

CPP ANNUAL USE OF CAPITAL SURVEY - 2012

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Exchange Bank

Person to be contacted regarding this report:	Greg Jahn	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	177	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	43,000,000	FDIC Certificate Number: (For Depository Institutions)	8468
CPP/CDCI Funds Repaid to Date:	43,000,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Dec 19, 2008	City:	Santa Rosa
Date Repaid ¹ :	Jul 26, 2012	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The addition of TARP capital in December 2008 was instrumental to Exchange Bank's (The Bank) mission of providing financing to support the local communities in which we serve. The Bank funded new loans totaling approximately \$193MM during the year ended 12/31/12.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The Bank funded new loans in excess of \$193MM during the year ending 12/31/12 as follows: 1) Residential mortgage loans \$41.4MM, 2) Commercial and small business loans - \$55.4MM, 3) Commercial real estate loans - \$86.3MM, 4) Consumer loans - \$10.5MM.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Bank supported the housing markets and credit markets through the purchase of investment securities during the year ending 12/31/12 as follows: \$20.6MM of MBS securities, \$9.9MM of Municipal securities, \$263.8MM of Agency Notes (FHLMC, FNMA, FHLB).

<input checked="" type="checkbox"/>	Make other investments	During the year ending 12/31/12, the Bank invested in the purchase of premises and equipment totaling approximately \$1.1MM.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	During the year ending 12/31/12, the Bank was able to increase its reserve for loan losses by \$9.2MM as well as increase valuation allowances for non-performing assets totaling \$.6MM.
<input checked="" type="checkbox"/>	Reduce borrowings	The Bank was able to reduce borrowings from the Federal Home Loan Bank by \$3MM for the year ending 12/31/12.
<input checked="" type="checkbox"/>	Increase charge-offs	TARP capital allowed the Bank to accelerate the clean up of problem construction, land development, commercial, and commercial real estate loans helping the market to eliminate excess inventory by charging off and disposing of approximately \$5.3MM in such problem assets.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Without the access to TARP capital the Bank would not have been in a position to extend new loans in excess of \$193MM during the year ending 2012 and the portfolio would have declined by approximately \$205MM.

TARP capital allowed the Bank to continue as one of the largest private employers in Sonoma County. The Bank remains committed to supporting the community through the employment of over 400 individuals. Without access to TARP capital the Bank would have been forced to shrink the Bank aggressively. The Bank was able to avoid staff reductions which would have contributed to the further loss of jobs in the Bank's market areas.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Exchange Bank was able to support a wide range of charitable groups within it's local community with contributions in excess of \$490,000 during the year ending December 31, 2012.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.