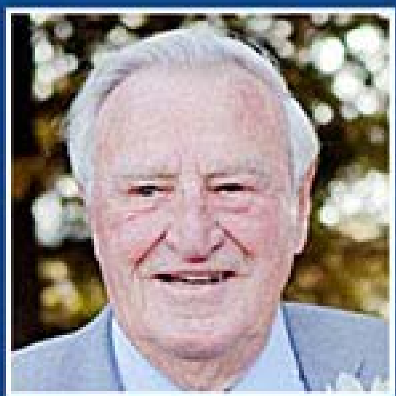
2023
ANNUAL REPORT

A DEPOSIT HERE IS AN
INVESTMENT HERE.

Exchange Bank

IN RECOGNITION OF **CHARLES "CHUCK" BARTLEY**



CHARLES "CHUCK" BARTLEY

Retired Exchange Bank Board Member, Doyle Trustee, Santa Rosa Businessman, World War II Veteran

1924 – 2023

THANK YOU FOR YOUR YEARS OF SERVICE

The Board of Directors and employees of Exchange Bank wish to express their sincere appreciation and gratitude to Chuck Bartley for his 40 years of dedicated service to Exchange Bank and many more years to the Sonoma County community. Chuck served on the board of Exchange Bank from 1969-2009 and was Trustee of the Doyle Trust from 1989 - 2009. His immense contributions and dedication to Exchange Bank will be forever remembered.

In memory of Chuck, Exchange Bank has made a generous contribution in his name to the Charles M. Schulz Museum, dedicated to preserving, displaying, and interpreting the art of Chuck's very dear friend, Charles M. Schulz.

BOARD OF DIRECTORS

1. **Bruce E. DeCrona**
   Retired, Banker
2. **Steven G. Dutton**
   President and Co-owner
   Dutton Ranch Corp.
3. **Gary Hartwick**
   Retired, Banker
4. **Eric McHenry**
   Retired, Executive
5. **Deborah A. Meekins**
   Retired, Banker
6. **James M. Ryan**
   President, Ryan Mortgage Co.
   Vice Chairman of the Board
   Trustee, Frank P. Doyle Trust
7. **Troy Sanderson**
   President and CEO
   Exchange Bank
8. **William R. Schrader**
   Chairman of the Board
   Trustee, Frank P. Doyle Trust
9. **Marlene K. Soiland**
   President and CEO,
   Soiland Management Co.
   Corporate Secretary,
   Exchange Bank
10. **Gregory S. Steele**
    Retired, Technology Executive

MISSION STATEMENT

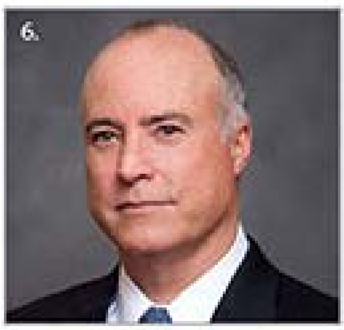
From generation to generation, we invest in people, business and community to build a strong future.

VISION STATEMENT

We want to be your bank, making a difference in the communities we serve, to create a better future for generations to come.

CORE VALUES

Commitment | Respect | Integrity | Teamwork



1. **Troy Sanderson**
   President and Chief Executive Officer

2. **Shari DeMaris**
   Executive Vice President,
   Chief Operating Officer

3. **Jaimie Galeano**
   Senior Vice President,
   Retail Banking

4. **Mary Leonard-Wilson**
   Senior Vice President,
   Chief Credit Officer

5. **Ann Lobdell Hudson**
   Senior Vice President,
   Chief Administrative Officer

6. **John Mackey**
   Senior Vice President, Managing Director
   of Investment and Fiduciary Services

7. **Charlotte Radmilovic**
   Senior Vice President,
   Chief Financial Officer

8. **Brian Rober**
   Senior Vice President,
   Chief Information Officer

9. **Paul Yeomans**
   Senior Vice President,
   Wholesale Banking Sales Manager

10. **Lori Zaret**
    Senior Vice President,
    Chief HR Officer

Dear Shareholders:

We write to you this year to report on Exchange Bank's 2023 financial results and to share with you our insight into plans, decisions and events that impacted those results. As we do every year, we will share what we believe were and are important trends in the global economy, the financial services sector, and within Exchange Bank itself. And finally, we will talk about our efforts and activities to support our commitment to our core mission – *to invest in people, business, and community to build a strong future.*

In summary, Exchange Bank ended 2023 reporting $20.19 million in annual net income and total paid dividends of $8.91 million equaling a dividend payout ratio of 44.14%. The Bank's capital ratios remain well in excess of the regulatory minimums to be considered "well capitalized." As of December 31, 2023, the Bank's regulatory total risk-based capital ratio was 18.84% and the leverage ratio was 10.52%.

Clearly, 2023 was a volatile year in the banking space after the very surprising and rapid failures of Silicon Valley Bank and Signature Bank, followed by the slow demise of First Republic Bank not long thereafter. In the short term, confidence in the banking industry as a whole was again put into question, and the strength of the liability side of the balance sheet became a major focus for all banks. Thankfully, as described in more detail following, this concern played into a strength of Exchange Bank – our stable and low-cost core deposit base that is not overly weighted in large balances, uninsured deposits, or concentrated sources.

The Bank ended the year with total deposits of $2.84 billion, down $227.65 million, or 7.42%, from 2022. As was the case in 2022, we had expected deposits to decrease in 2023 by this approximate amount as a natural response to the large increases of non-core deposits gathered during the COVID pandemic and as a result of approximately $389 million of PPP loans funded to our own customers (as a reminder, we grew deposits by $423.57 million in 2020 and another $400.55 million in 2021). As previously noted, deposit concentrations became an important concern in 2023. We believe our deposits, sourced approximately 1/3 from businesses and 2/3 from consumers, are considered "unconcentrated." Our customers represent the wide fabric of our community, with no over-representation of any industry, social, or demographic group at reasonable risk for deposit flight contagion. At year-end, we estimate that 75% of our deposits are fully FDIC insured, a number that compares favorably with our peer banks.

On the asset side of the balance sheet, the Bank grew loans by $84.77 million, or 5.6% in 2023. The disruption in the credit markets surrounding the failures of SVB, Signature, and First Republic caused some lenders in the market to cease making new loans. We saw this as an opportunity to compete effectively for high quality well-priced credits and remained an active lender in the marketplace. Additionally, we believe, as a community bank, that it was our responsibility to remain a reliable credit resource for our customers during this uncertain time.

The largest driver in the decrease of our net income from $37.48 million in 2022 to $20.19 million in 2023 was a one-time charge of $9.10 million, net of taxes, related to the voluntarily termination of the 70-year-old Exchange Bank pension plan. Excluding this one-time charge, net income for 2023 would have been $29.25 million. In the second quarter of 2023, the Bank booked this charge to fully retire and settle all of its obligations to retirees and certain active employees who were once a part of the now terminated pension plan. Similar to decisions made over the years by an overwhelming number of our country's Fortune 500 companies, this long contemplated action by the Bank, which was initiated in mid-2022, followed many years of managing through myriad complex and costly accounting and regulatory requirements. This action now eliminates all future actuarial and regulatory risks for the Bank related to this plan, as well as the administrative expenses to manage it. All plan members were made completely whole through either a lump-sum distribution or the provision of an annuity. Importantly, through the reversal of certain accruals and tax treatments, our final net adjustment to capital was a negative $3.2 million. We believe this one-time reduction of Bank capital, equal to less than 1% of the Bank's current regulatory capital, will likely be offset in the coming years by savings tied to the elimination of the costs to administer the plan.

The other large driver of our reduced net income was the slow but steady increase in our cost of funds during the year. Total funding costs in 2022 were $2.08 million as compared with $25.06 million in 2023, an increase of $22.98 million. Of that 2023 amount, interest paid on deposits totaled $16.72 million and interest paid on borrowings totaled $8.34 million. While that increase is material, the Bank maintained a total cost of funding in 2023 of 0.82% which remains in the lowest 10th percentile of our peer groups. This is a significant strength of the Bank.

Competition for deposits has increased within our market area as a handful of other institutions, with less stable deposit footings, are compelled to offer higher rates to attract new deposits to replace exiting non-core deposits that are more transitory due to interest rate sensitivity. We continue to strategically compete in this marketplace as we see appropriate. Because of this, and as a result of interest rates that have been held “higher for longer” as the Federal Reserve continues to work to tame inflation back down to a 2% level, the mix of our deposit accounts has adjusted in 2023. We began the year with 38.80% of our deposits in non-interest-bearing accounts. That number has decreased to 34.43% as of the end of the year. One component of this change is our introduction of reciprocal interest-bearing ICS and CDARS deposit products. These innovative products allow large balance deposit relationships that would normally be in excess of standard FDIC insurance limits to be fully insured.

While higher rates do increase interest expense costs, they also increase interest income as some loans reprice, new loans at higher rates replace maturing loans, and revenue earned on the investment portfolio increases. Total interest income earned on assets increased by $14.34 million, or 14.7%, in 2023.

This year-over-year increase in interest income of $14.34 million was not enough to offset the year-over-year increase in interest expense of $22.98 million, contributing to the overall decline in net income. This non-parallel movement is considered somewhat typical in a rising interest rate environment when assets (loans and investments) tend to reprice at a slower pace as compared with liabilities (deposits and borrowings). This offset was further enhanced by the Federal Reserve’s atypical speed of the upward movement of rates during that period.

The result of this inequity in interest earned and interest paid in 2023 was a decrease in the Bank’s net interest margin from 3.01% in 2022 to 2.86% in 2023. Maintaining stability or achieving growth in the net interest margin will be dependent upon the effective management of our cost of funds in 2024.

The generation of non-interest income remains a strength of Exchange Bank with a significant contribution coming from the Bank’s Trust and Investment team. Total non-interest income in 2023 was $23.66 million, slightly less than the $24.37 million earned last year. Of that amount, $9.79 million came from the important work performed by our Trust team in 2023. Unfortunately, the banking industry remains under constant pressure, both from ordinary competition and from increasing regulatory oversight, to reduce or eliminate normal and customary fees earned on deposit products. As non-bank competitors such as Venmo continue to grow their customer base, and as regulators and lawmakers continue their focus on bank fees, that pressure will likely continue.

Successful businesses grow by increasing revenue, not simply by controlling expenses. Revenue growth is an integral part of our strategic plan, as is expense management. Non-interest expenses did increase by 17.74% in 2023; however, that increase was inclusive of the one-time charge to terminate the pension plan. Net of that charge, non-interest expenses increased by 6.3% from 2022 to 2023. The two main drivers that increased expenses were personnel costs and investments in technology.

Regarding personnel costs, we continue to acknowledge that our employees are our greatest asset. This is especially true for a community bank with strong and diverse ties to our marketplace. We are proud to announce that once again, and for the 18th year in a row, Exchange Bank was recognized as a Best Place to Work by the North Bay Business Journal. We constantly strive to maximize productivity and create opportunities for our existing employees by strategically realigning our workforce as normal turnover occurs. The velocity of change within our industry is dramatic, and we believe it is critical that the structure of our workforce flexes to align with the changing environment. In 2023, we provided cost of living adjustments to assist and retain our employees who we know work in a high cost of living area of California. We eliminated 18 legacy positions, retooling and, in some cases, upgrading eight of them to match the current and future needs of the Bank, while permanently eliminating the remaining ten positions. This restructure will save over $800,000 in annual personnel expenses.

Much of the savings in personnel expense was utilized to support our strategic commitment to a cutting-edge technology and cybersecurity footprint. Continuing our investment in our highly skilled information technology team serves the Bank in three distinct ways. First, it supports our commitment to our customers to seamlessly meet them wherever they want to interact with us – at home, on the road, or in one of our 17 branches. Next, it creates efficiencies in our customer-facing and back-office processes that allow us to serve our customers more effectively. Finally, our commitment to a robust technology footprint supports our intense focus on cybersecurity and fraud prevention.

When we look at the overall performance of the Bank, the observations that we made in last year’s shareholder letter regarding the difficulties utilizing the common bank performance metrics of Return on Average Assets (“ROAA”) and Return on Average Equity (“ROAE”) to measure Exchange Bank’s 2023 performance are relevant again this year, although for both similar and different reasons. In summary, unadjusted ROAA was 0.60% and ROAE was 9.74% in 2023.

There are three components to these two calculations: net income, average assets, and average equity. ROAA is the quotient of net income divided by average assets and ROAE is the quotient of net income divided by average equity. As described previously, net income, the numerator of both calculations, was significantly negatively affected by a one-time charge of $9.10 million, net of tax, to terminate the Bank's pension fund in 2023. Also, as will be described in more detail later in this letter (and as was described in detail in last year's letter), the Bank's average equity number on a Generally Accepted Accounting Principle ("GAAP") basis includes unrealized losses associated with the Bank's available-for-sale investment portfolio. The Bank's available-for-sale investment portfolio is marked to market and the associated unrealized losses, net of tax, show on the balance sheet as negative Accumulated Other Comprehensive Income ("AOCI"), reducing average equity. Finally, average assets are still being affected by the significant increase in deposits from 2020 and 2021.

Just as we did in our 2022 annual shareholder letter, we believe it is helpful to also present a calculation of ROAA and ROAE taking into consideration anomalous events. In 2023, we would consider those events to be the one-time charge to terminate the pension plan and the unrealized losses in the investment portfolio. When eliminating the effects of both of those factors, ROAA in 2023 was 0.88% and ROAE in 2023 was 8.45%.

As of December 31, 2023, the Bank's book or GAAP equity increased $53.20 million, or 26.33%, from the same period in 2022 after paying dividends of $8.91 million. This increase in book equity was mainly due to a decrease of the unrealized losses on available-for-sale investment securities caused by a changing interest rate environment. Those unrealized losses, net of tax, decreased by $35.35 million in 2023. To better understand the Bank's change in equity, it is appropriate to also discuss changes in regulatory capital. This paints the picture of changes in equity net of the effects of changes in the value of the investment portfolio captured in AOCI. Regulatory capital was $393.59 million at the end of 2023, a gain of $13.34 million, or 3.51%, over the same period in 2022. As noted above, the Bank's capital ratios remain well in excess of the regulatory minimums to be considered well-capitalized.

Diving deeper into the balance sheet, the Bank's loan portfolio grew cautiously by 5.61% in 2023. We saw an opportunity to put high-quality credits on the books as a somewhat disjointed market reacted to the quick and unexpected failures of three regional banks. The loan portfolio remains well-diversified with its greatest concentrations in commercial real estate (39.70%), residential real estate (29.21%) and multifamily residential real estate (9.95%). Within the commercial real estate portfolio, we have no significant concentrations in any one property type, including office space.

The loan portfolio continues to perform well with a classified ratio of 0.63%, only $4.20 million in non-accrual loans and no OREO as of December 31, 2023. Supporting the strength of the loan portfolio is a well-funded allowance for credit losses of $41.27 million, or 2.59% of gross loans. Even though the Bank grew its loan portfolio in 2023, no additional provisions for losses were booked as the allowance was considered adequately funded and the credit metrics of the Bank have remained stable.

We have talked about the metrics of our deposit portfolio is some detail prior in this letter. In short, the competition for core deposits has grown significantly in this current environment. We welcome this change, and we believe it plays into a key strength of this community bank. With the largest branch footprint in Sonoma County that includes 16 well-located branches deeply embedded into their individual communities, and with a 133-year history of connectivity to generations of families and businesses in Sonoma County, this Bank and our employees are closely connected to the vast majority of current and potential customers in this market.

The Bank's available-for-sale investment portfolio ended 2023 with a market value of $1.497 billion, down $78.2 million over the prior year. The unrealized loss imbedded in the portfolio on December 31, 2023, due to an increased interest rate environment, was $156.60 million, a decrease of $50.19 million from the prior year end. The value of the portfolio changes up or down daily for two distinct reasons. First, as 100% of the portfolio is held as available-for-sale ("AFS"), its value is subject to the daily fluctuations of the value of the underlying securities. In the case of Exchange Bank's portfolio, because there are no credit-related impairments, that value fluctuates solely based upon daily changes in the market. When rates go up, the value of the investment portfolio goes down, and vice-versa. Generally, rates have trended slightly down in 2023 providing a small boost to the value of the investment portfolio (and increasing AOCI by decreasing the loss). Second, the value of the investment portfolio changes as either principal is repaid as expected and converted to cash on the balance sheet or as new investments are purchased from cash on the balance sheet. In 2023, the Bank purchased only $13.00 million in new US Treasury securities, solely for the purpose of collateralizing certain deposits. Therefore, the majority of the change in the value of the investment portfolio is driven by the expected principal reductions on existing securities offset slightly by increases in the value of the portfolio tied to the interest rate environment. Both trends are positive for the Bank.

Principal and interest payments derived from the investment portfolio are an important source of liquidity for the Bank. The portfolio was designed to generate consistent and reliable cash flow in the form of principal reductions and interest payments, and it has generally performed as expected. The dramatic increases in interest rates that began in 2022 created imbedded unrealized losses in the available-for-sale investment portfolio that are diminished as the portfolio pays down. The effective duration of the portfolio on December 31, 2023 was 4.05 years, shorter than most of our peers. At this time, the Bank's position regarding the unrealized losses imbedded in the investment portfolio is unchanged from last year:

The Bank has the intent and the ability to hold the securities in the investment portfolio until maturity. We expect full collection of the carrying amount of these securities, and therefore, we do not expect to recognize these unrealized losses.

Many of our peer institutions have sold portions of their investment portfolios at losses to recoup liquidity, payoff borrowings, or simply to reinvest at higher rates. The payback periods for these transactions tend to be many years at a minimum. The Bank has analyzed and continues to analyze that strategy and, as of the date of this letter, continues to believe that it is not in the best interest of the shareholders. Changes in the interest rate environment do require a constant evaluation of that strategy.

"WE BELIEVE BANKING IS STILL A RELATIONSHIP BUSINESS BUILT ON PERSONAL CONNECTIONS AND A PHYSICAL PRESENCE. WITHOUT A DOUBT, COMMUNITY BANKING, THE STRENGTH OF EXCHANGE BANK, STILL IS."

As of December 31, 2023, the Bank had $225.00 million in borrowings under the Federal Reserve's Bank Term Funding Program ("BTFP") that do not mature until 2025. The Bank has significant sources of additional liquidity to cover cash flow needs. As of December 31, 2023, the Bank had $1.60 billion in available borrowing capacity. Maintaining and growing our deposit base and managing our loan fundings will be the most effective and profitable way to manage our liquidity position as our investment portfolio continues to pay down. The prospects of interest rate cuts, which will elevate more of our investment portfolio out of an unrealized loss position, remain on the table for 2024.

The prospect and potential timing of interest rate cuts has been the topic of much debate for the previous six months. Many economists doubted that the Federal Reserve would be able to engineer a "soft landing" and the threat of a quick transition into a recession and lower interest rates in the near future loomed large. More recently, however, even with inflation indicators moving in a downward direction, the Fed has not felt comfortable that it has tamed inflation enough to warrant cuts to the target rate. "Higher for longer" seems to be the current sentiment with many forecasters opining that the first cut will not come until June 2024 or later. The Fed seems to be making an effort to be more transparent, and paradoxically this may be detrimental to their efforts to tame inflation as, based upon their comments, many market participants have already factored in future cuts. This continues to provide momentum for the economy.

The current structure of the Bank's balance sheet would favor interest rate cuts sooner than later for two main reasons. First, lower rates would reduce some of the strong competition for deposits that serves only to increase our funding costs through deposit retention and growth efforts. Second, lower rates will move more of our AFS investment portfolio from an unrealized loss position allowing for the flexibility of selling some to reduce borrowing costs and provide liquidity without affecting the income statement.

As we briefly mentioned prior, on a macro level the banking industry as a whole has been very challenging in 2023. The quick and substantial rise in interest rates in the later part 2022 put significant pressure on a number of banks whose balance sheets were not positioned to absorb those increases. But the proper management of interest rate risk has been an integral part of banking since the very beginning. Two other main challenges that currently exist and are increasing for all banks are more structural in nature – increased regulation on existing banks and increased competition from unregulated non-banks.

Changes in the regulatory environment have accelerated, and those changes are being rolled out in a manner that creates tremendous burdens on small institutions to keep pace. Many of these changes are well-intentioned, such as the 649-page revision to the Community Reinvestment Act or the proposed Section 1071 small business data collection requirements. However, the uncoordinated manner in which these new regulations are being placed on the banking industry is creating real pressure on smaller community banks to maintain profitability. The unintended consequence may well be more M&A activity and the further loss of small community banks (less than $1 billion) across the nation. At $3.3 billion, Exchange Bank remains well-positioned to absorb these increased regulatory burdens, but they do come at a cost to the growth of net income.

Competition from FinTechs is also increasing, and it remains to be seen how the further adaptation of their products will change banking in general, and community banking in particular. It is a complicated question as many FinTechs are actually bank partners, developing products and engaging in R&D activities that banks not named Chase or Bank of America could never do. The vast majority of banks across the nation, including Exchange Bank, rely upon FinTech vendors for the provision of some of our products and services. Ultimately, these FinTech partners may begin to evolve more toward providing primary banking services, like Venmo for example. Bank regulators will need to engage to level the competitive playing field and continue to protect the consumer. Ultimately, we believe banking is still a relationship business built on personal connections and a physical presence. Without a doubt, community banking, the strength of Exchange Bank, still is. And we believe what is often said about politics is also true about community banking - it is all local. We are local.

Our local economies of Sonoma County and our satellite offices in Placer, Santa Clara, and Marin counties remain robust although challenging in some respects. The affordability of housing remains a key issue with no clear answer on the horizon for this important problem. For this reason, Sonoma County, our primary market, continues to be challenged by an aging demographic and little to no population growth. While today it can be said that this benefits the Bank as our customer demographic is skewed toward older residents, it remains incumbent on the Bank to also expand our customer base to the younger demographics so that the Bank may age along with them.

The manner in which all of our customers, younger and older, interact with the Bank is evolving, but it is clear that to grow our customer base in the Millennial, Gen X, and Gen Y spaces we must have a robust and cutting-edge digital banking channel. We believe that we do. As mentioned earlier in this letter, we continue to budget and spend appropriately but deliberately on our digital platform to ensure that we continue to live up to our promise to meet our customers wherever and whenever they want to be met – at home, on the road, or in one of our 17 branches. While we continue to upgrade and fortify the backbone of our network for both security and redundancy, we are particularly proud of our new customer-facing public website that we believe provides a better customer experience and also tells a more robust story of the history, mission, and culture of the Bank.

In 2023, we made very good progress on our data analytics capabilities through upgrades in both technology and human capital, but we are still not yet where we want to be in this important discipline. Leveraging and expanding these capabilities in 2024 will be a major focus. We look at data through three distinct lenses – internal financial analysis and decision making, internal operational efficiencies, and marketing. From an internal perspective, our enhanced data analytics allow us to make faster and better-informed decisions that help us manage risk, generate revenue, and reduce expenses. From a marketing perspective, our efforts to better understand our customers and our community allow us to develop and deliver products and services that provide enhanced value and grow our business. To be clear, however, we take data privacy very seriously and safeguard it with the same level of care as any other asset that our customers entrust us to manage.

Along those lines, cybersecurity remains the overriding technology priority at Exchange Bank. We continue to provide significant and increasing resources to our highly skilled information security team to ensure that they have the robust tools and the human capital, both internal and external, that they require to protect our technology infrastructure and our customers' data. This "cybersafe" culture permeates throughout Exchange Bank and we diligently work with our customers to assist them in this regard as well.

Previously, we touched briefly on our Trust and Investment Management team. This team continues to provide good opportunities for non-interest income growth at the Bank, and we are pleased to share with you that we opened our Marin County office in the fall of 2023. The warm reception that we received from the Marin community was even greater than we had hoped for, and that team is making positive strides toward stand-alone profitability already. The office, located in San Rafael just down the road from the iconic Marin County Civic Center, has already been approved to include a deposit-gathering retail branch and we are considering that in later 2024. We continue to believe that leading with our Trust and Investment Management team provides us a great opportunity to cautiously and strategically expand our footprint outside of our primary market area of Sonoma County.

Exchange Bank has been built upon the significant contributions of many great leaders over our

"FROM A MARKETING PERSPECTIVE, OUR EFFORTS TO BETTER UNDERSTAND OUR CUSTOMERS AND OUR COMMUNITY ALLOW US TO DEVELOP AND DELIVER PRODUCTS AND SERVICES THAT PROVIDE ENHANCED VALUE AND GROW OUR BUSINESS."

133-year history. Their dedication to the mission and culture of Exchange Bank brought this institution to the place it is now, and their commitment to our community continues to inspire us today. Charles "Chuck" Bartley was one of those inspirational leaders of both Exchange Bank and Sonoma County and we were deeply saddened to have lost him in 2023. Chuck was a Santa Rosa businessman, a civic leader, and a World War II veteran who served on the Board of Directors of Exchange Bank for 40 years, from 1969 to 2009. He was also a long-time Trustee of the Doyle Trust. We would like to take this opportunity to acknowledge the tremendous positive influence Chuck had on our community and thank him for his impactful contributions and leadership at Exchange Bank.

Without a doubt, 2023 was a challenging year for all banks. Although somewhat of a cliché, we believe that challenges like this only serve to make us stronger. We were abruptly reminded (although we did not need the reminder) that our industry is continuing to change, and that the velocity of that change is only increasing. Internally, we have acknowledged that we must continually evolve to remain relevant and competitive in our community banking space. It would be easy for Exchange Bank to measure our success by looking in the rear-view mirror, admiring all of the places that we have been and all of the things that we have done. But we know our future is in front of us, and our Board of Directors and Executive Team are focused on two things – incrementally and purposefully evolving this Bank to be successful in a fast-changing and competitive banking environment and doing so with an unwavering fidelity to the original mission and culture given to us by our founders in 1890. Both can be done at the same time. In fact, it is our belief that they are dependent upon each other.

On behalf of the Board of Directors, our Executive Management Team, and our amazing employees, we would like to take this opportunity to thank you, our shareholders, for your support.

Sincerely,

William R. Schrader
Chairman of the Board

Troy J. Sanderson
President and Chief Executive Officer

2023 Philanthropy

283
Nonprofit and charitable organizations supported

5,332
Team member volunteer hours

$651,150
in charitable donations

64
Team members serving on boards or committees

2023 Awards & Accolades

CONSOLIDATED BALANCE SHEETS

EXCHANGE BANK AND SUBSIDIARIES

– Unaudited –

December 31, 2023 and 2022

(In thousands, except share and par value amounts)	2023	2022
ASSETS		
Cash and due from banks	$ 89,354	$ 48,129
Short-term investments	257	244
Total cash and cash equivalents	**89,611**	**48,373**
Interest-bearing deposits in other financial institutions	—	1,000
Available-for-sale investment securities	1,497,445	1,575,648
Loans and leases	1,594,677	1,509,908
Less allowance for credit losses	(41,268)	(43,540)
Net loans and leases	**1,553,409**	**1,466,368**
Federal Home Loan Bank stock	15,000	15,000
Bank premises and equipment, net	17,472	17,217
Bank owned life insurance	68,887	66,597
Other real estate owned	—	310
Accrued interest receivable and other assets	126,748	143,884
Total assets	**$ 3,368,572**	**$ 3,334,397**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 977,426	$ 1,189,742
Interest bearing	1,861,201	1,876,539
Total deposits	2,838,627	3,066,281
Other borrowings	225,000	20,000
Accrued interest payable and other liabilities	49,721	46,092
Total liabilities	3,113,348	3,132,373
Commitments and contingencies		
Stockholders' equity:		
Common stock, $2.50 par value; 3,000,000 shares authorized; 1,714,344 shares issued and outstanding	4,286	4,286
Additional paid-in capital	46,026	46,026
Retained earnings	316,652	305,373
Accumulated other comprehensive income (loss), net of taxes	(111,740)	(153,661)
Total stockholders' equity	255,224	202,024
Total liabilities and stockholders' equity	$ 3,368,572	$ 3,334,397

CONSOLIDATED STATEMENTS OF INCOME

EXCHANGE BANK AND SUBSIDIARIES

– Unaudited –

For the Years Ended December 31, 2023 and 2022 (In thousands, except per share amounts)	2023	2022
Interest income:		
Interest and fees on loans and leases	$ 81,919	$ 71,437
Interest on investment securities:		
Taxable	31,125	27,353
Exempt from Federal income taxes	2,504	2,420
Total interest income	**115,548**	**101,210**
Interest expense:		
Interest on deposits	16,716	2,035
Interest on borrowings	8,342	40
Total interest expense	**25,058**	**2,075**
Net interest income before provision for loan and lease losses	**90,490**	**99,135**
Provision for credit losses	—	—
Net interest income after provision for loan and lease losses	**90,490**	**99,135**
Non-interest income:		
Service charges and fees	3,265	3,279
Trust income	9,787	10,024
Merchant discount and interchange fees	5,311	5,200
Income from bank owned life insurance	2,255	2,121
Gain on sale of other real estate owned	694	—
Other income	2,348	3,744
Total non-interest income	**23,660**	**24,368**
Non-interest expense:		
Salaries and employee benefits	41,110	40,279
Occupancy and equipment	8,160	7,621
Professional fees	7,014	7,855
FDIC assessments	1,574	990
Pension Plan retirement	8,398	—
Other expenses	20,182	16,672
Total non-interest expense	**86,438**	**73,417**
Income before provision for income taxes	**27,712**	**50,086**
Provision for income taxes	7,519	12,606
Net income	**$ 20,193**	**$ 37,480**
Basic and diluted earnings per common share	**$ 11.78**	**$ 21.86**

EXCHANGE BANK OFFICERS

EXECUTIVE TEAM

Troy Sanderson
President and Chief Executive Officer

Shari DeMaris
Executive Vice President, Chief Operating Officer

Jaimie Galeano
Senior Vice President, Retail Banking

Mary Leonard-Wilson
Senior Vice President, Chief Credit Officer

Ann Lobdell Hudson
Senior Vice President, Chief Administrative Officer

John Mackey
Senior Vice President, Managing Director of Investment and Fiduciary Services

Charlotte Radmilovic
Senior Vice President, Chief Financial Officer

Brian Rober
Senior Vice President, Chief Information Officer

Paul Yeomans
Senior Vice President, Senior Lending Officer

Lori Zaret
Senior Vice President, Chief HR Officer

Kathy Sutliff
Executive Assistant

APPLICATION SUPPORT

Bryna McCulley
VP, Application Support Manager

Antonio Becerra
Business Solutions Analyst

ATM/DEBIT CARD SERVICES

Byron Webb
VP, Electronic Banking Manager

Heather Brewer
AVP, Electronic Banking Assistant Manager

Tony De Mattei
VP, Digital Channels Product Manager

BANK OPERATIONS

Stacy Small
VP, Bank Operations Manager

Amy Bravin
Risk Mitigation Analyst

Nicole Khan
Bank Operations Supervisor

BRANCH BANKING

Dorothy Rodella
VP, Regional Sales Manager

Thomas Sands
VP, Regional Sales Manager

Cassandra Zorn
VP, Retail Operations Officer

Kenn Cunningham
AVP, Sales Officer

Breanne Sturdevant
AVP, Retail Banking Product and Project Manager

Chrissy Nelson
Relationship Banking Wholesaler

COMMERCIAL LENDING

Terry Flynn
SVP, Commercial Relationship Manager

Jerry Gamboa
SVP, Commercial Banking Regional Manager

Kelly Back
VP, Commercial Relationship Manager

Chad Barbieri
VP, SBA Business Development Officer

Ramsay Brown
VP, Commercial Relationship Manager

Geof Fong
VP, Commercial Relationship Manager

Jamie Ganly
VP, Commercial Relationship Manager

Maryanne Harris
VP, SBA Business Development Officer

Jeff Owen
VP, Commercial Relationship Manager

Stacey Powers
VP, Commercial Relationship Manager

Chad Hansen
AVP, Commercial Portfolio Manager

CONSUMER LENDING

Lori DeCosta
VP, Retail Lending Manager

CREDIT ADMINISTRATION

Joe Carbonaro
VP, Credit Risk Officer

April Coleman-Hidalgo
VP, Senior Underwriter

Lori Crechriou
VP, Special Assets Manager

Paul Garayalde
VP, Small Business Credit Portfolio Manager

June Ingalls
VP, Credit Operations Manager

Cory Kellogg
VP, Senior Underwriter

Joe Maurer
VP, Senior Underwriter

Ali Spitzer
VP, Senior Credit Administrator

Antonio Uribe
VP, Credit Administrator

Bill Deedy
AVP, Underwriter

Terrie King
AVP, Senior Underwriter

Chris Nugent
AVP, Credit Risk Officer

Lachele Plaskett
AVP, Underwriter

CUSTOMER CARE CENTER

Kristie Clay
AVP, Customer Care Manager

FACILITIES AND PURCHASING

Sue Maddigan
VP, Facilities and Purchasing Manager

FINANCE

Shauna Lorenzen
VP, Controller

Lisa Ganame
VP, Financial Planning and Analysis Officer

Stacy McKee
AVP, Assistant Controller

HELP DESK

Bren Hanson
AVP, Help Desk Manager

HOME LOANS

Colleen Oller
VP, Retail Lending Underwriting Manager

Denise Davis
Residential Loan Underwriter

HUMAN RESOURCES

Randy Ferino
VP, Senior HR Business Partner

Cristina Holloway
AVP, Senior HR Business Partner

Kelly Obremski
AVP, Compensation and Benefits Manager

Joe Muldowney
Payroll and HRIS Manager

LEARNING AND DEVELOPMENT

Dawn Warner
VP, Learning and Development Director

Kelly Dibblee
AVP, Learning Business Partner

Erin Williams
AVP, Senior Learning Business Partner

Laura Hastings
Senior Learning Business Partner

LOAN SERVICE CENTER

Safiyyah Muhammad
VP, Loan Operations Manager

Sandra Funtanellas
AVP, Loan Closing Manager

Suzanne Geske
AVP, Compliance Quality Control Manager

Barb Myers
AVP, Business Solutions Analyst

Julie Oyler
AVP, Loan Documentation Manager

MARKETING

Fabia Butler
VP, Director of Marketing and Community Relations

Beth Ryan
VP, Community Relations and Engagement Officer

Carolyn Cole-Schweizer
Marketing Services Manager

RESIDENTIAL MORTGAGE

Kevin Smart
SVP, Residential Mortgage Manager

Lori Mauchley
AVP, Residential Mortgage Operations Manager

RISK MANAGEMENT

Jamie Hidalgo
VP, Risk Management Officer

Irshad Hirani
VP, Information Security Officer

Kerri Howard
VP, BSA Officer

Morgan Steele
VP, Compliance and CRA Officer

Diane Bogges
AVP, Third Party Risk Management and Business Continuity Manager

Vanesa Valencia
AVP, CRA Officer

Andrea Gondola
Compliance Analyst

Rebekah Tyrrell
Enterprise Risk Analyst

SALES AND BUSINESS DEVELOPMENT

Summer Jeffus
VP, Regional Business Development Officer

TECHNICAL SERVICES

Linda Wilson
VP, Project Manager

Jody Lee
AVP, Technical Project Manager

TRUST- MARIN

Debbie Campas
VP, Personal Trust Officer

TRUST- ROSEVILLE/SACRAMENTO

Alysia Corell
VP, Personal Trust Officer

Tiffany Terrell
AVP, Personal Trust Officer

TRUST- SILICON VALLEY

Cathy Colgan
VP, Personal Trust Officer

TRUST AND INVESTMENT MANAGEMENT

Diana Angell
VP, Personal Trust Officer

Matt Kelman
VP, Institutional Trust Fiduciary Manager

Andriy Lesyshyn
VP, Personal Trust Officer

Emily Menjou
VP, Personal Trust Fiduciary Manager

David Rapoport
VP, Investment Officer

Bill Ryan
VP, Investment Officer

Renee Pilkenton
AVP, Trust Operations and Compliance Manager

Chris Stafford
AVP, Personal Trust Officer

Katelyn Barr
Institutional Trust Officer

Tom Del Signore
Institutional Trust Officer

Jose Garcia
Trust Operations Supervisor

Michelle Gordon
Investment Officer

Andrea Ruiz
Personal Trust Officer

Charlie Walker
Investment Officer

BRANCH MANAGERS

Cloverdale Branch
Ramiro Rodriguez
AVP, Branch Manager

Cotati Branch
Dana O'Halloran
VP, Branch Manager

Coddingtown Branch
Cameron Belvedere
VP, Branch Manager

Carrie Winn
Retail Service Manager

Dutton Branch
Alexis Frausto
AVP, Branch Manager

Healdsburg Branch
Patti Mannatt
VP, Branch Manager

Larkfield Branch
Veronica Rincon
VP, Branch Manager

Petaluma East Branch
Edie Cheda
VP, Branch Manager

Petaluma Main Branch
Rick Gorman
VP, Branch Manager

Reinking Branch
Shaun Vongphakham
VP, Branch Manager

Rohnert Park Branch
Dan Reilly
VP, Branch Manager

Santa Rosa Main Branch
Britt Cooper
VP, Branch Manager

Sebastopol Branch
Dorothy Rodella
VP, Branch Manager

Sonoma Branch
Jessica Hidalgo
VP, Branch Manager

St. Francis Branch
AJ Vazquez
VP, Branch Manager

Stony Point Branch
Santiago Ramirez
VP, Branch Manager

Windsor Branch
Jim Curry
VP, Branch Manager

INVESTED IN OUR COMMUNITY

Exchange Bank Employees and Doyle Scholars

2023 Exchange Bank in the Community

1. NBBJ *Best Places to Work* Awards Night - 18 years in a row!
2. Santa Rosa Community Health *Epic Trail Challenge* endurance hike fundraiser
3. Sonoma County Pride Parade and Celebration
4. *Food BANKing Competition* champions at Redwood Empire Food Bank

5 6 Redwood Empire Food Bank

7 American Cancer Society *Relay for Life*

8 Santa Rosa Summer Softball League 2023 champions!
Go EBees!

Exchange Bank
Invested in you.