



## **FOR IMMEDIATE RELEASE**

**May 6, 2021**

### **Exchange Bank Announces First Quarter 2021 Earnings**

**Santa Rosa, CA** – On May 6, 2021, Exchange Bank announced results for the first quarter of 2021, reporting net income after taxes of \$8.49 million, compared with \$8.63 million for the same quarter in 2020, a decrease of 1.60%. The decrease in earnings in the first quarter of 2021 can be directly attributed to declines in net interest income, non-interest income and the resumption of provisioning for loan losses.

“In response to the pandemic and the resulting societal and economic disruptions, the Bank began provisioning for loan losses in the third quarter of 2020 in a defensive posture,” said Troy Sanderson, president and CEO. “If not for the provision of \$1.2 million in the first quarter of 2021, year-over-year first quarter income would actually be up 12.28%.”

The Bank’s net interest income declined slightly from \$23.90 million during the three months ended March 31, 2020 to \$23.27 million the same period in 2021. During a period of time when treasury yields remained anchored near historic lows, the Bank’s margin was negatively impacted by declines in yields on loans and investments that surpassed the Bank’s ability to affect a similar decline in interest expense through a lower cost of funds. The loss of interest income was somewhat offset by the PPP loans booked in both 2020 and 2021. As of March 31, 2021, the Bank had a total of \$227 million in PPP loans. Other liquid investments increased approximately \$226 million between March 31, 2020 and 2021. The Bank’s net interest margin decreased from 3.89% in 2020 to 3.08% in 2021. The Bank expects net interest margin challenges to continue into 2021 with the expectation that treasury yields will remain low.

The Bank’s results continue to be influenced by the changing patterns of behavior by both business and consumer clients as well as the fiscal and monetary response of the U.S. Government to the coronavirus pandemic. Non-interest income declined from \$5.87 million in the first quarter of 2020 to \$5.41 million in the similar period in 2021. This decline can be attributed to three main factors: lower account service fees due to higher than normal compensating balances across both business and consumer deposit accounts; a decline in

interchange fees as a result of dramatically reduced consumer spending; and lower SBA fee income due to diminished business activities during this period.

The previously discussed declines in revenue were somewhat offset by the Bank's focus on controlling operating expenses. The Bank was successful in reducing operating expenses during the three months ending March 31, 2021 by approximately \$2.07 million or 11.62% in comparison to the three months ended March 31, 2020. In 2020, the Bank had one-time expenses related to its core operating system conversion.

The quality of the Bank's loan portfolio remains strong; however, due to the economic uncertainty that exists today, the Bank elected to strengthen its reserve for potential future losses with a provision for loan loss totaling \$1.2 million during the first quarter of 2021. The Bank did not take a provision for loan loss during the similar period in 2020.

The Bank experienced a dramatic increase in deposit balances which were up year-over-year by approximately \$624 million or 27%. This increase in deposits started during the second quarter of 2020, resulting from business deposits relating to the deposit of PPP loan funds received by Bank clients. The PPP loans issued in 2021 have added to the increase in deposits. Additional sources of the increase in deposits are the economic stimulus received by our customers and both business and consumer customers who chose to hold more liquid assets during this period of great uncertainty. The increase in deposits led to a material decline in deposit service fee income as a result of the waiver of fees associated with higher customer compensating balances. It is possible the Bank could experience a significant runoff of the excess deposits due to their unusual and short-term nature as they are used to support small business and consumer-related expenses over the next year.

Overall, the Bank's balance sheet growth for the year ending December 31, 2020 was bolstered by the PPP loans and deposit growth as previously noted. Total assets increased to \$3.29 billion as of March 31, 2021 up from \$2.64 billion in 2020, an increase of 24.76%. Gross loans increased from \$1.59 billion in 2020 to \$1.72 billion in 2021.

The Bank's capital ratios remain well in excess of the regulatory definitions of "well capitalized." As of March 31, 2021, the Bank reported total risk-based capital of 19.09%.

"The Bank again posted solid earnings in the first quarter of 2021 while maintaining strong capital, liquidity and credit quality," said Mr. Sanderson. "As we look forward to the promise of post-pandemic days ahead, we continue to stand ready to serve as our community's cornerstone financial institution, assisting our customers, friends and neighbors as only a locally-run and independent community bank can do."

50.44% of the Bank's cash dividend goes to the Doyle Trust which funds the Doyle Scholarships at the Santa Rosa Junior College.

## **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 premier community bank with assets of \$3.1 billion. Exchange Bank provides a wide range of personal, commercial and trust and investment services with 18 branches in Sonoma County and a commercial branch in Roseville, California. 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 a 15-time winner of the North Bay Business Journal’s (NBBJ) Best Places to Work survey, a recipient of the 2020 North Bay Community Philanthropy Award and the 2020 Healthiest Companies in the North Bay Award. NorthBay biz magazine named Exchange Bank the 2020 Best Consumer Bank and Best Business Bank. The Petaluma People’s Choice Awards named Exchange Bank the Best Local bank and the North Bay Bohemian’s Best of 2020 Readers Poll named Exchange Bank the Best Business Bank and Best Consumer Bank. Exchange Bank can also be found in the NBBJ’s Book of Lists as a leading lender and wealth management advisor—retaining the #1 position in SBA 7(a) lending in Sonoma County for 2020. [www.exchangebank.com](http://www.exchangebank.com).

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