

FOR IMMEDIATE RELEASE

## Bank of San Francisco Reports Results for the Quarter Ended June 30, 2020

SAN FRANCISCO, CA – (8/5/2020)—Bank of San Francisco ([OTCQX: BSFO](#)), a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the second quarter ended June 30, 2020. Net income for the quarter was \$858 thousand, or \$0.42 diluted earnings per share, down 7% compared to the preceding quarter, and up 3%, from \$835 thousand, or \$0.41 diluted earnings per share, achieved in the second quarter of 2019.

“We continue to take comfort in the Bank’s strong credit culture and deep client relationships, which are so important during stressed economic times. We are staying in very close communication with our borrowers as they and we navigate through this challenging time,” said Wendy Ross, President of Bank of San Francisco.

“While closely monitoring and managing our existing loan portfolio, we also are taking advantage of market opportunities,” continued Ms. Ross. “We have selectively brought on new team members, including two highly experienced Relationship Managers, and we are bringing on new client relationships and loan opportunities that meet our underwriting standards.”

### COVID-19 Impact and the Bank’s Response

During the second quarter of 2020, the Bank funded 528 U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loans, totaling \$178 million. The PPP loans were distributed across many industries, with approximately 30% advanced to nonprofit organizations, 16% to construction-related businesses, 9% to restaurants and food-related businesses, 3% to retail operations, and 3% to the dental industry.

“As a community bank, we appreciate the importance of assisting as many local businesses and nonprofits as possible during this difficult time. We are proud that in addition to taking care of our existing clients, we were able to provide \$85 million of PPP loans to new clients,” noted Ed Obuchowski, CEO of Bank of San Francisco. Mr. Obuchowski added that, “While our active involvement with the PPP loan program has helped our community, it also has provided the Bank with over \$5 million in servicing fee income that will be amortized over the life of the PPP loans. At the same time, we have aggressively buttressed the Bank’s Allowance for Loan Losses as we and our clients

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manage through the current economic downturn and what we believe will be a protracted recovery.”

As of June 30, 2020, the Bank had processed six-month deferrals of principal payments on 74 commercial loans totaling \$58 million, or 17% of the Bank’s non-PPP loan portfolio. These included 20 Commercial Real Estate (CRE) loans totaling \$33 million, 30 dental loans totaling \$10 million and 24 other Commercial and Industrial (C&I) loans totaling \$15 million. The Bank continued to receive interest payments on these loans. As of June 30, 2020, the Bank had also processed 90-day principal and interest payment deferrals, with options for an additional 90 days of payment deferrals, on 11 residential loans totaling \$8 million, or 2% of the Bank’s non-PPP loan portfolio. Per regulatory guidelines, the deferrals will not trigger Troubled Debt Restructures.

### **Financial Highlights:**

- Net income was \$858 thousand for the second quarter of 2020, compared to \$919 thousand for the preceding quarter. While the Bank booked a high level of PPP loans during the second quarter of 2020, earnings from those loans were more than offset by the significant increase in loan loss provision expense and led to the small decrease in net income from the preceding quarter. Second quarter of 2020 net income was \$23 thousand higher than the \$835 thousand achieved in the second quarter of 2019.
- Net interest income was \$4,403 thousand for the second quarter of 2020, an increase of \$652 thousand from the preceding quarter, and a \$959 thousand increase from the \$3,444 thousand achieved in the first quarter of 2019. The Bank recorded interest and processing fee income of \$746 thousand related to the PPP loans originated in the second quarter of 2020.
- The Bank continued to replace higher-rate brokered Certificates of Deposit (CDs) with lower-priced CDs during the second quarter of 2020. Also, the Bank decreased its deposit rates in March 2020, resulting in a full quarter of decreased costs in the second quarter of 2020. This, combined with a higher level of noninterest-bearing accounts, led to the cost of funds decreasing from 0.65% in the first quarter of 2020 to 0.41% in the second quarter of 2020.
- The Bank’s net interest margin decreased to 3.20% in the second quarter of 2020, from 4.08% in the preceding quarter and 4.18% in the second quarter of 2019. The origination of PPP loans at an interest rate of 1% per annum in the second quarter of 2020, combined with the decreasing interest rate environment, resulted in the compression of the interest margin. Excluding the PPP loans, the net interest margin was 3.58% in the second quarter of 2020.

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- The Bank borrowed under the Federal Reserve Bank's Paycheck Protection Program Liquidity Facility (PPPLF) at an interest rate of 0.35% per annum. This led to other interest expense increasing by \$31 thousand during the second quarter of 2020.
- Operating expenses were \$2,059 thousand for the second quarter of 2020, a decrease of \$297 thousand, or 13%, from the preceding quarter and a decrease of \$296 thousand, or 13%, from the \$2,355 thousand reported for the second quarter of 2019. The decrease from the preceding quarter was primarily due to deferred salary costs of \$475 thousand related to PPP loan originations.
- The efficiency ratio was 44.49% for the second quarter of 2020, compared to 61.07% for the preceding quarter and 64.93% for the second quarter of 2019. The Bank benefited from the increase in net interest income and the \$475 thousand decrease in expenses due to deferring salaries related to PPP loan origination costs.
- Diluted earnings per common share were \$0.42 for the second quarter of 2020, down \$0.04 compared to the preceding quarter and up \$0.01 compared to the second quarter of 2019.
- Total loans, net of deferred fees, were \$515 million as of June 30, 2020, up \$184 million from March 31, 2020, and up \$209 million from June 30, 2019. The loan growth from the preceding quarter was primarily from the \$174 million of PPP loans originated. As of June 30, 2020, the Bank had net deferred loan fees and costs of \$4,121 thousand, which will be recognized over the life of the loans. Non-PPP loans, net of deferred fees, were \$341 million as of June 30, 2020, up \$10 million from March 31, 2020 and up \$35 million from June 30, 2019.
- The Bank increased its loan loss provision expense to \$1,350 thousand in the second quarter of 2020, compared to \$195 thousand in the preceding quarter, and \$85 thousand in the second quarter of 2019. The Bank had no non-accrual loans or past-due loans as of June 30, 2020. The Allowance for Loan Losses reserve ratio was 1.14% of total loans and 1.75% of total non-PPP loans. As a percentage of total non-PPP loans, the allowance increased by 0.38% from March 31, 2020 and 0.41% from June 30, 2019.
- Total deposits were \$523 million as of June 30, 2020, up \$161 million from March 31, 2020, and up \$213 million from June 30, 2019. The growth for the quarter was primarily due to the increase in PPP-related deposits and a \$42 million increase in brokered deposits.
- During the second quarter of 2020, the Bank was approved to borrow funds under the Federal Reserve's PPPLF program. The Bank pledged \$79 million of PPP loans under the PPPLF, resulting in an increase in other borrowings during

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the second quarter of 2020. As of June 30, 2020, the Bank had available borrowing capacity of \$161 million from various sources including the Federal Reserve of San Francisco and the Federal Home Loan Bank of San Francisco. The Bank has a strong liquidity position with \$152 million in cash and due from banks coupled with the various liquidity sources readily available to address any PPP timing differences and unexpected changes in deposit and loan balances.

- Book value per share increased to \$21.04 per share as of June 30, 2020, up from \$20.58 at March 31, 2020, and \$19.09 per share at June 30, 2019.
- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 7.94%, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 15.23%, and a Total Risk-Based Capital Ratio of 16.49% as of June 30, 2020.

### **Loan Portfolio and Credit Quality**

As of June 30, 2020, residential loans totaled \$136 million, or 26% of the Bank's total loan portfolio and 40% of total non-PPP loans. The weighted average loan-to-value (LTV) ratio for the residential portfolio was 63%. As of June 30, 2020, 6% of the residential portfolio was on payment deferrals.

As of June 30, 2020, CRE loans totaled \$120 million, or 23% of the total loan portfolio and 35% of total non-PPP loans. The weighted average LTV ratio for these loans was 56%. As of June 30, 2020, 28% of the CRE portfolio was on 90-day principal payment deferrals.

Totaling \$78 million at June 30, 2020, C&I non-PPP loans represented 15% of the total loan portfolio, or 23% of total non-PPP loans. As of June 30, 2020, 18% of the C&I portfolio was on 90-day principal payment deferrals.

The Bank has identified dental, restaurant and food service, transportation and retail industries as those in its portfolio most severely impacted by COVID-19 at this point. Dental loans totaled \$17 million as of June 30, 2020 and represented 5% of the Bank's total non-PPP loans. As of June 30, 2020, \$10 million, or 59%, of the dental loans were on 90-day principal payment deferrals. Restaurant and food service-related industries represented 3% of the total non-PPP loans, with 44% on 90-day principal payment deferrals as of June 30, 2020. Transportation-related industries represented 1% of the total non-PPP loans, with 72% on 90-day principal payment deferrals as of June 30, 2020. Retail represented 3% of the total non-PPP loans, with 22% on 90-day principal payment deferrals as of June 30, 2020. Half of the Bank's retail clients are in the grocery industry and have remained open during the pandemic.

During the second quarter of 2020, the Bank received monthly principal and interest payments from the SBA for 60 loans totaling \$37 million as of June 30, 2020, with 29% of the loans to the restaurant and food services-related industries. The SBA will

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continue to make payments on these loans through September 27, 2020.

As of June 30, 2020, The Bank had no non-accrual or past due loans; however, the loan payments received from the SBA and the Bank's payment deferrals have helped clients with cashflow needs.

Classified loans totaled \$10 million, or 1.94% of the total loan portfolio as of June 30, 2020, an increase of \$3 million, or 2% from the preceding quarter. Classified loans totaled \$10 million, or 3.27% of the total loan portfolio as of June 30, 2019. Loans that were risk rated "Pass" prior to the pandemic, and have loan payment deferrals, have been downgraded to "Pass-Watch" and are being closely monitored. The Bank also increased the qualitative factors around unemployment and economic trends resulting in an increased allowance. As additional information is known and the extent and impact of the pandemic on individual clients become more apparent, individual loan risk ratings and the Bank's Allowance for Loan Losses reserve ratio will be adjusted.

"We remain extremely proud of our team members, who are as committed as ever to meeting their clients' needs, even as more than 80% of the team continues to work from home," said Ed Obuchowski.

Wendy Ross added, "We want to give special appreciation and thanks to the team for their hard work and extraordinary efforts during this unprecedented time."

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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, with significant ownership 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, including statements relating to our anticipated growth. Forward-looking statements are those that are not statements of historical fact and may be 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 may affect the operations, performance, development, growth projections, capital needs and results of Bank of San Francisco’s business and include, but are not limited to, local and national economic conditions, interest rate movements, changes in the financial performance and/or condition of our loan and deposit clients, changes in the levels of performing and nonperforming assets and charge-offs, timely implementation by Bank of San Francisco of technology enhancements for its products and operating systems, the impact of competitive products, services and pricing, acts of war or terrorism, or natural disasters, such as earthquakes, clients’ requirements and preferences, federal, state and local legislation and regulatory developments, the ability to retain or increase market share, retain or grow client relationships and control expenses, changes in regulatory or generally accepted accounting principles and other similar matters. Readers are cautioned not to place undue reliance on forward-looking statements, which are subject to influence by the foregoing risk factors and unanticipated future events. Actual results, accordingly, may differ materially from management expectations. Bank of San Francisco undertakes no obligation to update such forward-looking statements except as required by law.

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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	
	6/30/2020	3/31/2020	12/31/2019	6/30/2019	\$	%
<b>Assets</b>						
Cash and due from banks	\$ 8,101	\$ 7,808	\$ 8,125	\$ 5,527	\$ 2,574	47%
Interest bearing deposits in banks	143,842	77,328	65,484	37,630	106,212	282%
Total cash and cash equivalents	151,943	85,136	73,609	43,157	108,786	252%
Loans, net of deferred costs/fees	514,668	330,720	321,215	305,930	208,738	68%
Allowance for Loan Losses	(5,875)	(4,525)	(4,330)	(4,100)	(1,775)	43%
Loans, net of allowance of loan losses	508,793	326,195	316,885	301,830	206,963	69%
Premises and equipment, net	292	311	342	373	(81)	-22%
Accrued interest receivable & other assets	7,252	6,422	6,510	6,969	283	4%
<b>Total Assets</b>	<b>\$ 668,280</b>	<b>\$ 418,064</b>	<b>\$ 397,346</b>	<b>\$ 352,329</b>	<b>\$ 315,951</b>	<b>90%</b>
<b>Liabilities</b>						
Non-interest bearing deposits	\$ 212,982	\$ 121,746	\$ 129,815	\$ 101,926	\$ 111,056	109%
Interest bearing deposits	310,301	240,635	223,018	208,341	101,960	49%
Total deposits	523,283	362,381	352,833	310,267	213,016	69%
FHLB advances	20,000	10,000	-	-	20,000	n/a
Other borrowings	79,172	-	-	-	79,172	n/a
Accrued interest payable and other liabilities	2,938	3,718	3,532	3,472	(534)	-15%
<b>Total Liabilities</b>	<b>625,393</b>	<b>376,099</b>	<b>356,365</b>	<b>313,739</b>	<b>311,654</b>	<b>99%</b>
<b>Shareholders' equity</b>						
Common stock	26,781	26,716	26,652	26,530	251	1%
Retained earnings	16,106	15,249	14,329	12,060	4,046	34%
<b>Total shareholders' equity</b>	<b>42,887</b>	<b>41,965</b>	<b>40,981</b>	<b>38,590</b>	<b>4,297</b>	<b>11%</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 668,280</b>	<b>\$ 418,064</b>	<b>\$ 397,346</b>	<b>\$ 352,329</b>	<b>\$ 315,951</b>	<b>90%</b>
Book Value per Common Share	\$ 21.04	\$ 20.58	\$ 20.10	\$ 19.09	\$ 1.94	10%
Total Common Shares Outstanding	2,038,803	2,038,803	2,038,803	2,021,003	17,800	1%
<b>Capital Ratios</b>						
Tier 1 Leverage ratio	7.94%	11.04%	10.84%	11.35%	-3.41%	-30%
Tier 1 RBC ratio	15.23%	15.23%	15.23%	15.12%	0.11%	1%
Common Equity Tier 1 RBC ratio	15.23%	15.23%	15.23%	15.12%	0.11%	1%
Total Risk-Based Capital (RBC) ratio	16.49%	16.48%	16.48%	16.38%	0.11%	1%
<b>Other Ratios</b>						
Non-interest bearing to Total Deposits	40.70%	33.60%	36.79%	32.85%	7.85%	24%
Loan to Deposit ratio	98.35%	91.26%	91.04%	98.60%	-0.25%	0%
Allowance for Loan Losses to Total Loans	1.14%	1.37%	1.35%	1.34%	-0.20%	-15%
Allowance for Loan Losses to Total Loans excluding PPP loans	1.75%	n/a	n/a	n/a	n/a	n/a
ALLL to Nonperforming Loans	n/a	n/a	n/a	n/a	n/a	n/a
Nonperforming Assets to Total Assets	n/a	n/a	n/a	n/a	n/a	n/a

**Bank of San Francisco**  
**Statement of Income (Unaudited)**  
(\$000, except share and per share amounts)

	Three Months Ended				Year Over Year Change	
	6/30/2020	3/31/2020	12/31/2019	6/30/2019	\$	%
Interest on loans, including fees	\$ 4,865	\$ 4,134	\$ 4,248	\$ 3,810	\$ 1,055	28%
Interest on deposits in banks	18	126	220	220	(202)	-92%
Other interest income	21	30	30	23	(2)	-9%
<b>Total interest income</b>	4,904	4,290	4,498	4,053	851	21%
Deposits interest expense	466	535	580	603	(137)	-23%
Other interest expense	35	4	-	6	29	483%
<b>Total interest expense</b>	501	539	580	609	(108)	-18%
<b>Net interest income</b>	4,403	3,751	3,918	3,444	959	28%
Provision for loan losses	1,350	195	90	85	1,265	1488%
<b>Net interest income after provision</b>	3,053	3,556	3,828	3,359	(306)	-9%
Service charges on deposits*	65	74	74	71	(6)	-8%
Gains on sale of loans	124	-	-	75	49	65%
Other non-interest income*	36	33	33	37	(1)	-3%
<b>Total non-interest income</b>	225	107	107	183	42	23%
Salaries and employee benefits expense*	1,273	1,573	1,417	1,566	(293)	-19%
Occupancy*	210	209	212	202	8	4%
Information Technology and Equipment*	187	195	209	189	(2)	-1%
Other operating expense*	389	379	431	398	(9)	-2%
<b>Total non-interest expense</b>	2,059	2,356	2,269	2,355	(296)	-13%
<b>Income before income taxes</b>	1,219	1,307	1,666	1,187	32	3%
Income tax expense	361	388	482	352	9	3%
<b>Net income</b>	\$ 858	\$ 919	\$ 1,184	\$ 835	\$ 23	3%

\* Amounts have been reclassified in periods prior to December 31, 2019 to conform with the current period's presentation.

Basic Earnings per Share	\$ 0.43	\$ 0.46	\$ 0.59	\$ 0.42	\$ 0.01	2%
Average Shares Outstanding	2,014,703	2,014,703	2,014,703	2,007,451	7,252	0%
Diluted Earnings per Share	\$ 0.42	\$ 0.46	\$ 0.59	\$ 0.41	\$ 0.01	2%
Average Shares Outstanding	2,019,904	2,019,510	2,018,478	2,012,374	7,530	0%
<b>Annualized Performance Ratios</b>						
Return on Average Assets	0.61%	0.97%	1.26%	0.99%	-0.38%	-38%
Return on Average Common Equity	8.09%	8.86%	11.73%	8.75%	-0.66%	-8%
Net Interest Margin	3.20%	4.08%	4.27%	4.18%	-0.98%	-24%
Cost of Funds	0.41%	0.65%	0.69%	0.80%	-0.39%	-49%
Efficiency Ratio	44.49%	61.07%	56.37%	64.93%	-20.44%	-31%



**Bank of San Francisco**

**Statement of Income (Unaudited)**

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

	Six Month Ended		Year Over Year Change	
	6/30/2020	6/30/2019	\$	%
Interest on loans, including fees	\$ 8,999	\$ 7,410	\$ 1,589	21%
Interest on deposits in banks	144	376	(232)	-62%
Other interest income	51	46	5	11%
<b>Total interest income</b>	<b>9,194</b>	<b>7,832</b>	<b>1,362</b>	<b>17%</b>
Deposits interest expense	1,001	963	38	4%
Other interest expense	39	111	(72)	-65%
<b>Total interest expense</b>	<b>1,040</b>	<b>1,074</b>	<b>(34)</b>	<b>-3%</b>
<b>Net interest income</b>	<b>8,154</b>	<b>6,758</b>	<b>1,396</b>	<b>21%</b>
Provision for loan losses	1,545	160	1,385	866%
<b>Net interest income after provision</b>	<b>6,609</b>	<b>6,598</b>	<b>11</b>	<b>0%</b>
Service charges on deposits*	139	139	-	0%
Gains on sale of loans	124	223	(99)	-44%
Other non-interest income*	69	62	7	11%
<b>Total non-interest income</b>	<b>332</b>	<b>424</b>	<b>(92)</b>	<b>-22%</b>
Salaries and employee benefits expense*	2,846	3,023	(177)	-6%
Occupancy*	419	380	39	10%
Information Technology and Equipment*	382	371	11	3%
Other operating expense*	768	706	62	9%
<b>Total non-interest expense</b>	<b>4,415</b>	<b>4,480</b>	<b>(65)</b>	<b>-1%</b>
<b>Income before income taxes</b>	<b>2,526</b>	<b>2,542</b>	<b>(16)</b>	<b>-1%</b>
Income tax expense	749	754	(5)	-1%
<b>Net income</b>	<b>\$ 1,777</b>	<b>\$ 1,788</b>	<b>\$ (11)</b>	<b>-1%</b>

\* Amounts have been reclassified in the prior periods to conform with the current period's presentation.

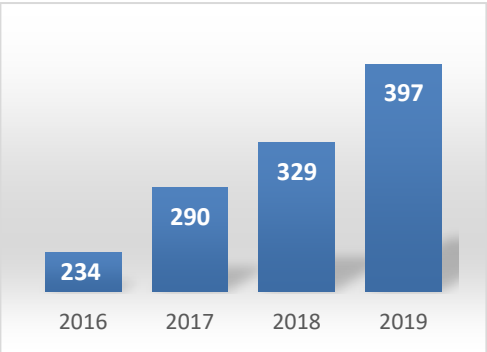
Basic Earnings per Share	\$ 0.88	\$ 0.89	\$ (0.01)	-1%
Average Shares Outstanding	2,014,703	2,007,451	7,252	0%
Diluted Earnings per Share	\$ 0.88	\$ 0.89	\$ (0.01)	-1%
Average Shares Outstanding	2,023,522	2,012,374	11,148	1%

Performance Ratios

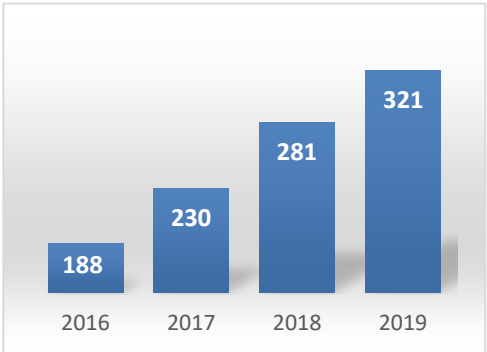
Return on Average Assets	0.85%	1.08%	-0.23%	-21%
Return on Average Common Equity	8.59%	9.49%	-0.90%	-9%
Net Interest Margin	3.97%	4.20%	-0.23%	-6%
Cost of Funds	0.53%	0.72%	-0.19%	-26%
Efficiency Ratio	52.03%	62.38%	-10.35%	-17%

# FINANCIAL HIGHLIGHTS

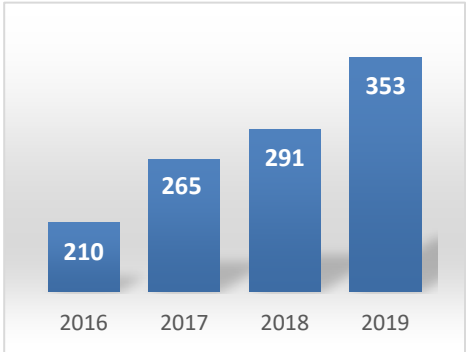
Total Assets (\$ Millions)  
As of December 31,



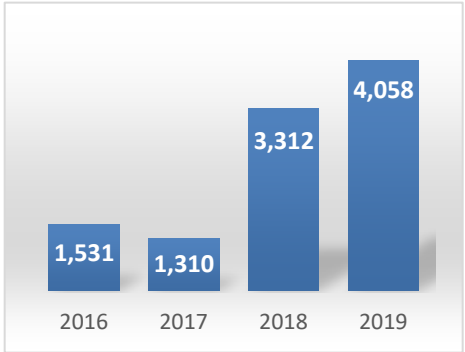
Total Loans (\$ Millions)  
As of December 31,



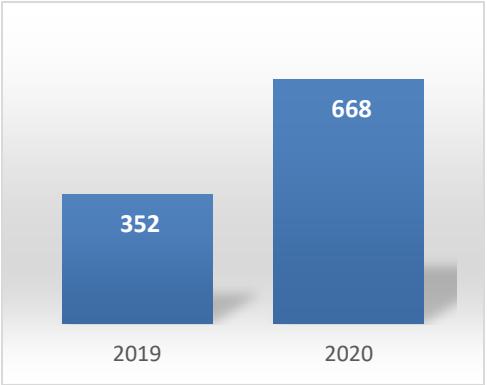
Total Deposits (\$ Millions)  
As of December 31,



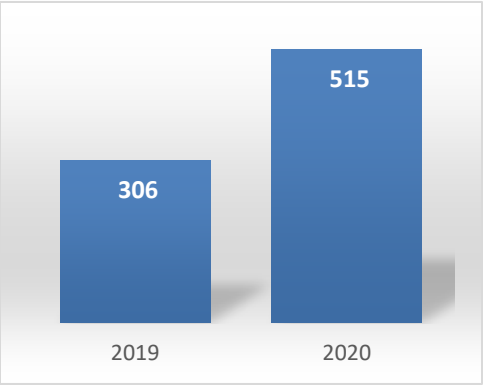
Net Profit (\$ Thousands)  
Year Ended December 31,



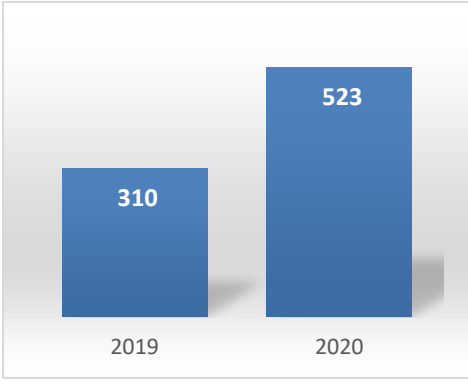
Total Assets (\$ Millions)  
As of June 30,



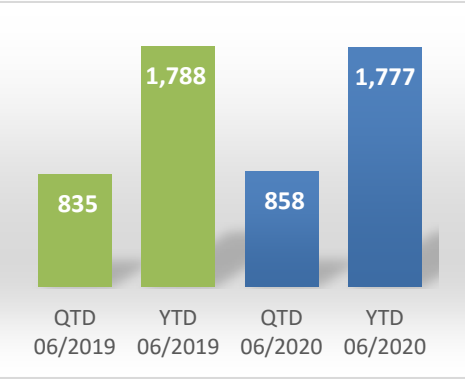
Total Loans (\$ Millions)  
As of June 30,



Total Deposits (\$ Millions)  
As of June 30,

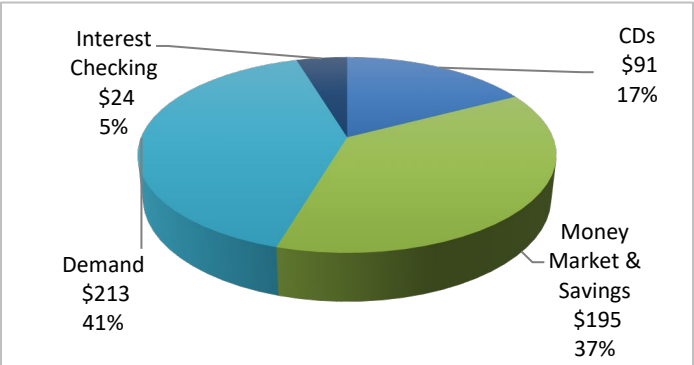


Net Profit (\$ Thousands)  
Three & Six Months Ended June 30,

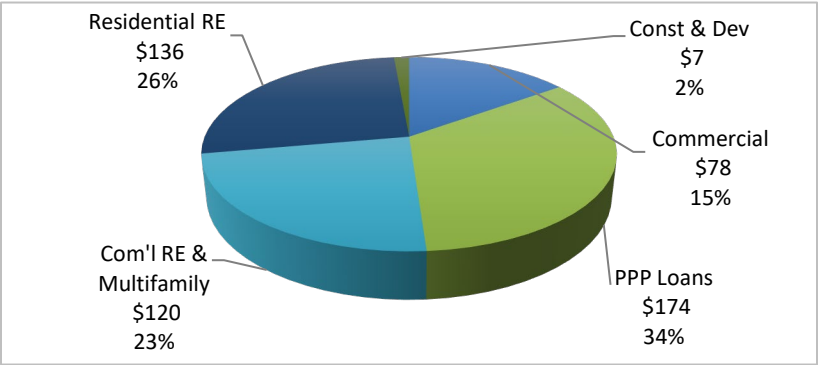


Deposit Composition (\$ Millions)

As of June 30, 2020



Loan Composition (\$ Millions)



BANK OF SAN FRANCISCO