



FOR IMMEDIATE RELEASE

Bank of San Francisco Reports Results for the Third Quarter of 2018

SAN FRANCISCO, CA – (11/06/2018)—Bank of San Francisco, a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the third quarter ended September 30, 2018. Net income for the third quarter grew by 18% to \$938,000, or \$0.47 per share, compared to the prior quarter and was an increase from \$496,000, or \$0.33 per share, earned for the same period in 2017.

“Loan growth as well as increased net interest margin and expense management contributed to another quarter of increased profitability. As part of our growth strategy, we are pleased to announce the opening of a Loan Production Office in Walnut Creek in the first quarter of 2019,” said Wendy Ross, President, Bank of San Francisco.

Financial Highlights:

- Net Income was \$938,000 for the third quarter compared to \$793,000 for the prior quarter. Net income growth was primarily from growth in net interest income, which increased as a result of loan growth and margin benefits from the Federal Reserve rate increases.
- Net Interest Income was \$3,382,000 for the third quarter of 2018, an increase of \$249,000 over the preceding quarter, and \$858,000 over the \$2,524,000 achieved in the third quarter of 2017. Net interest margin continued to increase in the third quarter to 4.34% from 4.21% in the preceding quarter and 3.84% in the third quarter of 2017. The Bank’s continued loan growth and the impact of the rate increases by the Federal Reserve on loans and liquid assets contributed to the increase in revenue. However, the increase in the cost of funds from 0.33% to 0.36% moderated the incremental growth compared to the preceding quarter.
- Operating Expenses were \$2,016,000 for the third quarter of 2018, a decrease of \$95,000 over the preceding quarter and an increase of \$260,000 over the \$1,756,000 reported for the third quarter of 2017. Lower commission and vacation expenses contributed to the lower Salaries and Employee Benefits expense for the third quarter. With the lower operating expenses, the efficiency ratio improved to 57.93% for the third quarter.
- Diluted Earnings per Common Share were \$0.47 for the quarter, unchanged compared to the second quarter of 2018, and up from \$0.33 for the third quarter of 2017. Earnings per Common Share were impacted by the 500,000 in newly issued common shares on May 29, 2018.
- Total Loans, net of deferred fees, were up \$12 million from June 30, 2018, and up \$63 million from September 30, 2017. Loan growth was comparable to the preceding quarter’s growth and came primarily from residential real estate and commercial and industrial loans.

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- Total Deposits were up \$11 million from June 30, 2018 and up \$29 million from September 30, 2017. Deposits grew in the third quarter with the increase largely from non-interest bearing deposits, resulting in a Non-Interest Bearing to Total Deposits ratio of 43.26%, a 1.73% increase compared to the preceding quarter-end. Growth from existing relationships contributed to the majority of the deposit growth. Although the non-interest bearing deposits category experienced the largest growth in the third quarter, the 0.03% increase in cost of funds reflected the growing pressure for increased deposit rates as the Federal Reserve increases rates.
- 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 1.38% at September 30, 2018, a slight decrease from 1.39% at June 30, 2018. Loan loss provision expense for the third quarter was \$130,000 due to loan growth.
- Book Value per Share increased to \$17.67 per share at September 30, 2018, from \$17.19 at June 30, 2018 and \$15.80 per share at September 30, 2017.
- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 11.14%, Tier 1 Risk Based Capital and Common Equity Tier 1 ratios of 15.32%, and a Total Risk Based Capital ratio of 16.58%.

“We look forward to being a part of and serving the Walnut Creek and greater East Bay community,” said Ed Obuchowski, CEO, 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. 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

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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	
	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017	\$	%
Assets							
Cash and due from banks	\$ 6,611	\$ 7,028	\$ 6,210	\$ 7,358	\$ 5,104	\$ 1,507	30%
Interest bearing deposits in banks	42,243	41,848	41,487	52,657	65,593	(23,350)	-36%
Total cash and cash equivalents	48,854	48,876	47,697	60,015	70,697	(21,843)	-31%
Loans, net of deferred costs/fees	272,147	259,932	248,216	229,521	208,843	63,304	30%
Allowance for Loan Losses	(3,755)	(3,625)	(3,425)	(3,165)	(2,885)	(870)	30%
Loans, net of allowance of loan losses	268,392	256,307	244,791	226,356	205,958	62,434	30%
Premises and equipment, net	299	313	318	346	363	(64)	-18%
Accrued interest receivable & other assets	3,759	3,790	3,195	3,174	3,292	467	14%
Total Assets	<u>\$ 321,304</u>	<u>\$ 309,286</u>	<u>\$ 296,001</u>	<u>\$ 289,891</u>	<u>\$ 280,310</u>	<u>\$ 40,994</u>	<u>15%</u>
Liabilities							
Non-interest bearing deposits	\$ 123,099	\$ 113,606	\$ 115,227	\$ 114,155	\$ 105,690	\$ 17,409	16%
Interest bearing deposits	161,478	159,955	154,900	150,639	149,674	11,804	8%
Total deposits	284,577	273,561	270,127	264,794	255,364	29,213	11%
Accrued interest payable and other liabilities	1,023	987	1,208	1,032	921	102	11%
Total Liabilities	285,600	274,548	271,335	265,826	256,285	29,315	11%
Shareholders' equity							
Common stock	\$ 26,443	\$ 26,415	17,135	17,106	17,077	9,366	55%
Retained earnings	9,261	8,323	7,531	6,959	6,948	2,313	33%
Total shareholders' equity	35,704	34,738	24,666	24,065	24,025	11,679	49%
Total Liabilities & Shareholders' Equity	<u>\$ 321,304</u>	<u>\$ 309,286</u>	<u>\$ 296,001</u>	<u>\$ 289,891</u>	<u>\$ 280,310</u>	<u>\$ 40,994</u>	<u>15%</u>
Book Value per Common Share	\$ 17.67	\$ 17.19	\$ 16.22	\$ 15.82	\$ 15.80	\$ 1.87	12%
Total Common Shares Outstanding	2,021,003	2,021,003	1,521,003	1,521,003	1,521,003	500,000	33%
Capital Ratios							
Tier 1 Leverage ratio	11.14%	11.29%	8.70%	8.26%	8.85%	2.29%	26%
Tier 1 RBC ratio	15.32%	15.36%	11.22%	11.82%	12.87%	2.45%	19%
Common Equity Tier 1 RBC ratio	15.32%	15.36%	11.22%	11.82%	12.87%	2.45%	19%
Total Risk-Based Capital (RBC) ratio	16.58%	16.61%	12.48%	13.07%	14.12%	2.46%	17%
Other Ratios							
Non-interest bearing to Total Deposits	43.26%	41.53%	42.66%	43.11%	41.39%	1.87%	5%
Loan to Deposit ratio	95.63%	95.02%	91.89%	86.68%	81.78%	13.85%	17%
Allowance for Loan Losses to Total Loans	1.38%	1.39%	1.38%	1.38%	1.38%	0.00%	0%
ALLL to Nonperforming Loans	n/a	n/a	n/a	904%	n/a	n/a	n/a
Nonperforming Assets to Total Assets	n/a	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		
	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017	\$	%
Interest on loans, including fees	\$ 3,383	\$ 3,140	\$ 2,893	\$ 2,628	\$ 2,524	\$ 859	34%
Interest on deposits in banks	229	198	141	212	171	58	34%
Other interest income	22	18	18	18	18	4	22%
Total interest income	3,634	3,356	3,052	2,858	2,713	921	34%
Deposits interest expense	(252)	(223)	(184)	(187)	(189)	(63)	33%
Other interest expense	-	-	-	-	-	-	0%
Total interest expense	(252)	(223)	(184)	(187)	(189)	(63)	33%
Net interest income	3,382	3,133	2,868	2,671	2,524	858	34%
Provision for loan losses	(130)	(200)	(260)	(280)	(100)	(30)	30%
Net interest income after provision	3,252	2,933	2,608	2,391	2,424	828	34%
Service charges on deposits	48	48	48	46	49	(1)	-2%
Gains on sale of loans	-	201	84	57	75	(75)	-100%
Other non-interest income	50	57	70	70	53	(3)	-6%
Total non-interest income	98	306	202	173	177	(79)	-45%
Salaries and employee benefits expense	(1,353)	(1,430)	(1,315)	(1,214)	(1,129)	(224)	20%
Occupancy and equipment expense	(191)	(195)	(189)	(189)	(185)	(6)	3%
Other operating expense	(472)	(486)	(492)	(456)	(442)	(30)	7%
Total non-interest expense	(2,016)	(2,111)	(1,996)	(1,859)	(1,756)	(260)	15%
Income before income taxes	1,334	1,128	814	705	845	489	58%
Income tax expense	(396)	(335)	(243)	(694)	(349)	(47)	13%
Net income	\$ 938	\$ 793	\$ 571	\$ 11	\$ 496	\$ 442	89%
Basic Earnings per Share	\$ 0.47	\$ 0.47	\$ 0.38	\$ 0.01	\$ 0.33	\$ 0.14	42%
Average Shares Outstanding	2,000,749	1,681,994	1,500,675	1,500,675	1,500,675	500,074	33%
Diluted Earnings per Share	\$ 0.47	\$ 0.47	\$ 0.38	\$ 0.01	\$ 0.33	\$ 0.15	45%
Average Shares Outstanding	2,001,183	1,687,463	1,503,472	1,501,716	1,500,675	503,594	34%
Annualized Performance Ratios							
Return on Average Assets	1.18%	1.04%	0.81%	0.02%	0.74%	0.44%	59%
Return on Average Common Equity	10.65%	10.68%	9.37%	0.18%	8.34%	2.31%	28%
Net Interest Margin	4.34%	4.21%	4.19%	3.80%	3.84%	0.50%	13%
Cost of Funds	0.36%	0.33%	0.28%	0.29%	0.31%	0.05%	16%
Efficiency Ratio	57.93%	61.38%	65.02%	65.37%	65.01%	-7.08%	-11%

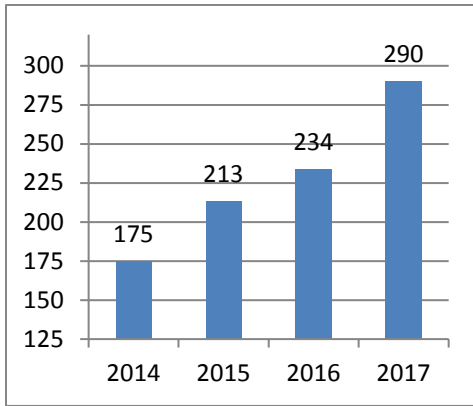
Bank of San Francisco**Statement of Income (Unaudited)**

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

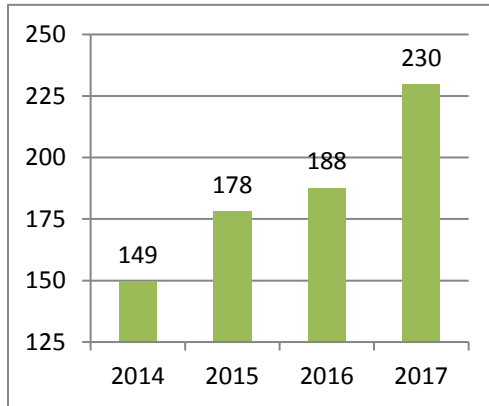
	Nine Month Ended		Year Over Year Change	
	9/30/2018	9/30/2017	\$	%
Interest on loans, including fees	\$ 9,416	\$ 7,171	\$ 2,245	31%
Interest on deposits in banks	568	304	264	87%
Other interest income	58	55	3	5%
Total interest income	10,042	7,530	2,512	33%
Deposits interest expense	(659)	(470)	(189)	40%
Other interest expense	-	(7)	7	-100%
Total interest expense	(659)	(477)	(182)	38%
Net interest income	9,383	7,053	2,330	33%
Provision for loan losses	(590)	(310)	(280)	90%
Net interest income after provision	8,793	6,743	2,050	30%
Service charges on deposits	144	150	(6)	-4%
Gains on sale of loans	285	347	(62)	-18%
Other non-interest income	177	127	50	39%
Total non-interest income	606	624	(18)	-3%
Salaries and employee benefits expense	(4,098)	(3,346)	(752)	22%
Occupancy and equipment expense	(575)	(579)	4	-1%
Other operating expense	(1,450)	(1,226)	(224)	18%
Total non-interest expense	(6,123)	(5,151)	(972)	19%
Income before income taxes	3,276	2,216	1,060	48%
Income tax expense	(974)	(917)	(57)	6%
Net income	\$ 2,302	\$ 1,299	\$ 1,003	77%
Basic Earnings per Share	\$ 1.32	\$ 0.87	\$ 0.45	52%
Average Shares Outstanding	1,749,789	1,500,675	249,114	17%
Diluted Earnings per Share	\$ 1.32	\$ 0.87	\$ 0.44	51%
Average Shares Outstanding	1,749,789	1,500,675	251,863	17%
Performance Ratios				
Return on Average Assets	1.02%	0.71%	0.31%	44%
Return on Average Common Equity	10.30%	7.42%	2.88%	39%
Net Interest Margin	4.25%	3.94%	0.31%	8%
Cost of Funds	0.32%	0.28%	0.04%	14%
Efficiency Ratio	61.30%	67.10%	-5.80%	-9%

FINANCIAL HIGHLIGHTS

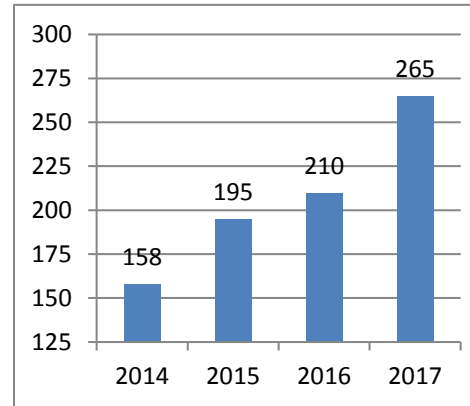
Total Assets (\$ Millions)



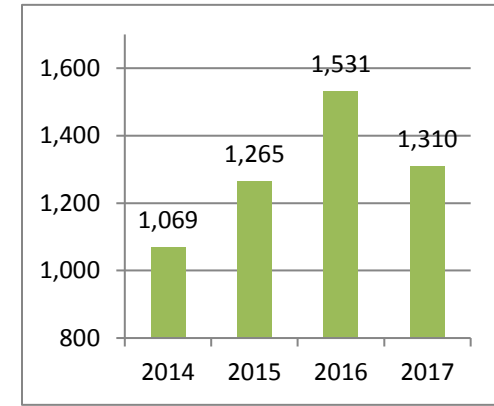
Total Loans (\$ Millions)



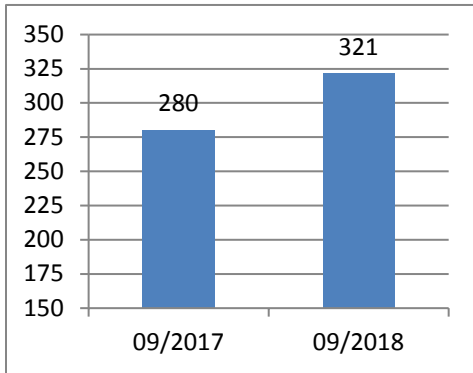
Total Deposits (\$ Millions)



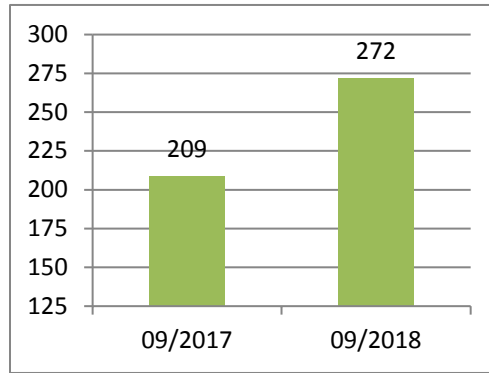
Net Profit (\$ Thousands)



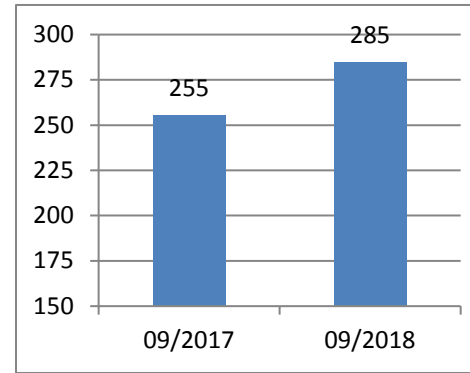
Total Assets (\$ Millions)



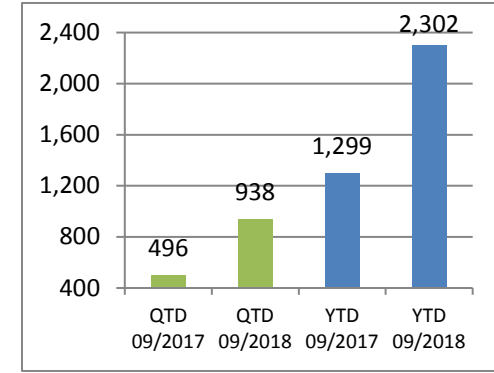
Total Loans (\$ Millions)



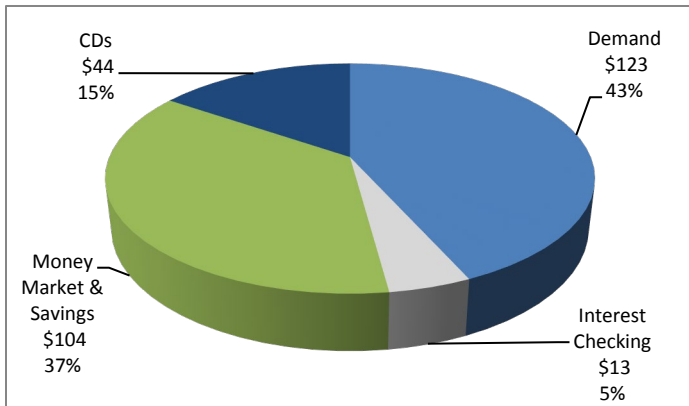
Total Deposits (\$ Millions)



Net Profit (\$ Thousands)



Deposit Composition (\$ Millions)



As of 9/30/18

Loan Composition (\$ Millions)

