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FOR IMMEDIATE RELEASE

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Exchange Bank Announces Fourth Quarter and Year Ending 2024 Earnings

Santa Rosa, CA – (January 30, 2025) - Exchange Bank (OTC: EXSR) today announced its unaudited financial results for the fourth quarter and year ending 2024, reporting net income after taxes of $8.8 million in the fourth quarter of 2024 and $23.85 million for the year ended 2024.

HIGHLIGHTS:

- Net income after tax for the year ended December 31, 2024 was $23.85 million compared to $20.19 million in the year prior.
- The Bank's on balance sheet liquidity (cash and equivalents, deposits held in other institutions, and unpledged available-for-sale securities) remains strong at $676.17 million or 20.50% of total assets as of December 31, 2024. In addition, the Bank has available borrowing capacity of $998.34 million or 30.26% of total assets.
- Loan balances have increased since prior quarter by $16.00 million and have increased by $23.90 million or 1.5% since 2023.
- Loan quality remains strong, nonaccrual loans make up less than 0.70% of gross loans as of December 31, 2024 and the Bank holds no other real estate owned.
- In the fourth quarter, the Bank released $5.80 million of allowance for credit losses through a negative provision due to the maturation of construction loans to permanent financing. The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled $35.10 million, or 2.17% of total loans at year end.
- 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 December 31, 2024.

INCOME STATEMENT:

For the year ended December 31, 2024, the Bank had net income after taxes of $23.85 million compared with net income of $20.19 million in 2023. In both 2024 and 2023, there were events that impacted the overall earnings of the Bank. In the fourth quarter of 2024, the Bank released $5.80 million of allowance for credit losses (ACL) through a negative provision and 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 decreased from $90.49 million during the year ended December 31, 2023, to $81.26 million for the same period in 2024, a decrease of 10.20%. The decrease in net interest income is due to the increased cost of deposits and interest expense related to borrowings. Total funding costs for 2024 were $43.46 million as compared to $25.06 million for 2023. In 2024, total funding costs are made up of interest paid to depositors of $33.26 million and $10.20 million paid on borrowings to the Federal Reserve Bank using the Bank Term Funding Program (BTFP) and the Federal Home Loan Bank of San Francisco (FHLB). For 2024, the cost of deposits was 1.18% compared to 0.59% in 2023 and the cost of total funding in 2024 was 1.44% compared to 0.82% in 2023. The Bank's net interest margin decreased from 2.86% in 2023 to 2.59% in 2024. The increased interest costs were partially offset by positive trends in interest income. Interest income on assets increased in 2024 by $9.17 million, or 7.94%.

Non-interest income for the year ended December 31, 2024 was relatively consistent, decreasing $0.27 million from 2023 to $23.39 million, of which $10.33 million came from the fees generated by the Bank's wealth management division.

Non-interest expense decreased 11.07% from 2023 to $76.87 million for the year ended December 31, 2024 compared to $86.44 million in 2023. The decrease in non-interest expense primarily relates to the one-time charge in the second quarter 2023 related to the voluntary termination of the Exchange Bank Pension Plan.

The quality of the Bank's loan portfolio remains strong; the Bank did not take a provision for loan losses in 2023 and had a benefit to the provision related to a release of $5.8 million of ACL in 2024.

BALANCE SHEET:

Total assets were $3.30 billion as of December 31, 2024, a decrease of $66.93 million from prior year primarily from cash decreases related to borrowing paydowns.

The market value of the investment portfolio was $1.36 billion as of December 31, 2024, down $135.10 million from one year prior and down $68.81 million from the prior quarter ending

September 30, 2024. Decreases are primarily due to paydowns and maturities of the portfolio. Based on current rate conditions, the Bank estimates investment portfolio cashflow of over $200 million through 2025. As of December 31, 2024, the Bank estimates that the portfolio has an average life of approximately 4.1 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 2024 year were $1.62 billion, representing a 1.50% or $23.90 million increase from December 31, 2023. The Bank's largest loan types are commercial real estate loans, making up about 40% of the portfolio, followed by about 30% in residential loans and about 10 % in multifamily loans. Of the commercial real estate total, approximately 20% is considered owner occupied and the remaining 80% are non-owner occupied. The portfolio is well diversified between industries with no significant concentrations, including no material concentration in office space. Residing in the North Bay Area of California, the Bank has minimal credit exposure to the destructive wildfires that have impacted the Southern California area.

As mentioned previously, loan quality remains strong; nonaccrual loans totaled $11.14 million, or less than 0.70% of gross loans, as of December 31, 2024, compared to $4.20 million or 0.26% of gross loans as of December 31, 2023. The allowance for credit losses, which is based on estimating credit losses for the life of the loans in the portfolio, totaled $35.10 million, or 2.17% of total loans. The Bank released $5.80 million of allowance for credit losses in the fourth quarter of 2024 primarily related to the maturation of construction loans to permanent financing, resulting in reserve levels that remain higher than peer group averages of 1.21%, based on the September 30, 2024 Uniform Bank Performance Report for insured commercial banks having assets between $3 billion and $10 billion.

Total deposits as of December 31, 2024 were $2.83 billion, consistent with prior year, decreasing by less than 0.25% since December 31, 2023. In the fourth quarter 2024, deposits increased $15.00 million or 0.53%. 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. Non-interest-bearing deposits made up approximately 32% of total deposits as of December 31, 2024, compared to about 34% as of December 31, 2023. The Bank estimates approximately 75.86% of all deposits were fully insured by the FDIC as of December 31, 2024. The Bank's combined on-balance sheet liquidity and contingent liquidity equate to 2.45 times the amount of the estimated uninsured deposits.

The Bank had borrowings of $140.00 million as of December 31, 2024, compared to $225.00 million as of December 31, 2023 and down $105 million from the prior quarter ended September 30, 2024.

The Bank's regulatory capital ratios remain well in excess of the minimums to be considered "well capitalized." As of December 31, 2024, the Bank reported a total risk-based capital ratio of 19.43% and a leverage ratio of 11.07%. The Bank's US GAAP or book equity was $280.81 million as of December 31, 2024 increasing by $25.40 million, or 9.94% since December 31, 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 December 31, 2024 were $101.09 million compared to $111.56 million on December 31, 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 $408.22 million as of December 31, 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 2024, dividends to the Doyle Trust totaled approximately $4.40 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 $3.30 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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