



FOR IMMEDIATE RELEASE

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Exchange Bank Announces First Quarter 2023 Earnings

Santa Rosa, CA – Exchange Bank (OTC: EXSR) today announced results for the first quarter of 2023, reporting net income after taxes of \$9.22 million, compared with \$8.26 million for the same quarter of 2022, an increase of 11.57%.

The Bank's net interest income increased from \$22.38 million during the three months ended March 31, 2022 to \$24.75 million the same period in 2023, an increase of 10.57%. The increase in interest income is due in large part to a growth in core earning assets. The investment portfolio interest grew to \$7.98 million which was a \$2.47 million increase in 2023 compared to 2022. Interest earned on loans increased \$3.48 million in 2023 to \$19.28 million for the quarter due to repricing of variable rate loans. These positive changes were somewhat offset by a decrease in PPP loans fees of \$1.14 million from 2022 to 2023 and an increase in funding costs.

Total funding costs for the first quarter of 2023 were \$2.68 million vs. \$401,000 for the first quarter of 2022. The Bank expects funding costs to remain elevated throughout 2023. The Bank's net interest margin increased from 3.01% in 2022 to 3.21% in 2023.

Non-interest income remained flat with \$6.1 million in 2022 to \$6.0 million in 2023. An OREO property sold in the first quarter of 2023 for a gain of \$672,000. This was offset by a decrease of \$605,000 in income generated by the Bank's Trust Department resulting from overall subdued market conditions.

Non-interest expenses increased 5.98% from 2022 to \$18.12 million for 2023. The increase in non-interest expenses relates to several areas. Salary and benefit expenses increased \$168,000 for 2023. Software and professional fees related to technology have increased \$506,000 to \$3.73 million for 2023.

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

Total assets decreased to \$3.36 billion as of March 31, 2023, down from \$3.54 billion as of March 31, 2022. The Bank's cash position has normalized at \$51 million which is down \$257 million from March 31, 2022.

The investment portfolio was \$1.594 billion as of March 31, 2023 vs. \$1.61 billion one year before. The market value of the investment portfolio remains relatively unchanged since December 31, 2022 when it was \$1.592 billion. The change in investments in the first quarter of 2023 is related to principal payments totaling \$28.47 million and an improvement in the fair market value of securities of \$31.18 million. Based on current rate conditions, the Bank expects natural portfolio paydowns of approximately \$263 million through the end of 2024. We maintain our entire portfolio as available for sale, providing full transparency and management flexibility.

Gross loans have increased ending with \$1.53 billion as of March 31, 2023. This represents loan growth of \$38.88 million over March 31, 2022. The change in loans was composed of core loan growth of \$69.83 million offset by a decrease of \$30.95 million from forgiveness of PPP loans.

Deposits decreased \$316.99 million, or 9.80%, in the 12 months ended March 31, 2023. Since December 31, 2022, deposits have decreased \$147.15 million, or 4.80%, ending the quarter at \$2.919 billion. While there has been some deposit outflow due to industry concerns in March 2023, the majority of deposit outflows have been related to the expected use of excess deposits, rate competition and normal business activities.

Non-interest bearing deposits made up 37.97% of total deposits as of March 31, 2023 compared to 38.22% as of March 31, 2022. In addition, we estimate that 68% of all deposits were fully insured by the FDIC as of March 31, 2023.

To offset the decrease in deposits, the Bank had borrowings of \$155 million as of March 31, 2023.

It is probable that the Bank will continue to experience additional runoff of the excess deposits gathered in 2020 and 2021 due to their unusual and short-term nature as they are used to support small business and consumer-related expenses over the next year. In addition, the competition for deposits has increased significantly over the month of March 2023. As noted above, with the increased competition for deposits, borrowing levels are likely to remain elevated along with overall funding costs.

The Bank's capital ratios remain well in excess of the regulatory minimums to be considered "well capitalized." As of March 31, 2023, the Bank reported a total risk-based capital ratio of 20.56%. The Bank's book equity decreased \$38.93 million, or 14.42%, since March 31, 2022, to a total of \$230.97 million. The unrealized losses have arisen due to the significant increase in interest rates since the end of 2021. 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 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 \$362.67 million as of March 31, 2023, an increase of \$29.86 million, or 8.97%, over the same period in 2022. Since December 31, 2022, regulatory capital has increased \$6.99 million, or 1.96%.

On an ongoing basis, the Bank reviews its liquidity sources. As of March 31, 2023, the Bank has in excess of \$1.7 billion in available liquidity. The Bank's liquidity position was supplemented in March 2023 by the new Federal Reserve Bank Term Funding Program. While the Bank had more than sufficient liquidity before the formation of the new program, the BTFP provides additional funding flexibility to the Bank. The Bank's available liquidity sources account for 59% of total deposits and 184% of estimated uninsured deposits as of March 31, 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.

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 \$3.36 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 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 17-year winner

of the North Bay Business Journal's Best Places to Work survey and the 2022 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 2022 and the Bohemian Magazine's Best of the North Bay 2022 named Exchange Bank Best Business Bank and Best Consumer Bank. www.exchangebank.com

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