

FOR IMMEDIATE RELEASE

## Bank of San Francisco Reports Results for the Second Quarter of 2017

**SAN FRANCISCO – August 10, 2017** – Bank of San Francisco, a modern, technology-driven community bank serving the Bay Area, announced unaudited results for the second quarter ended June 30, 2017 with net income of \$400,000, a 23 percent increase over \$325,000 in net income for second quarter of 2016.

“We are pleased to report strong growth in loans and deposits in the second quarter,” said Ed Obuchowski, CEO, Bank of San Francisco.

### Financial Highlights:

- Net income was \$400,000 for the second quarter of 2017, compared to \$403,000 for the preceding quarter and \$325,000 for the second quarter of 2016. Results for the second quarter included gain on sale non-interest income of \$190,000 from the sale of Small Business Administration (SBA) loans, versus \$82,000 in the preceding quarter and \$68,000 in the second quarter of 2016.
- Net interest income was \$2,313,000 for the second quarter of 2017, an increase of \$97,000 over the preceding quarter and \$177,000 over the \$2,136,000 achieved in the second quarter of 2016. The 8 percent increase over second quarter 2016 reflects increased revenue from continued loan growth and the impact of the rate increases by the Federal Reserve. Net interest margin decreased in the second quarter to 4.00 percent from 4.06 percent in the first quarter 2017 due to higher levels of average liquid assets carried during the quarter.
- Operating expenses were \$1,744,000 for the second quarter of 2017, an increase of \$93,000 over the preceding quarter and \$69,000 over the \$1,675,000 reported for the second quarter of 2016. Occupancy expense increased in the second quarter of 2017, primarily as a result of lease-related expense increases. The increase in other operating expenses in the second quarter was primarily attributable to higher recruiting expense and internal audit fees. Although operating expenses increased in the second quarter of 2017, the efficiency ratio improved as income growth outpaced expense growth.
- Basic earnings per common share were \$0.27 for the quarter, up \$0.05 from the second quarter of 2016.
- Total loans, net of deferred fees, were up \$13 million from the quarter ending March 31, 2017 and up \$24 million from June 30, 2016. The loan growth was primarily from commercial real estate and residential mortgage loans.
- Total deposits were up \$18 million from the quarter ending March 31, 2017 and up \$46 million from June 30, 2016. The second quarter deposit growth came mostly from

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interest bearing deposits, which is reflected in the 1.83 percent reduction of the non-interest bearing to total deposits ratio to 39.02 percent.

- Credit quality remains strong and stable with no non-accrual loans or nonperforming assets. Loan loss provision expense for the second quarter was \$155,000 driven mainly by growth in the loan portfolio. The \$155,000 expense compares to \$55,000 in the preceding quarter and \$69,000 in the second quarter of 2016. The allowance for loan and lease loss reserve ratio was 1.35 percent at June 30, 2017, decreasing slightly from 1.36 percent at March 31, 2017.
- Book value per share increased to \$15.68 per share at June 30, 2017 from \$15.41 at March 31, 2017 and \$14.57 per share at June 30, 2016.
- The bank continues to be well capitalized with a Tier 1 Leverage Ratio of 9.68 percent, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 13.09 percent and a Total Risk Based Capital Ratio of 14.35 percent.

“We are pleased with our bank’s performance and that we are making progress in achieving our accelerated growth plan,” 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 on Bank of San Francisco, 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 FDIC and an Equal Housing Lender.

### **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

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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	
	6/30/2017	3/31/2017	12/31/2016	6/30/2016	\$	%
<b>Assets</b>						
Cash and due from banks	\$ 4,678	\$ 6,514	\$ 4,564	\$ 6,249	\$ (1,571)	-25%
Interest bearing deposits in banks	45,745	38,176	40,562	20,369	25,376	125%
Total cash and cash equivalents	50,423	44,690	45,126	26,618	23,805	89%
Loans, net of deferred costs/fees	206,992	193,983	187,572	183,399	23,593	13%
Allowance for Loan Losses	(2,785)	(2,630)	(2,575)	(2,482)	(303)	12%
Loans, net of allowance of loan losses	204,207	191,353	184,997	180,917	23,290	13%
Premises and equipment, net	376	400	424	478	(102)	-21%
Accrued interest receivable & other assets	3,301	3,109	2,980	3,042	259	9%
<b>Total Assets</b>	<b>\$ 258,307</b>	<b>\$ 239,552</b>	<b>\$ 233,527</b>	<b>\$ 211,055</b>	<b>\$ 47,252</b>	<b>22%</b>
<b>Liabilities</b>						
Non-interest bearing deposits	\$ 91,298	\$ 88,111	\$ 89,343	\$ 73,762	\$ 17,536	24%
Interest bearing deposits	142,690	127,582	120,488	114,721	27,969	24%
Total deposits	233,988	215,693	209,831	188,483	45,505	24%
Accrued interest payable and other liabilities	790	730	970	710	80	11%
<b>Total Liabilities</b>	<b>234,778</b>	<b>216,423</b>	<b>210,801</b>	<b>189,193</b>	<b>45,585</b>	<b>24%</b>
<b>Shareholders' equity</b>						
Common stock	17,077	17,077	17,077	17,076	1	0%
Retained earnings	6,452	6,052	5,649	4,786	1,666	35%
<b>Total shareholders' equity</b>	<b>23,529</b>	<b>23,129</b>	<b>22,726</b>	<b>21,862</b>	<b>1,667</b>	<b>8%</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 258,307</b>	<b>\$ 239,552</b>	<b>\$ 233,527</b>	<b>\$ 211,055</b>	<b>\$ 47,252</b>	<b>22%</b>
Book Value per Common Share	\$ 15.68	\$ 15.41	\$ 15.14	\$ 14.57	1.11	8%
Total Common Shares Outstanding	1,500,675	1,500,675	1,500,675	1,500,675	-	0%
<b>Capital Ratios</b>						
Tier 1 Leverage ratio	9.68%	10.22%	9.66%	10.23%	-0.55%	-5%
Tier 1 RBC ratio	13.09%	13.80%	13.83%	12.79%	0.31%	2%
Common Equity Tier 1 RBC ratio	13.09%	13.80%	13.83%	12.79%	0.31%	2%
Total Risk-Based Capital (RBC) ratio	14.35%	15.05%	15.08%	14.04%	0.31%	2%
<b>Other Ratios</b>						
Non-interest bearing to Total Deposits	39.02%	40.85%	42.58%	39.13%	-0.12%	0%
Loan to Deposit ratio	88.46%	89.93%	89.39%	97.30%	-8.84%	-9%
Allowance for Loan Losses to Total Loans	1.35%	1.36%	1.37%	1.35%	-0.01%	-1%
ALLL to Nonperforming Loans	0.00%	0.00%	0.00%	0.00%	0.00%	0%
Nonperforming Assets to Total Assets	0.00%	0.00%	0.00%	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	
	6/30/2017	3/31/2017	12/31/2016	6/30/2016	\$	%
Interest on loans, including fees	\$ 2,355	\$ 2,292	\$ 2,303	\$ 2,211	\$ 144	7%
Interest on deposits in banks	92	41	47	29	63	217%
Other interest income	16	21	53	16	-	0%
<b>Total interest income</b>	<b>2,463</b>	<b>2,354</b>	<b>2,403</b>	<b>2,256</b>	<b>207</b>	<b>9%</b>
		0				
Deposits interest expense	(150)	(131)	(127)	(118)	(32)	27%
Other interest expense	-	(7)	-	(2)	2	-100%
<b>Total interest expense</b>	<b>(150)</b>	<b>(138)</b>	<b>(127)</b>	<b>(120)</b>	<b>(30)</b>	<b>25%</b>
<b>Net interest income</b>	<b>2,313</b>	<b>2,216</b>	<b>2,276</b>	<b>2,136</b>	<b>177</b>	<b>8%</b>
		-				
Provision for loan losses	(155)	(55)	(79)	(86)	(69)	80%
<b>Net interest income after provision</b>	<b>2,158</b>	<b>2,161</b>	<b>2,197</b>	<b>2,050</b>	<b>108</b>	<b>5%</b>
		-				
Service charges on deposits	52	49	47	49	3	6%
Gains on sale of loans	190	82	-	68	122	179%
Other non-interest income	27	47	39	64	(37)	-58%
<b>Total non-interest income</b>	<b>269</b>	<b>178</b>	<b>86</b>	<b>181</b>	<b>88</b>	<b>49%</b>
Salaries and employee benefits expense	(1,114)	(1,103)	(1,073)	(984)	(130)	13%
Occupancy and equipment expense	(206)	(188)	(172)	(175)	(31)	18%
Other operating expense	(424)	(360)	(416)	(516)	92	-18%
<b>Total non-interest expense</b>	<b>(1,744)</b>	<b>(1,651)</b>	<b>(1,661)</b>	<b>(1,675)</b>	<b>(69)</b>	<b>4%</b>
		0				
<b>Income before income taxes</b>	<b>683</b>	<b>688</b>	<b>622</b>	<b>556</b>	<b>127</b>	<b>23%</b>
Income tax expense	(283)	(285)	(248)	(231)	(52)	23%
<b>Net income</b>	<b>\$ 400</b>	<b>\$ 403</b>	<b>\$ 374</b>	<b>\$ 325</b>	<b>\$ 75</b>	<b>23%</b>
Basic Earnings per Share	\$ 0.27	\$ 0.27	\$ 0.25	\$ 0.22	0.05	23%
Average Shares Outstanding	1,500,675	1,500,675	1,500,675	1,500,675	-	0%
<b>Performance Ratios</b>						
Return on Average Assets	0.69%	0.72%	0.70%	0.63%	0.06%	10%
Return on Average Common Equity	6.94%	7.03%	7.25%	6.61%	0.34%	5%
Net Interest Margin	4.00%	4.06%	4.05%	4.07%	-0.07%	-2%
Cost of Funds	0.26%	0.26%	0.25%	0.24%	0.02%	8%
Efficiency Ratio	68.23%	68.96%	69.83%	68.90%	-0.67%	-1%