

FOR IMMEDIATE RELEASE

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

SAN FRANCISCO, CA – (08/02/2018)—Bank of San Francisco, a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the second quarter ended June 30, 2018. Net income for the second quarter grew by 39% to \$793,000, or \$0.47 per share, compared to the prior quarter and was an increase from \$400,000, or \$0.27 per share, earned for the same period in 2017. A \$10 million private offering of common shares was successfully completed in the second quarter and is reflected in the improvement of the capital ratios. Loan growth in the second quarter was in both the real estate and commercial and industrial loan portfolios.

“We are pleased with this quarter’s continued loan growth and increased profitability. We look forward to leveraging the power of the Bank’s new growth capital,” said Ed Obuchowski, CEO, Bank of San Francisco.

### Financial Highlights:

- Net Income was \$793,000 for the second quarter compared to \$571,000 for the prior quarter. Net income growth in the second quarter of 2018 was primarily from gain on sale income and growth in net interest income. Results for the second quarter included gain on sale income of \$201,000 from the sale of SBA loans, versus \$84,000 in the preceding quarter and \$190,000 in the second quarter of 2017.
- Net Interest Income was \$3,133,000 for the second quarter of 2018, an increase of \$265,000 over the preceding quarter, and \$820,000 over the \$2,313,000 achieved in the second quarter of 2017. Net interest margin increased in the second quarter to 4.21% from 3.94% in the second quarter of 2017. The Bank’s continued loan growth and the impact of the rate increases by the Federal Reserve on both loans and liquid assets, contributed to the increase in revenue. The Bank was able to maintain its cost of funds with a moderate increase compared to the prior quarter.
- Operating Expenses were \$2,110,000 for the second quarter of 2018, an increase of \$115,000 over the preceding quarter and an increase of \$367,000 over the \$1,744,000 reported for the second quarter of 2017. Higher compensation expense reflected the hiring of two team members in the client service and accounting teams and higher commissions paid as a result of residential mortgage loan growth in the second quarter. Although operating expenses increased, the efficiency ratio improved from 67.54% for the second quarter 2017, to 61.38% for the second quarter of 2018, as income growth outpaced expense growth.
- Diluted Earnings per Common Share were \$0.47 for the quarter, up from \$0.38 for the first quarter of 2018, and up from \$0.27 for the second quarter of 2017. Diluted

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Earnings per Common Share were impacted by the 500,000 in newly issued common shares.

- Total Loans, net of deferred fees, were up \$12 million from March 31, 2018, and up \$53 million from June 30, 2017. While the loan growth in the first quarter was primarily from commercial and residential real estate loans, the growth in the second quarter was attributable to both real estate and commercial and industrial loans.
- Total Deposits were up \$4 million from March 31, 2018 and up \$40 million from June 30, 2017. Deposits grew modestly in the second quarter with the growth primarily from money market accounts and CDARS CDs. As the yields on earning assets have benefited from the rate increases by the Federal Reserve, interest bearing deposit rates are beginning to increase as reflected in the increase of 0.06% to cost of funds. The Bank continues to maintain a Non-Interest Bearing to Total Deposits ratio of 41.53%.
- Credit Quality remains strong and stable with no non-accrual loans or loans more than 30 days past-due. The Allowance for Loan and Lease Loss reserve ratio was 1.39% at June 30, 2018, a slight increase from 1.38% at March 31, 2018. Loan loss provision expense for the second quarter was \$200,000 due to loan growth.
- Book Value per Share increased to \$17.19 per share at June 30, 2018, from \$16.22 at March 31, 2018, and \$15.68 per share at June 30, 2017. Book Value per share at June 30, 2018 includes 500,000 in newly issued common shares as a result of the capital raise that closed in May 2018. Also, Book Value per Share at June 30, 2018, 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 11.29%, Tier 1 Risk Based Capital and Common Equity Tier 1 ratios of 15.36%, and a Total Risk Based Capital ratio of 16.61%.

“With the strong foundation that we have built and our new growth capital, we are expanding existing client relationships, further extending our reach into targeted industry niches and deepening our presence in our geographic markets,” 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

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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 customers, 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, client's requirements and preferences, federal, state and local legislation and regulatory developments, the ability to retain or increase market share, retain or grow customers 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	
	6/30/2018	3/31/2018	12/31/2017	6/30/2017	\$	%
<b>Assets</b>						
Cash and due from banks	\$ 7,028	\$ 6,210	\$ 7,358	\$ 4,678	\$ 2,350	50%
Interest bearing deposits in banks	41,848	41,487	52,657	45,745	(3,897)	-9%
Total cash and cash equivalents	48,876	47,697	60,015	50,423	(1,547)	-3%
Loans, net of deferred costs/fees	259,932	248,216	229,521	206,992	52,940	26%
Allowance for Loan Losses	(3,625)	(3,425)	(3,165)	(2,785)	(840)	30%
Loans, net of allowance of loan losses	256,307	244,791	226,356	204,207	52,100	26%
Premises and equipment, net	313	318	346	376	(63)	-17%
Accrued interest receivable & other assets	3,790	3,195	3,174	3,301	489	15%
<b>Total Assets</b>	<b>\$ 309,286</b>	<b>\$ 296,001</b>	<b>\$ 289,891</b>	<b>\$ 258,307</b>	<b>\$ 50,979</b>	<b>20%</b>
<b>Liabilities</b>						
Non-interest bearing deposits	\$ 113,606	\$ 115,227	\$ 114,155	\$ 91,298	\$ 22,308	24%
Interest bearing deposits	159,955	154,900	150,639	142,690	17,265	12%
Total deposits	273,561	270,127	264,794	233,988	39,573	17%
Accrued interest payable and other liabilities	987	1,208	1,032	790	197	25%
<b>Total Liabilities</b>	<b>274,548</b>	<b>271,335</b>	<b>265,826</b>	<b>234,778</b>	<b>39,770</b>	<b>17%</b>
<b>Shareholders' equity</b>						
Common stock	\$ 26,415	17,135	17,106	17,077	9,338	55%
Retained earnings	8,323	7,531	6,959	6,452	1,871	29%
<b>Total shareholders' equity</b>	<b>34,738</b>	<b>24,666</b>	<b>24,065</b>	<b>23,529</b>	<b>11,209</b>	<b>48%</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 309,286</b>	<b>\$ 296,001</b>	<b>\$ 289,891</b>	<b>\$ 258,307</b>	<b>\$ 50,979</b>	<b>20%</b>
Book Value per Common Share	\$ 17.19	\$ 16.22	\$ 15.82	\$ 15.68	\$ 1.51	10%
Total Common Shares Outstanding	2,021,003	1,521,003	1,521,003	1,500,675	520,328	35%
<b>Capital Ratios</b>						
Tier 1 Leverage ratio	11.29%	8.70%	8.26%	9.68%	1.61%	17%
Tier 1 RBC ratio	15.36%	11.22%	11.82%	13.09%	2.27%	17%
Common Equity Tier 1 RBC ratio	15.36%	11.22%	11.82%	13.09%	2.27%	17%
Total Risk-Based Capital (RBC) ratio	16.61%	12.48%	13.07%	14.35%	2.26%	16%
<b>Other Ratios</b>						
Non-interest bearing to Total Deposits	41.53%	42.66%	43.11%	39.02%	2.51%	6%
Loan to Deposit ratio	95.02%	91.89%	86.68%	88.46%	6.56%	7%
Allowance for Loan Losses to Total Loans	1.39%	1.38%	1.38%	1.35%	0.04%	3%
ALLL to Nonperforming Loans	n/a	n/a	904%	n/a	n/a	n/a
Nonperforming Assets to Total Assets	n/a	n/a	0.12%	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	
	6/30/2018	3/31/2018	12/31/2017	6/30/2017	\$	%
Interest on loans, including fees	\$ 3,140	\$ 2,893	\$ 2,628	\$ 2,355	\$ 785	33%
Interest on deposits in banks	198	141	212	92	106	115%
Other interest income	18	18	18	16	2	13%
<b>Total interest income</b>	<b>3,356</b>	<b>3,052</b>	<b>2,858</b>	<b>2,463</b>	<b>893</b>	<b>36%</b>
Deposits interest expense	(223)	(184)	(187)	(150)	(73)	49%
Other interest expense	-	-	-	-	-	0%
<b>Total interest expense</b>	<b>(223)</b>	<b>(184)</b>	<b>(187)</b>	<b>(150)</b>	<b>(73)</b>	<b>49%</b>
<b>Net interest income</b>	<b>3,133</b>	<b>2,868</b>	<b>2,671</b>	<b>2,313</b>	<b>820</b>	<b>35%</b>
Provision for loan losses	(200)	(260)	(280)	(155)	(45)	29%
<b>Net interest income after provision</b>	<b>2,933</b>	<b>2,608</b>	<b>2,391</b>	<b>2,158</b>	<b>775</b>	<b>36%</b>
Service charges on deposits	48	48	46	52	(4)	-8%
Gains on sale of loans	201	84	57	190	11	6%
Other non-interest income	57	70	70	27	30	111%
<b>Total non-interest income</b>	<b>306</b>	<b>202</b>	<b>173</b>	<b>269</b>	<b>37</b>	<b>14%</b>
Salaries and employee benefits expense	(1,430)	(1,315)	(1,214)	(1,114)	(316)	28%
Occupancy and equipment expense	(195)	(189)	(189)	(206)	11	-5%
Other operating expense	(486)	(492)	(456)	(424)	(62)	15%
<b>Total non-interest expense</b>	<b>(2,111)</b>	<b>(1,996)</b>	<b>(1,859)</b>	<b>(1,744)</b>	<b>(367)</b>	<b>21%</b>
<b>Income before income taxes</b>	<b>1,128</b>	<b>814</b>	<b>705</b>	<b>683</b>	<b>445</b>	<b>65%</b>
Income tax expense	(335)	(243)	(694)	(283)	(52)	18%
<b>Net income</b>	<b>\$ 793</b>	<b>\$ 571</b>	<b>\$ 11</b>	<b>\$ 400</b>	<b>\$ 393</b>	<b>98%</b>
Basic Earnings per Share	\$ 0.47	\$ 0.38	\$ 0.01	\$ 0.27	\$ 0.20	74%
Average Shares Outstanding	1,681,994	1,500,675	1,500,675	1,500,675	181,319	12%
Diluted Earnings per Share	\$ 0.47	\$ 0.38	\$ 0.01	\$ 0.27	\$ 0.20	74%
Average Shares Outstanding	1,687,463	1,503,472	1,501,716	1,500,675	186,788	12%
<b>Annualized Performance Ratios</b>						
Return on Average Assets	1.04%	0.81%	0.02%	0.66%	0.38%	58%
Return on Average Common Equity	10.68%	9.37%	0.18%	6.86%	3.82%	56%
Net Interest Margin	4.21%	4.19%	3.80%	3.94%	0.27%	7%
Cost of Funds	0.33%	0.28%	0.29%	0.27%	0.06%	22%
Efficiency Ratio	61.38%	65.02%	65.37%	67.54%	-6.16%	-9%

**Bank of San Francisco**

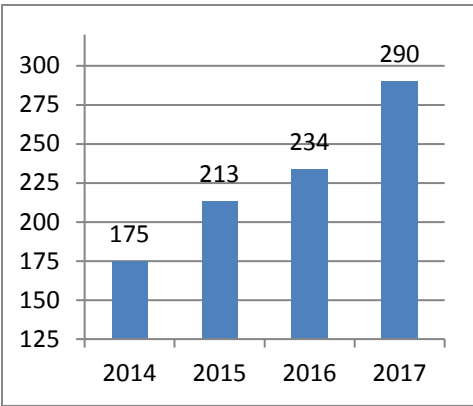
**Statement of Income (Unaudited)**

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

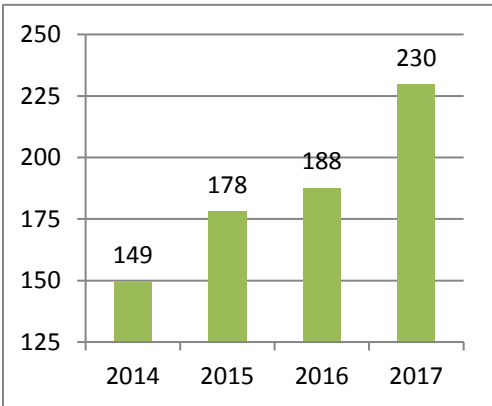
	Six Month Ended		Year Over Year Change	
	6/30/2018	6/30/2017	\$	%
Interest on loans, including fees	\$ 6,033	\$ 4,647	\$ 1,386	30%
Interest on deposits in banks	339	133	206	155%
Other interest income	36	37	(1)	-3%
<b>Total interest income</b>	<b>6,408</b>	<b>4,817</b>	<b>1,591</b>	<b>33%</b>
Deposits interest expense	(407)	(281)	(126)	45%
Other interest expense	-	(7)	7	-100%
<b>Total interest expense</b>	<b>(407)</b>	<b>(288)</b>	<b>(119)</b>	<b>41%</b>
<b>Net interest income</b>	<b>6,001</b>	<b>4,529</b>	<b>1,472</b>	<b>33%</b>
Provision for loan losses	(460)	(210)	(250)	119%
<b>Net interest income after provision</b>	<b>5,541</b>	<b>4,319</b>	<b>1,222</b>	<b>28%</b>
Service charges on deposits	96	101	(5)	-5%
Gains on sale of loans	285	272	13	5%
Other non-interest income	127	74	53	72%
<b>Total non-interest income</b>	<b>508</b>	<b>447</b>	<b>61</b>	<b>14%</b>
Salaries and employee benefits expense	(2,745)	(2,217)	(528)	24%
Occupancy and equipment expense	(384)	(394)	10	-3%
Other operating expense	(978)	(784)	(194)	25%
<b>Total non-interest expense</b>	<b>(4,107)</b>	<b>(3,395)</b>	<b>(712)</b>	<b>21%</b>
<b>Income before income taxes</b>	<b>1,942</b>	<b>1,371</b>	<b>571</b>	<b>42%</b>
Income tax expense	(578)	(568)	(10)	2%
<b>Net income</b>	<b>\$ 1,364</b>	<b>\$ 803</b>	<b>\$ 561</b>	<b>70%</b>
Basic Earnings per Share	\$ 0.86	\$ 0.54	\$ 0.32	59%
Average Shares Outstanding	1,591,835	1,500,675	91,160	6%
Diluted Earnings per Share	\$ 0.85	\$ 0.54	\$ 0.31	57%
Average Shares Outstanding	1,596,523	1,500,675	95,848	6%
<b>Performance Ratios</b>				
Return on Average Assets	0.93%	0.69%	0.24%	35%
Return on Average Common Equity	9.80%	6.94%	2.86%	41%
Net Interest Margin	4.20%	4.00%	0.20%	5%
Cost of Funds	0.30%	0.26%	0.04%	15%
Efficiency Ratio	63.10%	68.23%	-5.13%	-8%

# FINANCIAL HIGHLIGHTS

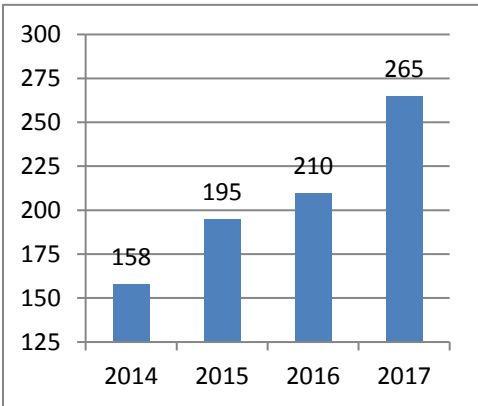
Total Assets (\$ Millions)



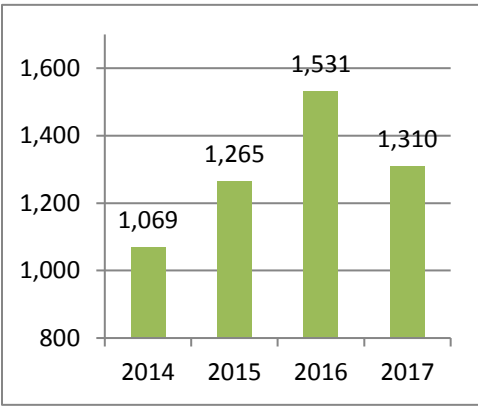
Total Loans (\$ Millions)



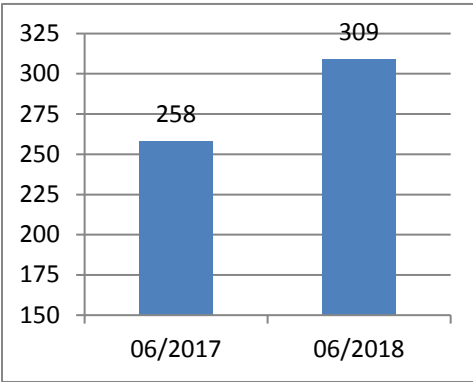
Total Deposits (\$ Millions)



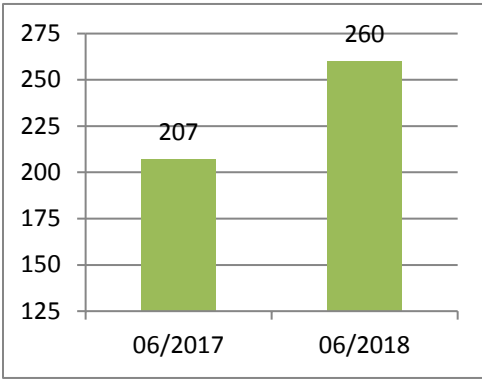
Net Profit (\$ Thousands)



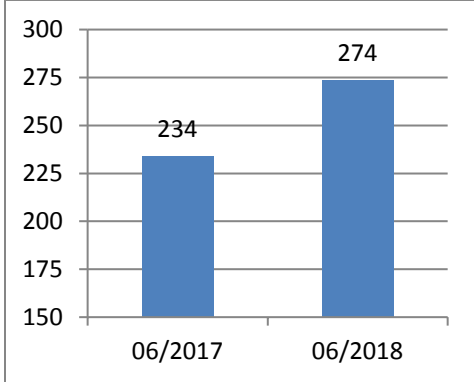
Total Assets (\$ Millions)



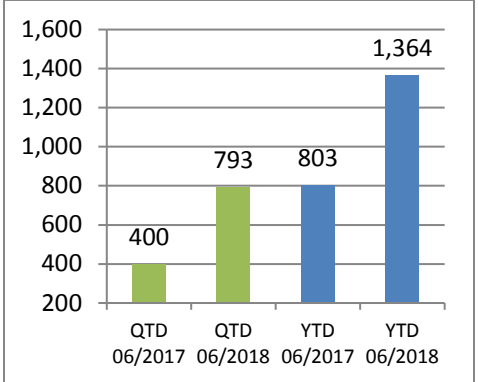
Total Loans (\$ Millions)



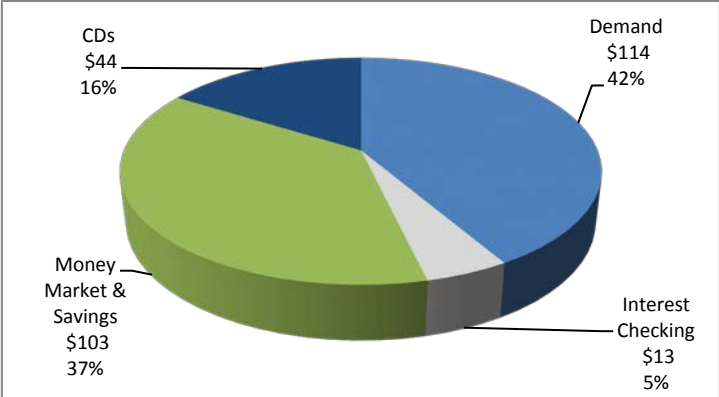
Total Deposits (\$ Millions)



Net Profit (\$ Thousands)



Deposit Composition (\$ Millions)



As of 6/30/18

Loan Composition (\$ Millions)

