



FOR IMMEDIATE RELEASE

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Exchange Bank Announces Third Quarter 2024 Earnings

Santa Rosa, CA – (October 29, 2024) - Exchange Bank (OTC: EXSR) today announced its unaudited financial results for the third quarter 2024, reporting net income after taxes of \$4.9 million.

HIGHLIGHTS:

- Third quarter net income after taxes was \$4.9 million compared to \$5.2 million in the second quarter and \$4.9 million for first quarter.
- The Bank's on balance sheet liquidity (cash and equivalents, deposits held in other institutions, and unpledged available-for-sale securities) remains strong at \$817.1 million or 23.95% of total assets as of September 30, 2024. In addition, the Bank has available borrowing capacity of \$1.00 billion or 29.41% of total assets.
- Loan balances have remained relatively constant since prior quarter. Since September 30, 2023, loan balances have increased by \$11.5 million or 0.7%.
- Loan quality remains strong, nonaccrual loans totaled \$6.0 million, or 0.37% of gross loans, as of September 30, 2024.
- The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$41.0 million, or 2.56% 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 19.43% on September 30, 2024.

INCOME STATEMENT:

The Bank's third quarter 2024 net income after taxes was \$4.9 million compared with net income of \$6.3 million in the third quarter of 2023 and \$5.2 million for the previous quarter ending June 30, 2024. On a year to date basis, net income for 2024 through September was \$15.0 million compared to \$13.4 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 the voluntary, full and final, termination of the Exchange Bank Pension Plan.

The Bank's net interest income for the quarter ended September 30, 2024 was \$19.9 million, a \$1.6 million or 7.41% decrease from the three months ended September 30, 2023. Quarterly interest income increased from the prior quarter ended June 30, 2024 by \$569 thousand which was offset by interest expense increases of \$973 thousand.

On a year to date basis, net interest income through September 30, 2024 was \$60.6 million compared to \$69.1 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 \$16.1 million year over year. Year to date, total funding costs are made up of interest paid to depositors of \$24.0 million and \$8.2 million paid for borrowings to the Federal Reserve Bank using the Bank Term Funding Program (BTFP) and the Federal Home Loan Bank of San Francisco (FHLB). Through September 30, 2024, the Bank's annualized cost of deposits was 1.14%, while the cost of total funding was 1.42%. The increased interest costs were partially offset by positive trends in interest income. Interest income on assets increased compared to the first nine months of 2023 by \$7.6 million, or 8.89%. Interest and fees earned on loans increased \$6.2 million to \$66.7 million due to increased volume and repricing of variable rate loans. The Bank's net interest margin through the first nine months of 2024 is 2.58% compared to 2.95% for the same period of 2023.

Non-interest income for three months ended September 30, 2024 was \$5.9 million. This is a small increase from the same period of 2023 of \$48 thousand and consistent with the prior quarter. On a year to date basis, total non-interest income for 2024 was \$17.4 million through September 30, 2024 compared to \$17.7 million for the same period of 2023.

Non-interest expense for the third 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 \$58.0 million through September 30, 2024 compared to \$55.9 million for the same period of 2023.

BALANCE SHEET:

Total assets were \$3.41 billion as of September 30, 2024, an increase of \$48.2 million from September 30, 2023.

The market value of the investment portfolio was \$1.43 billion as of September 30, 2024, down \$26.5 million from one year prior and consistent with the prior quarter ending June 30, 2024. Based on current rate conditions, the Bank estimates investment portfolio cashflow of approximately \$54 million through the rest of 2024. As of September 30, 2024, the Bank

estimates that the portfolio has an average life of approximately 4.2 years and an average effective duration of approximately 3.6 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 an \$11.5 million increase from September 30, 2023. The Bank's largest loan types are commercial real estate loans, making up 39.6% of the portfolio, followed by 28.8% in residential loans and 11.2 % in multifamily loans. Of the commercial real estate total, approximately 19% or \$120.2 million is considered owner occupied and the remaining 81% or \$513.9 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 \$6.0 million, or 0.37% of gross loans, as of September 30, 2024, compared to \$4.5 million or 0.28% of gross loans as of September 30, 2023. The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled \$41.0 million, or 2.56% 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 September 30, 2024 were \$2.82 billion, a decrease of \$100.3 million, or 3.4%, since September 30, 2023. In the third quarter 2024, deposits have increased \$41.5 million or 1.5% since June 30, 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 32.4% of total deposits as of September 30, 2024, compared to 35.0% as of September 30, 2023. The Bank estimates approximately 75.9% of all deposits were fully insured by the FDIC as of September 30, 2024. The Bank's combined on-balance sheet liquidity and contingent liquidity equate to 2.77 times the amount of the estimated uninsured deposits.

The Bank had borrowings of \$245.0 million as of September 30, 2024, compared to \$175.0 million as of September 30, 2023 and up \$20 million from the prior quarter.

The Bank's regulatory capital ratios remain well in excess of the minimums to be considered "well capitalized." As of September 30, 2024, the Bank reported a total risk-based capital ratio of 19.43% and a leverage ratio of 10.90%. The Bank's US GAAP or book equity was \$293.9 million as of September 30, 2024 increasing by \$90.4 million, or 44.4% since September 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 September 30, 2024 were \$80.2 million compared to \$156.8 million on September 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 \$401.4 million as of September 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 nine months of 2024, dividends to the Doyle Trust totaled approximately \$3.3 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 \$3.41 billion. Exchange Bank provides a wide range of personal, commercial, and trust and investment management services with 17 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 a 19-year winner of the North Bay Business Journal's Best Places to Work survey and a 13-time winner of the Best Bank of Sonoma County by the Press Democrat's Readers' Choice 2024 awards. Exchange Bank was named Best Consumer Bank by the NorthBay biz Magazine's Best of the North Bay readers' poll and Best Local Bank by The Petaluma Argus Courier People's Choice Awards 2024. Exchange Bank is also a winner of the 2024 San Francisco Business Times Corporate Philanthropy award, and the Bohemian Magazine's Best of the North Bay 2024 named Exchange Bank Best Business Bank and Best Consumer Bank. www.exchangebank.com

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