

FOR IMMEDIATE RELEASE

## **Bank of San Francisco Reports Results for the First Quarter of 2018**

SAN FRANCISCO, CA – (05/11/2018)—Bank of San Francisco, a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the first quarter ended March 31, 2018. Net income for the first quarter was \$571,000 compared to \$403,000 for the same period in 2017. Loan growth was strong in the first quarter bringing loan outstandings to an all-time high at quarter-end.

“Given our year-over-year loan growth of 28%, deposit growth of 25%, and earnings growth of 42%, I am pleased with our bank’s strong first quarter operating performance,” said Ed Obuchowski, CEO, Bank of San Francisco.

### Financial Highlights:

- Net Income was \$571,000 for the first quarter compared to \$11,000 for the prior quarter. Results for the prior quarter included a \$411 thousand charge to income tax expense due to the revaluation of our deferred tax assets as a result of the December, 2017 federal tax law change. Absent the adjustment, net income for the prior quarter would have been \$422 thousand. Net income growth in the first quarter of 2018 was primarily from growth in revenue and reduced tax expense due to the tax law change.
- Net Interest Income was \$2,868,000 for the first quarter of 2018, an increase of \$197,000 over the preceding quarter, and \$652,000 over the \$2,216,000 achieved in the first quarter of 2017. Net interest margin increased in the first quarter to 4.19% from 3.80% in the fourth quarter of 2017. The Bank’s continued loan growth, which lowered liquidity levels and shifted earning assets to higher yielding assets, and the impact of the rate increases by the Federal Reserve on both loans and our liquid assets, contributed to the increase in revenue. Additionally, the Bank was able to maintain its cost of funds at a comparable percentage to the prior quarter.
- Operating Expenses were \$1,996,000 for the first quarter of 2018, an increase of \$137,000 over the preceding quarter and an increase of \$345,000 over the \$1,651,000 reported for the first quarter of 2017. Higher compensation expense reflected the hiring of four team members in the relationship management and credit departments. These hires contributed to the increase in operating expenses in the first quarter of 2018. Although operating expenses increased, the efficiency ratio improved from 68.96% for the first quarter 2017, to 65.02% for the first quarter of 2018, as income growth outpaced expense growth.
- Diluted Earnings per Common Share were \$0.38 for the quarter, up from \$0.01 for the fourth quarter of 2017, and up from \$0.27 for the first quarter of 2017.

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- Total Loans, net of deferred fees, were up \$18 million from December 31, 2017, and up \$54 million from March 31, 2017. Loan growth was strong in the first quarter and was primarily from commercial and residential real estate loans. The seasoning and expansion of the commercial relationship management team contributed to the growth.
- Total Deposits were up \$5 million from December 31, 2017 and up \$54 million from March 31, 2017. Typically, the first quarter is a seasonally slow period for deposits at the Bank, but deposits grew in the first quarter of 2018. Although the growth came primarily from money market accounts and CDs, the Bank was still able to maintain a Non-Interest Bearing to Total Deposits ratio of 42.66%. A significant component of the growth in the first quarter was transactional in nature and is expected to normalize over the next few quarters.
- Credit Quality remains strong and stable with no non-accrual loans. There was one loan that was more than 30 days past-due at quarter-end, but that loan has since been paid current. Loan loss provision expense for the first quarter was \$260,000 due to the loan growth in the quarter. The Allowance for Loan and Lease Loss reserve ratio was 1.38% at March 31, 2018, unchanged from December 31, 2017.
- Book Value per Share increased to \$16.22 per share at March 31, 2018, from \$15.82 at December 31, 2017, and \$15.41 per share at March 31, 2017. Book Value per Share at March 31, 2018 and December 31, 2017 includes 20,328 outstanding shares of restricted stock that are currently unvested.
- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 8.70%, Tier 1 Risk Based Capital and Common Equity Tier 1 ratios of 11.22%, and a Total Risk Based Capital ratio of 12.48%.

“With our robust pipeline and the strength and breadth of our growing Bank of SF team, I am excited about our prospects in the thriving Bay Area market,” said Wendy Ross, President, Bank of San Francisco.

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### **About Bank of San Francisco**

Bank of San Francisco, headquartered in San Francisco, is a progressive community bank that reflects the best of San Francisco and Bay Area culture – flexible, entrepreneurial, and forward thinking. We are a local bank, owned by members of the community, serving Bay Area businesses, nonprofits, individuals, and families. Bank of San Francisco delivers high-touch, personalized service with agility and accountability. Our team is as diverse as the community we serve, which allows us to understand our clients’ unique needs and goals. We invite you to learn more about Bank of San Francisco and to join our family of successful, community-minded clients. For more information about Bank of San Francisco, please call us at (415) 744-6700, or visit us at [www.bankofsf.com](http://www.bankofsf.com). Bank of San Francisco is a member of the FDIC and is an Equal Housing Lender.

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### **Forward-Looking Statement**

This press release contains certain forward-looking statements that involve risks and uncertainties. These statements are identifiable by use of the words "believe," "expect," "intend," "anticipate," "plan," "estimate," "project," or similar expressions. These statements are based on current expectations, estimates and projections about Bank of San Francisco's business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties that may affect the operations, performance, development, growth projections and results of Bank of San Francisco's business include, but are not limited to, the growth of the economy, interest rate movements, timely development by Bank of San Francisco of technology enhancements for its products and operating systems, the impact of competitive products, services and pricing, client-based requirements, Congressional legislation, changes in regulatory or generally accepted accounting principles and similar matters. Readers are cautioned not to place undue reliance on forward-looking statements, which are subject to influence by the named risk factors and unanticipated future events. Actual results, accordingly, may differ materially from management expectations.

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**Bank of San Francisco**

**Balance Sheets (Unaudited)**

(\$000, except share and per share amounts)

	For the Periods Ended			Year Over Year Change	
	3/31/2018	12/31/2017	3/31/2017	\$	%
<b>Assets</b>					
Cash and due from banks	\$ 6,210	\$ 7,358	\$ 6,514	\$ (304)	-5%
Interest bearing deposits in banks	41,487	52,657	38,176	3,311	9%
Total cash and cash equivalents	47,697	60,015	44,690	3,007	7%
Loans, net of deferred costs/fees	248,216	229,521	193,983	54,233	28%
Allowance for Loan Losses	(3,425)	(3,165)	(2,630)	(795)	30%
Loans, net of allowance of loan losses	244,791	226,356	191,353	53,438	28%
Premises and equipment, net	318	346	400	(82)	-21%
Accrued interest receivable & other assets	3,195	3,174	3,109	86	3%
<b>Total Assets</b>	<b>\$ 296,001</b>	<b>\$ 289,891</b>	<b>\$ 239,552</b>	<b>\$ 56,449</b>	<b>24%</b>
<b>Liabilities</b>					
Non-interest bearing deposits	\$ 115,227	\$ 114,155	\$ 88,111	\$ 27,116	31%
Interest bearing deposits	154,900	150,639	127,582	27,318	21%
Total deposits	270,127	264,794	215,693	54,434	25%
Accrued interest payable and other liabilities	1,208	1,032	730	478	65%
<b>Total Liabilities</b>	<b>271,335</b>	<b>265,826</b>	<b>216,423</b>	<b>54,912</b>	<b>25%</b>
<b>Shareholders' equity</b>					
Common stock	17,135	17,106	17,077	58	0%
Retained earnings	7,531	6,959	6,052	1,479	24%
<b>Total shareholders' equity</b>	<b>24,666</b>	<b>24,065</b>	<b>23,129</b>	<b>1,537</b>	<b>7%</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 296,001</b>	<b>\$ 289,891</b>	<b>\$ 239,552</b>	<b>\$ 56,449</b>	<b>24%</b>
Book Value per Common Share	\$ 16.22	\$ 15.82	\$ 15.41	\$ 0.81	5%
Total Common Shares Outstanding	1,521,003	1,521,003	1,500,675	20,328	1%
<b>Capital Ratios</b>					
Tier 1 Leverage ratio	8.70%	8.26%	10.22%	-1.52%	-15%
Tier 1 RBC ratio	11.22%	11.82%	13.80%	-2.58%	-19%
Common Equity Tier 1 RBC ratio	11.22%	11.82%	13.80%	-2.58%	-19%
Total Risk-Based Capital (RBC) ratio	12.48%	13.07%	15.05%	-2.57%	-17%
<b>Other Ratios</b>					
Non-interest bearing to Total Deposits	42.66%	43.11%	40.85%	1.81%	4%
Loan to Deposit ratio	91.89%	86.68%	89.93%	1.96%	2%
Allowance for Loan Losses to Total Loans	1.38%	1.38%	1.36%	0.02%	1%
ALLL to Nonperforming Loans	0.00%	904%	0.00%	0.00%	0%
Nonperforming Assets to Total Assets	0.00%	0.12%	0.00%	0.00%	0%

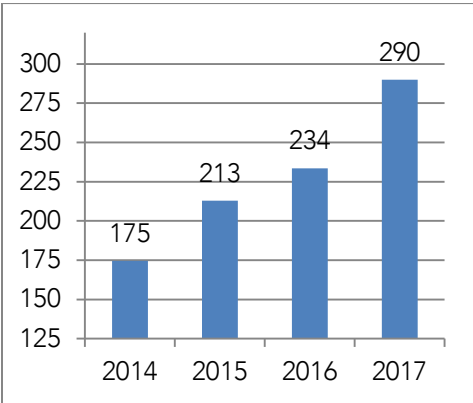
**Bank of San Francisco****Statement of Income (Unaudited)**

(\$000, except share and per share amounts)

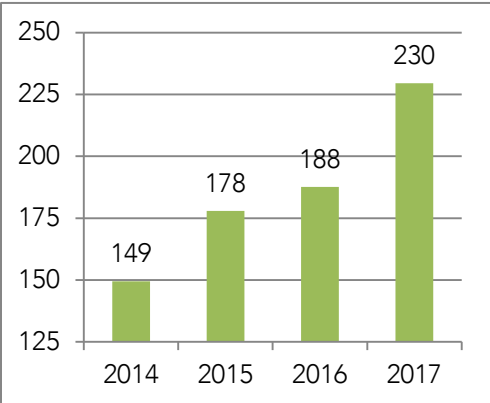
	Three Months Ended			Year Over Year Change	
	3/31/2018	12/31/2017	3/31/2017	\$	%
Interest on loans, including fees	\$ 2,893	\$ 2,628	\$ 2,292	\$ 601	26%
Interest on deposits in banks	141	212	41	100	244%
Other interest income	18	18	21	(3)	-14%
<b>Total interest income</b>	<b>3,052</b>	<b>2,858</b>	<b>2,354</b>	<b>698</b>	<b>30%</b>
Deposits interest expense	(184)	(187)	(131)	(53)	40%
Other interest expense	-	-	(7)	7	-100%
<b>Total interest expense</b>	<b>(184)</b>	<b>(187)</b>	<b>(138)</b>	<b>(46)</b>	<b>33%</b>
<b>Net interest income</b>	<b>2,868</b>	<b>2,671</b>	<b>2,216</b>	<b>652</b>	<b>29%</b>
Provision for loan losses	(260)	(280)	(55)	(205)	373%
<b>Net interest income after provision</b>	<b>2,608</b>	<b>2,391</b>	<b>2,161</b>	<b>447</b>	<b>21%</b>
Service charges on deposits	48	46	49	(1)	-2%
Gains on sale of loans	84	57	82	2	2%
Other non-interest income	70	70	47	23	49%
<b>Total non-interest income</b>	<b>202</b>	<b>173</b>	<b>178</b>	<b>24</b>	<b>13%</b>
Salaries and employee benefits expense	(1,315)	(1,214)	(1,103)	(212)	19%
Occupancy and equipment expense	(189)	(189)	(188)	(1)	1%
Other operating expense	(492)	(456)	(360)	(132)	37%
<b>Total non-interest expense</b>	<b>(1,996)</b>	<b>(1,859)</b>	<b>(1,651)</b>	<b>(345)</b>	<b>21%</b>
<b>Income before income taxes</b>	<b>814</b>	<b>705</b>	<b>688</b>	<b>126</b>	<b>18%</b>
Income tax expense	(243)	(694)	(285)	42	-15%
<b>Net income</b>	<b>\$ 571</b>	<b>\$ 11</b>	<b>\$ 403</b>	<b>\$ 168</b>	<b>42%</b>
Basic Earnings per Share	\$ 0.38	\$ 0.01	\$ 0.27	\$ 0.11	41%
Average Shares Outstanding	1,500,675	1,500,675	1,500,675	0	0%
Diluted Earnings per Share	\$ 0.38	\$ 0.01	\$ 0.27	\$ 0.11	41%
Average Shares Outstanding	1,503,472	1,501,716	1,500,675	2,797	0%
<b>Annualized Performance Ratios</b>					
Return on Average Assets	0.81%	0.02%	0.72%	0.09%	13%
Return on Average Common Equity	9.37%	0.18%	7.03%	2.34%	33%
Net Interest Margin	4.19%	3.80%	4.06%	0.13%	3%
Cost of Funds	0.28%	0.29%	0.26%	0.02%	8%
Efficiency Ratio	65.02%	65.37%	68.96%	-3.94%	-6%

# FINANCIAL HIGHLIGHTS

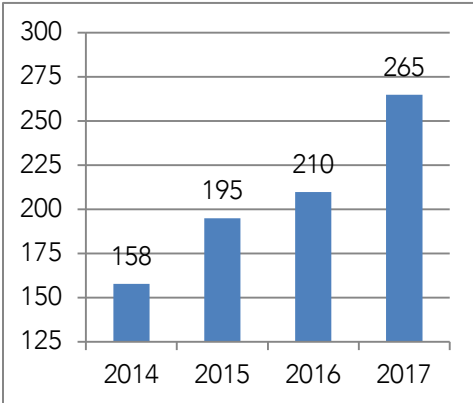
Total Assets (\$ Millions)



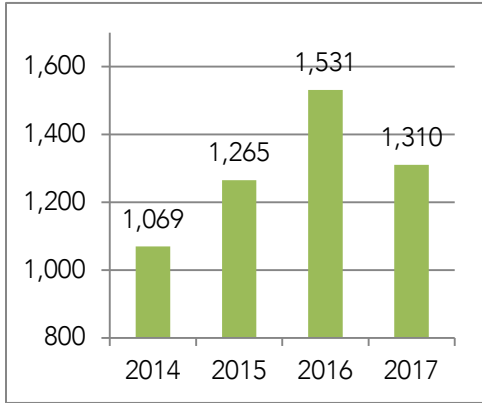
Total Loans (\$ Millions)



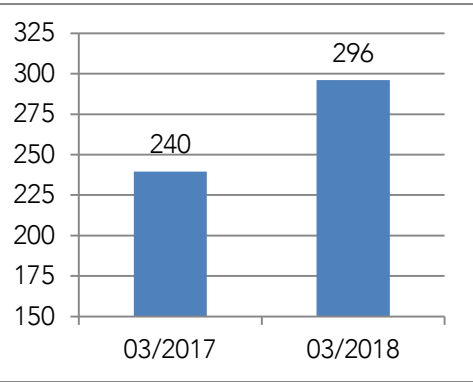
Total Deposits (\$ Millions)



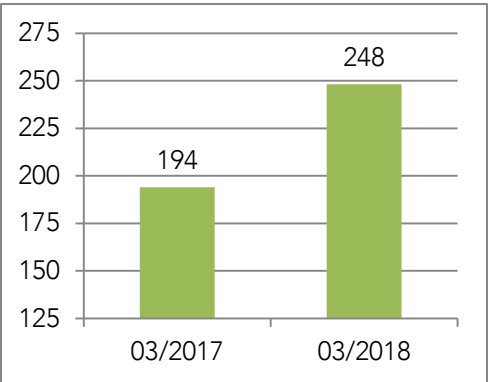
Net Profit (\$ Thousands)



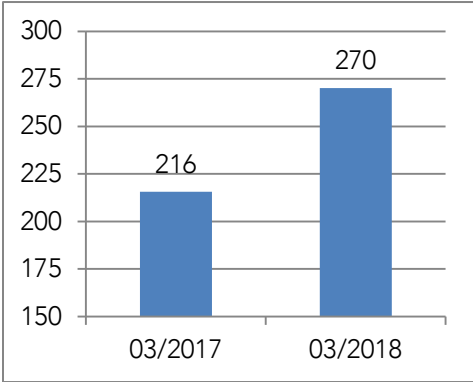
Total Assets (\$ Millions)



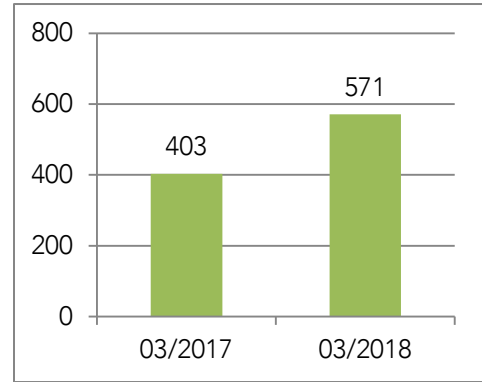
Total Loans (\$ Millions)



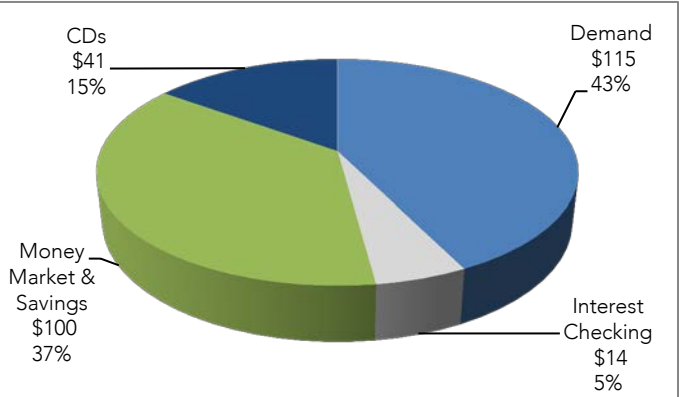
Total Deposits (\$ Millions)



Net Profit (\$ Thousands)



Deposit Composition (\$ Millions)



As of 3/31/18

Loan Composition (\$ Millions)

