

FOR IMMEDIATE RELEASE

## Bank of San Francisco Reports Results for the Third Quarter of 2019

SAN FRANCISCO, CA – (11/01/2019) – Bank of San Francisco (OTCQX: BSFO), a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the third quarter ended September 30, 2019. Net income for the third quarter of 2019 was \$1,086,000, or \$0.54 diluted earnings per share, up 30% compared to the preceding quarter, and up 16% from \$938,000, or \$0.47 diluted earnings per share, achieved in the third quarter of 2018.

“The record quarterly profitability resulted from an expanding loan portfolio, continued focus on relationship-based, low-cost deposits, and disciplined expense management,” said Ed Obuchowski, CEO, Bank of San Francisco.

### Financial Highlights:

- Net Income was \$1,086,000 for the third quarter, compared to \$835,000 for the preceding quarter. Total Interest Income was \$4,399,000 for the third quarter of 2019, an increase of \$346,000 from the preceding quarter. The Bank experienced a decrease in the cost of funds primarily due to the declining interest rate environment. However, the competitive deposit environment has resulted in deposit rates declining at a slower pace than the reductions in the federal funds rate. During the third quarter of 2019, the Bank sold the guaranteed portions of two Small Business Administration loans, resulting in gain-on-sale income of \$183,000. Historically, gain-on-sale income has averaged approximately \$100,000 per quarter.
- Net Interest Income was \$3,784,000 for the third quarter of 2019, an increase of \$340,000 from the preceding quarter and a \$402,000 increase from the \$3,382,000 reported for the third quarter of 2018. Net Interest Margin increased to 4.28% in the third quarter of 2019 from 4.18% in the preceding quarter, and decreased from 4.34% in the third quarter of 2018. The reduced use of higher-cost secondary funding sources, growth in lower-cost relationship-based deposits, and the increase in commercial loans improved the net interest margin in the third quarter.
- Operating Expenses were \$2,377,000 for the third quarter of 2019, an increase of \$22,000 from the preceding quarter and an increase of \$361,000 from the \$2,016,000 reported for the third quarter of 2018. The increase in year-over-year operating expenses reflected annual performance-based salary increases, recruiting expense, and an increase in our employee headcount. Additionally, the

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Bank opened the Walnut Creek Loan Production Office at the end of the first quarter of 2019, resulting in full quarters of office expense in the second and third quarters of 2019. The efficiency ratio was 58.46% for the third quarter of 2019, compared to 64.93% for the preceding quarter, and 57.93% for the third quarter of 2018. The Bank continues to focus on balancing its goal to improve the efficiency ratio with the opportunities presented in the market for talent acquisition and long-term growth potential.

- Diluted Earnings per Common Share were \$0.54 for the quarter, up \$0.13 compared to the preceding quarter, and up \$0.07 compared to the third quarter of 2018. Earnings per Common Share were impacted by the increase in Net Income, combined with the issuance of 18,208 shares of restricted stock awards during the quarter.
- Total Loans, net of deferred fees, were \$311 million as of September 30, 2019, up \$5 million from June 30, 2019, and up \$39 million from September 30, 2018. The growth in the third quarter of 2019 was primarily from commercial loans.
- Total Deposits were \$318 million as of September 30, 2019, up \$8 million from June 30, 2019, and up \$33 million from September 30, 2018. The growth in the third quarter of 2019 was primarily due to the increase in deposits from commercial clients. The increase in relationship-based deposits during the third quarter enabled the Bank to reduce the use of brokered deposits by \$10 million between June 30, 2019 and September 30, 2019. The declining use of secondary funding sources, and the decrease in the federal funds rate contributed to the decrease in the Bank's cost of funds from 0.80% to 0.78%.
- Credit Quality remains strong and stable with no non-accrual loans or loans past-due for longer than 30 days. The Allowance for Loan Losses reserve ratio was 1.36% as of September 30, 2019, an increase of 0.02% from June 30, 2019. Loan loss provision expense for the third quarter of 2019 was \$140,000.
- Book Value per Share increased to \$19.49 per share as of September 30, 2019, up from \$19.09 at June 30, 2019, and \$17.67 per share at September 30, 2018.
- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 10.89%, Tier 1 Risk-Based Capital and Common Equity Tier 1 ratios of 15.09%, and a Total Risk-Based Capital Ratio of 16.35%.

"We continue to work diligently to balance the key drivers of profitability: growth, margin and expense management, and sound credit quality," 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, 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.

## **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**  
**Statement of Income (Unaudited)**

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

	Three Months Ended					Year Over Year Change	
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	\$	%
Interest on loans, including fees	\$ 4,127	\$ 3,810	\$ 3,600	\$ 3,628	\$ 3,383	\$ 744	22%
Interest on deposits in banks	244	220	156	261	229	15	7%
Other interest income	28	23	23	45	22	6	27%
<b>Total interest income</b>	<b>4,399</b>	<b>4,053</b>	<b>3,779</b>	<b>3,934</b>	<b>3,634</b>	<b>765</b>	<b>21%</b>
Deposits interest expense	615	603	360	298	252	363	144%
Other interest expense	-	6	105	1	-	-	0%
<b>Total interest expense</b>	<b>615</b>	<b>609</b>	<b>465</b>	<b>299</b>	<b>252</b>	<b>363</b>	<b>144%</b>
<b>Net interest income</b>	<b>3,784</b>	<b>3,444</b>	<b>3,314</b>	<b>3,635</b>	<b>3,382</b>	<b>402</b>	<b>12%</b>
Provision for loan losses	140	85	75	185	130	10	8%
<b>Net interest income after provision</b>	<b>3,644</b>	<b>3,359</b>	<b>3,239</b>	<b>3,450</b>	<b>3,252</b>	<b>392</b>	<b>12%</b>
Service charges on deposits	49	52	52	50	48	1	2%
Gains on sale of loans	183	75	148	-	-	183	n/a
Other non-interest income	50	56	41	43	50	0%	0%
<b>Total non-interest income</b>	<b>282</b>	<b>183</b>	<b>241</b>	<b>93</b>	<b>98</b>	<b>184</b>	<b>188%</b>
Salaries and employee benefits expense	1,539	1,578	1,457	1,421	1,353	186	14%
Occupancy and equipment expense	249	241	211	191	191	58	30%
Other operating expense	589	536	457	535	472	117	25%
<b>Total non-interest expense</b>	<b>2,377</b>	<b>2,355</b>	<b>2,125</b>	<b>2,147</b>	<b>2,016</b>	<b>361</b>	<b>18%</b>
<b>Income before income taxes</b>	<b>1,549</b>	<b>1,187</b>	<b>1,355</b>	<b>1,396</b>	<b>1,334</b>	<b>215</b>	<b>16%</b>
Income tax expense	463	352	402	386	396	67	17%
<b>Net income</b>	<b>\$ 1,086</b>	<b>\$ 835</b>	<b>\$ 953</b>	<b>\$ 1,010</b>	<b>\$ 938</b>	<b>\$ 148</b>	<b>16%</b>
Basic Earnings per Share	\$ 0.54	\$ 0.42	\$ 0.47	\$ 0.50	\$ 0.47	\$ 0.07	15%
Average Shares Outstanding	2,007,882	2,007,451	2,007,451	2,007,451	2,000,749	7,133	0%
Diluted Earnings per Share	\$ 0.54	\$ 0.41	\$ 0.47	\$ 0.50	\$ 0.47	\$ 0.07	15%
Average Shares Outstanding	2,009,404	2,012,374	2,011,655	2,009,505	2,001,183	8,221	0%
<b>Annualized Performance Ratios</b>							
Return on Average Assets	1.20%	0.99%	1.18%	1.21%	1.18%	0.02%	2%
Return on Average Common Equity	11.09%	8.75%	10.24%	11.15%	10.65%	0.44%	4%
Net Interest Margin	4.28%	4.18%	4.23%	4.47%	4.34%	-0.06%	-1%
Cost of Funds	0.78%	0.80%	0.64%	0.42%	0.36%	0.42%	116%
Efficiency Ratio	58.46%	64.93%	59.77%	57.59%	57.93%	0.53%	1%

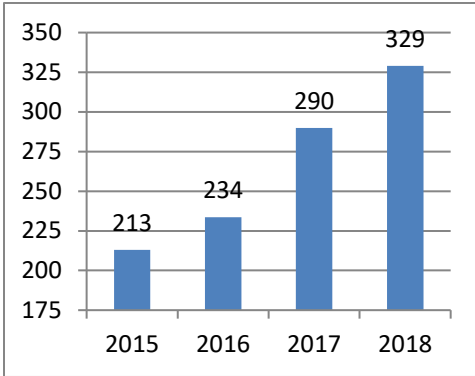
**Bank of San Francisco****Statement of Income (Unaudited)**

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

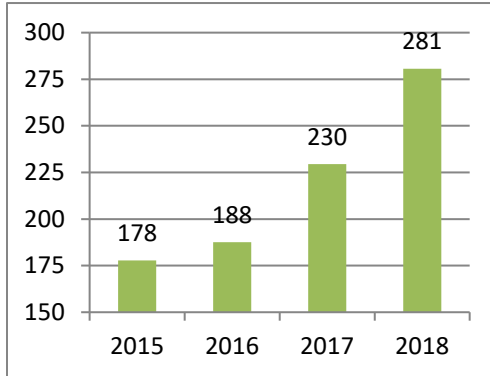
	Nine Months Ended		Year Over Year Change	
	9/30/2019	9/30/2018	\$	%
Interest on loans, including fees	\$ 11,536	\$ 9,416	\$ 2,120	23%
Interest on deposits in banks	620	568	52	9%
Other interest income	74	58	16	28%
<b>Total interest income</b>	<b>12,230</b>	<b>10,042</b>	<b>2,188</b>	<b>22%</b>
Deposits interest expense	1,578	659	919	139%
Other interest expense	111	-	111	n/a
<b>Total interest expense</b>	<b>1,689</b>	<b>659</b>	<b>1,030</b>	<b>156%</b>
<b>Net interest income</b>	<b>10,541</b>	<b>9,383</b>	<b>1,158</b>	<b>12%</b>
Provision for loan losses	300	590	(290)	-49%
<b>Net interest income after provision</b>	<b>10,241</b>	<b>8,793</b>	<b>1,448</b>	<b>16%</b>
Service charges on deposits	153	144	9	6%
Gains on sale of loans	406	285	121	42%
Other non-interest income	148	177	(29)	-16%
<b>Total non-interest income</b>	<b>707</b>	<b>606</b>	<b>101</b>	<b>17%</b>
Salaries and employee benefits expense	4,584	4,098	486	12%
Occupancy and equipment expense	701	575	126	22%
Other operating expense	1,573	1,450	123	8%
<b>Total non-interest expense</b>	<b>6,858</b>	<b>6,123</b>	<b>735</b>	<b>12%</b>
<b>Income before income taxes</b>	<b>4,090</b>	<b>3,276</b>	<b>814</b>	<b>25%</b>
Income tax expense	1,216	974	242	25%
<b>Net income</b>	<b>\$ 2,874</b>	<b>\$ 2,302</b>	<b>\$ 572</b>	<b>25%</b>
Basic Earnings per Share	\$ 1.43	\$ 1.32	\$ 0.11	8%
Average Shares Outstanding	2,007,451	1,749,789	257,662	15%
Diluted Earnings per Share	\$ 1.43	\$ 1.32	\$ 0.11	9%
Average Shares Outstanding	2,013,376	1,749,789	263,587	15%
<b>Performance Ratios</b>				
Return on Average Assets	1.13%	1.02%	0.11%	11%
Return on Average Common Equity	10.03%	10.30%	-0.27%	-3%
Net Interest Margin	4.25%	4.25%	0.00%	0%
Cost of Funds	0.74%	0.32%	0.42%	131%
Efficiency Ratio	60.97%	61.30%	-0.33%	-1%

# FINANCIAL HIGHLIGHTS

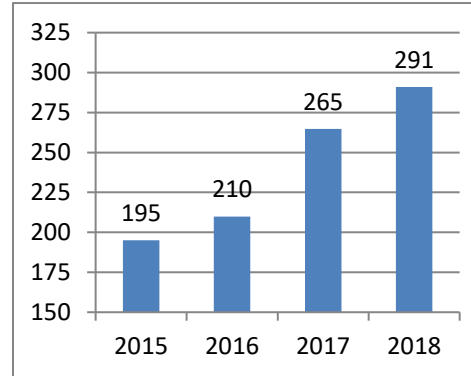
Total Assets (\$ Millions)  
As of December 31,



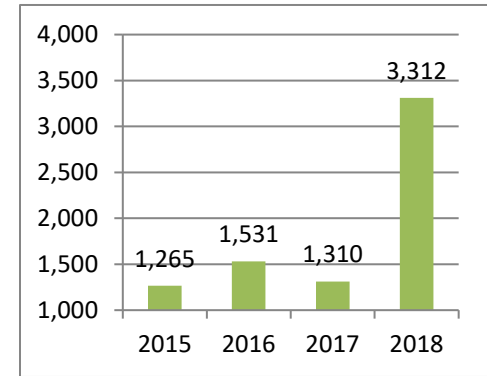
Total Loans (\$ Millions)  
As of December 31,



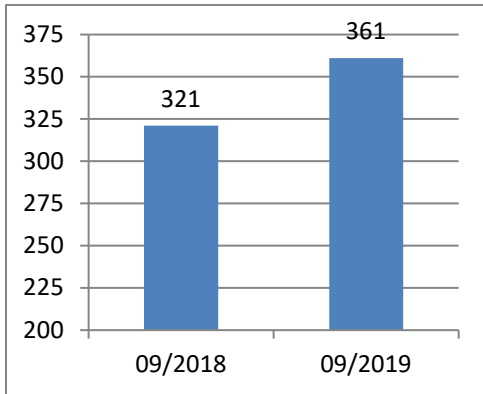
Total Deposits (\$ Millions)  
As of December 31,



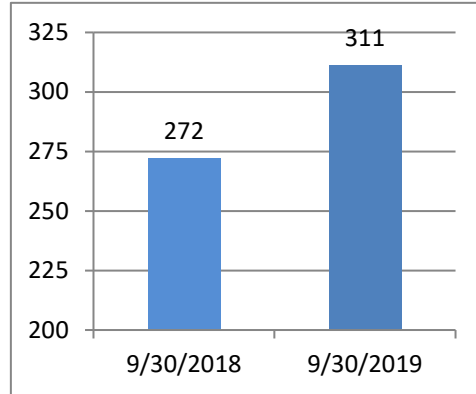
Net Profit (\$ Thousands)  
Year Ended December 31,



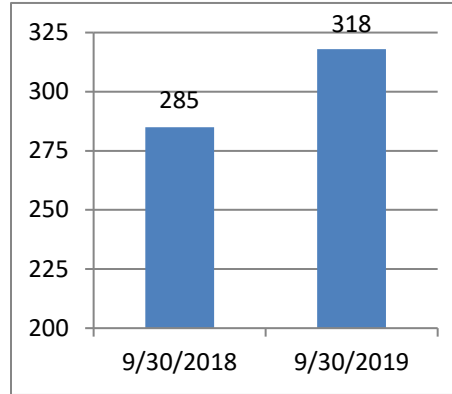
Total Assets (\$ Millions)



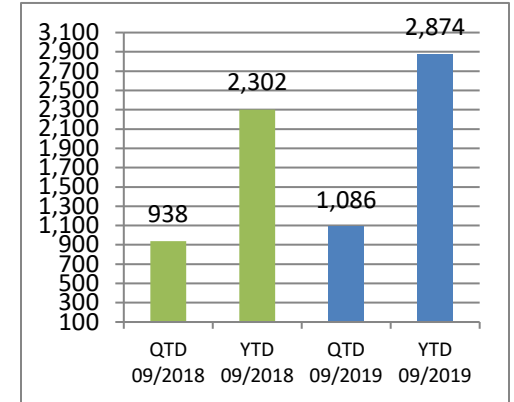
Total Loans (\$ Millions)



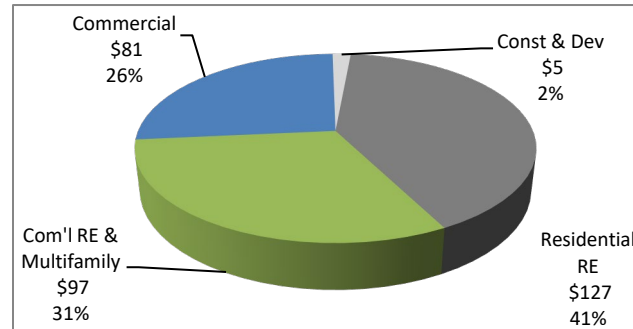
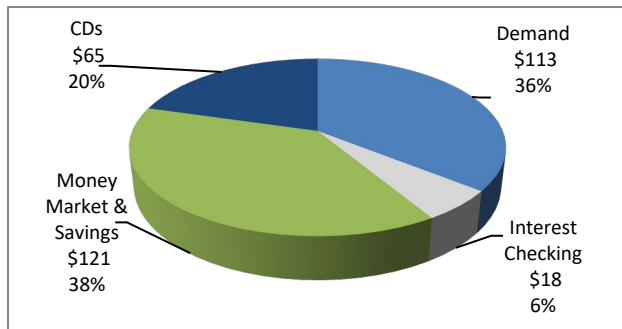
Total Deposits (\$ Millions)



Net Profit (\$ Thousands)  
Three & Nine Months Ended September, 30



Deposit Composition (\$ Millions) As of September 30, 2019      Loan Composition (\$ Millions)



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