August 7, 2019

Dear Friends,

In the first half of the year, there are have been some exciting developments for XOMA. Many of these events were communicated to the market by our license partners, which then provides us the opportunity to communicate in more detail with you.

Build & Hold - Legacy XOMA Royalty and Milestone Assets Advancing in Partners' Hands

To this point in 2019, we have seen significant clinical advancement and received the first glimpses into the potential therapeutic value of several XOMA legacy partnered assets. And what we have seen is exciting!

- **Novartis has made great progress with iscalimab[1] (CFZ533) in the past few months.** In early June, Novartis presented first-of-its-kind histology data with iscalimab during a late-breaker session at the American Transplant Congress. The data showed **60% of iscalimab-treated transplant patients have normal kidney histology at least one year after transplant, compared with 0% with tacrolimus (current standard of care)**.[2]

  On June 14, **data from a Phase 2a study comparing iscalimab dosed intravenously with iscalimab dosed subcutaneously were the focal point of a poster presented at the European Congress of Rheumatology 2019**. From a clinical point of view, the ability to treat patients with a subcutaneous formulation helps reduce the every-increasing demands on infusion clinics.

  We congratulate Novartis and the iscalimab team on their clinical successes. And we hope their ongoing and future development efforts ultimately lead to receiving marketing approval. The patient populations in which Novartis is focusing with iscalimab clearly need better therapeutic options. Iscalimab is an investigational compound for which the efficacy and safety have not been established.

- **Novartis also dosed the first patient in the gevokizumab**[3] (VPM087) (anti-IL1β monoclonal antibody) clinical study in metastatic colorectal cancer, gastroesophageal cancer, and renal cell carcinoma. Those of you who have followed XOMA for many years know how important gevokizumab has been to the Company. We sense you were as pleased to see this news as we were!

- Sesen Bio, Inc., announced it met with the U.S. Food and Drug Administration (FDA) to review the results from the VISTA Trial, of Vicinium®, a locally administered fusion protein, for the treatment of patients with high-grade non-muscle invasive bladder cancer who have been previously treated with bacillus Calmette-Guérin (BCG) and deemed BCG-unresponsive.

Sesen also stated it plans to begin the Biologics License Application process in the fourth quarter of 2019 and complete it sometime in 2020. We hope patients with high-grade non-muscle invasive bladder cancer who could benefit from Vicinium therapy will have that treatment option in the coming years.

- **Takeda has multiple studies underway for TAK-079**. The most recent posting on ClinicalTrials.gov is a study with TAK-079 in multiple myeloma on top of standard of care. This study joins two TAK-079 studies that are in progress – a Phase 1/2 monotherapy in multiple myeloma and a Phase 1 in lupus.

- **AVEO Oncology** announced positive results from the investigator-initiated Phase Ib Ficlatuzumab-Cytarabine Trial In Patients With Relapsed And Refractory Acute Myeloid Leukemia study. Data showed six of 12 patients who received ficlatuzumab and cytarabine at the maximally tolerated dose achieved a complete response. The study results were presented in a poster session at the American Association for Cancer Research Annual Meeting 2019.

- **Molecular Templates announced the FDA has accepted the TAK-169 Investigational New Drug Application**. Takeda and Molecular Templates are co-developing TAK-169 and plan to conduct an open-label Phase 1 dose escalation and expansion study in relapsed/refractory multiple myeloma.

- Through August, **we have received $8.4 million in milestone payments from Rezolute, Inc., related to their XOMA 358 (now RZ358) license**. Rezolute has disclosed it intends to begin clinical studies with RZ358 this year and the first patient has been dosed in the second cohort of its AB101 Phase 1 study. AB101 is one of the four royalty interest assets that was included in the original XOMA 358 Rezolute agreement.

There has been significant progress over the past six months in our portfolio of legacy assets with potential to provide future royalties and milestones, as reflected in these updates. We congratulate our partners on their recent successes and thank all the patients who are participating in these studies.

Buy & Hold – Grow our Portfolio of Royalty and Milestone Interests via Acquisition

Our team is keeping active on the Buy & Hold segment of the XOMA business model.

- In early April, we announced we had agreed to acquire the rights to potential royalty payments and a portion of the potential milestone payments associated with five hematology assets from Aronora, Inc. **Three of the five assets are anti-thrombotic candidates covered by a collaboration with Bayer, a global leader in hematology therapeutics**.

- **Aronora initiated a new study to evaluate the safety and efficacy of ProCase (AB002) in patients with end stage renal disease on chronic hemodialysis**. The company also submitted an abstract to ISTH on the Phase 1 Safety, Tolerability, and Pharmacodynamic Properties of ProCase (AB002).

- From our experience with our phage display platform, we understand the value of a technology platform. It can serve as an engine that can generate multiple product candidates, all of which have the potential to produce milestone and royalty revenues. **In the first half, we established relationships with two pioneering platform technology companies, Sonnet BioTherapeutics and Bioasis Therapeutics, to build future royalty opportunities from their platforms**.

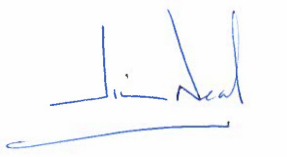
We look forward to all our partners' continued progress in trying to provide patients with effective treatment options.

Finally, you may have noticed XOMA's foray into social media. The timing makes sense given our royalty aggregator business model. **Please follow us on LinkedIn, and in the coming months, Twitter**. These two channels allow us to communicate non-material developments within our royalty and milestone interest portfolio. As major developments occur, we will continue to issue press releases. (If you are interested, our Second Quarter 2019 Financial Results and Form 10-Q are available on our website.)

In closing, it has been a great first half of the year at XOMA. We have new insights into the therapeutic potential of several assets in our legacy portfolio, particularly iscalimab. We added seven new assets to our royalty portfolio, several of which have recently made progress in the clinic. In addition, our business development activities are highly active; there are additional contracts to royalty and milestone payments associated with high-quality assets that we could add to our portfolio in the future.

Thank you for your continued interest in XOMA.

Sincerely,



Jim Neal
Chief Executive Officer

Forward-Looking Statements/Explanatory Notes
Certain statements contained in this letter are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the potential of XOMA's portfolio of partnered programs and licensed technologies generating substantial milestone and royalty proceeds over time, creating additional value for the stockholders and cash sufficiency forecast. These statements are based on assumptions that may not prove accurate, and actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry, including those related to the fact that our product candidates subject to out-license agreements are still being developed, and our licensees may require substantial funds to continue development which may not be available; we do not know whether there will be, or will continue to be, a viable market for the products in which we have an ownership or royalty interest; if the therapeutic product candidates to which we have a royalty interest do not receive regulatory approval, our third-party licensees will not be able to market them. Other potential risks to XOMA meeting these expectations are described in more detail in XOMA's most recent filing on Form 10-K and in other SEC filings. Consider such risks carefully when considering XOMA's prospects. Any forward-looking statement in this press release represents XOMA's views only as of the date of this press release and should not be relied upon as representing its views as of any subsequent date. XOMA disclaims any obligation to update any forward- looking statement, except as required by applicable law.

EXPLANATORY NOTE: Any references to "portfolio" in this press release refer strictly to milestone and/or royalty rights associated with a basket of drug products in development. Any references to "assets" in this press release refer strictly to milestone and/or royalty rights associated with individual drug products in development.

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[1] Iscalimab is an investigational compound. Efficacy and safety have not been established. There is no guarantee that iscalimab will become commercially available.
[2] Farkash E, et al. Cni-free Therapy With Iscalimab (anti-cd40 Mab) Preserves Allograft Histology Compared To Standard Iscalimab is an investigational compound. Efficacy and safety have not been established. There is no guarantee that iscalimab will become commercially available. Of Care After Kidney Transplantation. Presented at the American Transplant Congress (ATC). June 2019.
[3] Gevokizumab is an investigational compound. Efficacy and safety have not been established. There is no guarantee that gevokizumab will become commercially available.