3 million paid for borrowings to the Federal Reserve Bank using the Bank Term Funding Program (BTFP). Through June 30, 2024, the Bank's annualized cost of deposits was 1.10%, while the cost of total funding was 1.37%. The increased interest costs were partially offset by positive trends in interest income. Interest income on assets increased compared to the first half of 2023 by \$5.3 million, or 9.40%. Interest and fees earned on loans increased \$4.5 million to \$44.2 million due to increased volume and repricing of variable rate loans. The Bank's net interest margin through the first half of 2024 is 2.61% compared to 3.06% in the first half of 2023. The Bank anticipates the cost of funds to remain elevated and the net interest margin will continue to decrease in the near term.

Non-interest income for the three months ended June 30, 2024 was \$5.7 million. This is a small decrease from the same period of 2023 of \$66 thousand and consistent with the prior quarter. On a year to date basis, total non-interest income for 2024 was \$11.4 million through June 30, 2024 compared to \$11.8 million for the same period of 2023.

Non-interest expense for the second quarter 2024 was \$19.2 million, consistent with the same period of 2023 and with the prior quarter. On a year to date basis, total non-interest expense for 2024 was \$38.8 million through June 30, 2024 compared to \$37.3 million for the same period of 2023.

BALANCE SHEET:

Total assets were \$3.31 billion as of June 30, 2024, a decrease of \$11.5 million from June 30, 2023.

The market value of the investment portfolio was \$1.43 billion as of June 30, 2024, down \$89.9 million from one year prior and down \$32.4 million from the prior quarter ending March 31, 2024. The change in investments from the first quarter of 2024 is related primarily to normal paydowns and attrition in the portfolio. Based on current rate conditions, the Bank estimates

investment portfolio cashflow of approximately \$105 million through the rest of 2024. As of June 30, 2024, the Bank estimates that the portfolio has an average life of approximately 4.4 years and an average effective duration of approximately 3.8 years. The Bank continues 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 second quarter were \$1.60 billion, representing a \$52.1 million increase from June 30, 2023 and an increase of \$1.6 million from March 31, 2024. The Bank's largest loan types are commercial real estate loans, making up 40.1% of the portfolio, followed by 29.3% in residential loans and 11.1% in multifamily loans. Of the commercial real estate total, approximately 19% or \$121.0 million is considered owner occupied and the remaining 81% or \$520.6 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 \$4.0 million, or 0.25% of gross loans, as of June 30, 2024, compared to \$2.9 million or 0.18% of gross loans as of June 30, 2023. The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$40.8 million, or 2.55% of total loans. Although the portfolio has grown, the Bank did not book provision expense as there is sufficient allowance for credit losses.

Total deposits as of June 30, 2024 were \$2.78 billion, a decrease of \$60.0 million, or 2.11%, since June 30, 2023. In the second quarter 2024, deposits have decreased \$33.3 million or 1.2% since March 31, 2024. The Bank continues to experience 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 32.6% of total deposits as of June 30, 2024, compared to 36.5% as of June 30, 2023. We estimate approximately 76.6% of all deposits were fully insured by the FDIC as of June 30, 2024. The Bank's combined on-balance sheet liquidity and contingent liquidity equate to 2.97 times the amount of the estimated uninsured deposits.

The Bank had borrowings of \$225.0 million as of June 30, 2024, compared to \$207.0 million as of June 30, 2023 and unchanged from the prior quarter.

The Bank's regulatory capital ratios remain well in excess of the minimums to be considered "well capitalized." As of June 30, 2024, the Bank reported a total risk-based capital ratio of 19.11% and a leverage ratio of 10.89%. The Bank's US GAAP or book equity was \$257.1 million

as of June 30, 2024 increasing by \$37.1 million, or 16.9% since June 30, 2023. The increase is due to net income and changes in the unrealized losses on available for sale securities. The unrealized losses net of tax as of June 30, 2024 were \$115.5 million compared to \$138.3 million on June 30, 2023.

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 \$398.9 million as of June 30, 2024.

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 half of 2024, dividends to the Doyle Trust totaled approximately \$2.2 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 \$3.31 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

Member FDIC — Equal Housing Lender — Equal Opportunity Employer

###