

FOR IMMEDIATE RELEASE

Bank of San Francisco Reports Results for the Fourth Quarter of 2017 and Full Year

SAN FRANCISCO, CA – (02/12/2018)—Bank of San Francisco, a modern community bank serving the Bay Area, announced unaudited results for the fourth quarter and full year ended December 31, 2017. Net income for the fourth quarter was \$11,000 compared to \$374,000 for the same period in 2016. Results for the fourth quarter of 2017 included a \$411,000 charge to income tax expense as a result of the Tax Cuts and Jobs Act of 2017. Absent the adjustment, net income for the fourth quarter of 2017 would have been \$422,000.

“In 2017, we continued to execute our accelerated growth plan. We had record increases in loans, deposits and assets, and the highest core pretax income ever, while maintaining outstanding credit quality and improving operational efficiency. We are optimistic about 2018 as a result of these factors combined with a lower federal income tax rate,” said Ed Obuchowski, CEO, Bank of San Francisco.

Financial Highlights:

- Net income was \$11,000 for the fourth quarter compared to \$496,000 for the prior quarter. Net income was \$1,310,000 for 2017 compared to \$1,531,000 for 2016. Results for the fourth quarter included a \$411,000 charge to income tax expense due to the revaluation of our deferred tax asset as a result of the tax law change. Pretax income was \$705,000 for the fourth quarter, compared to \$845,000 for the prior quarter. Pretax income was \$2,921,000 for 2017, an increase of 12% compared to \$2,598,000 for 2016.
- Net interest income was \$2,671,000 for the fourth quarter of 2017, an increase of \$147,000 over the preceding quarter and \$395,000 over the \$2,276,000 achieved in the fourth quarter of 2016. Net interest income was \$9,724,000 for 2017, up 12% over 2016. Our continued loan growth and the impact of the rate increases by the Federal Reserve on both loans and liquidity contributed to the increase in revenue. Net interest margin decreased in the fourth quarter to 3.80% from 3.84% in the third quarter of 2017. Net interest margin for the full year was 3.90%, down from 4.05% in 2016. The decrease was due mainly to higher levels of average Liquid Assets carried during the fourth quarter, compared to the prior quarter, and in 2017, compared to 2016. The low interest rate environment and competition for quality loans also contributed to the decrease. Cost of Funds was down by 0.03% for the fourth quarter as the balance of some higher rate interest bearing accounts were reduced during the quarter. Cost of Funds for the full year was 0.28%, up from 0.25% in 2016. The higher level of interest bearing deposits and rate increases contributed to the 2017 increase.

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- Operating expenses were \$1,859,000 for the fourth quarter of 2017, an increase of \$103,000 over the preceding quarter and an increase of \$198,000 over the \$1,661,000 reported for the fourth quarter of 2016. Operating expenses were \$7,010,000 in 2017, a 6% increase from 2016. Higher compensation, reflecting a full calendar for the four full-time employees who joined the Bank in the third quarter and higher employee counts in the second half of 2017, contributed to the increase in operating expenses in the fourth quarter of 2017 and for 2017. Although operating expenses increased in 2017, the efficiency ratio for the full year improved from 69.83% to 66.63% as income growth outpaced expense growth.
- Diluted earnings per common share were \$0.01 for the quarter and \$0.87 for the year. Of the 21,714 shares of restricted stock granted on September 30, 2017, a grant of 1,386 shares was not completed because the grantee left the Bank prior to signing the Notice of Grant and Stock Award Agreement.
- Total Loans, net of deferred fees, were up \$21 million from September 30, 2017 and up \$42 million from December 31, 2016. Loan growth was particularly strong in the fourth quarter. The loan growth for the fourth quarter of 2017 and for the full year was primarily from commercial and residential real estate loans.
- Total Deposits were up \$9 million from September 30, 2017 and up \$55 million from December 31, 2016. \$8 million of the fourth quarter deposit growth came from non-interest bearing deposits, which is reflected in the 1.72% increase to 43.11% in the non-interest bearing to total deposits ratio. Deposit growth in 2017 was relatively even between interest and non-interest bearing deposits with money market deposits contributing the most to the growth.
- Credit Quality remains strong and stable with no non-accrual loans. Documentation delays due to the death of the person authorized to sign loan documents on behalf of our corporate borrower caused a well-collateralized loan to be 90 days past due. Loan loss provision expense for the fourth quarter was \$280,000 due to the loan growth in the fourth quarter. The allowance for loan and lease loss reserve ratio was 1.38% at December 30, 2017, unchanged from September 30, 2017.
- Book value per share increased to \$15.82 per share at December 31, 2017 from \$15.80 at September 30, 2017 and \$15.14 per share at December 31, 2016. Book value per share at December 31, 2017 and September 30, 2017 are based on 1,521,003 shares outstanding. This number 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 8.26%, Tier 1 Risk Based Capital and Common Equity Tier 1 ratios of 11.82% and a Total Risk Based Capital ratio of 13.07%.

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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 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. 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 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	
	12/31/2017	9/30/2017	12/31/2016	\$	%
Assets					
Cash and due from banks	\$ 7,358	\$ 5,104	\$ 4,564	\$ 2,794	61%
Interest bearing deposits in banks	52,657	65,593	40,562	12,095	30%
Total cash and cash equivalents	60,015	70,697	45,126	14,889	33%
Loans, net of deferred costs/fees	229,521	208,843	187,572	41,949	22%
Allowance for Loan Losses	(3,165)	(2,885)	(2,575)	(590)	23%
Loans, net of allowance of loan losses	226,356	205,958	184,997	41,359	22%
Premises and equipment, net	346	363	424	(78)	-18%
Accrued interest receivable & other assets	3,174	3,292	2,980	194	7%
Total Assets	\$ 289,891	\$ 280,310	\$ 233,527	\$ 56,364	24%
Liabilities					
Non-interest bearing deposits	\$ 114,155	\$ 105,690	\$ 89,343	\$ 24,812	28%
Interest bearing deposits	150,639	149,674	120,488	30,151	25%
Total deposits	264,794	255,364	209,831	54,963	26%
Accrued interest payable and other liabilities	1,032	921	970	62	6%
Total Liabilities	265,826	256,285	210,801	55,025	26%
Shareholders' equity					
Common stock	17,106	17,077	17,077	29	0%
Retained earnings	6,959	6,948	5,649	1,310	23%
Total shareholders' equity	24,065	24,025	22,726	1,339	6%
Total Liabilities & Shareholders' Equity	\$ 289,891	\$ 280,310	\$ 233,527	\$ 56,364	24%
Book Value per Common Share	\$ 15.82	\$ 15.80	\$ 15.14	\$ 0.68	4%
Total Common Shares Outstanding	1,521,003	1,521,003	1,500,675	20,328	1%
Capital Ratios					
Tier 1 Leverage ratio	8.26%	8.85%	9.66%	-1.40%	-14%
Tier 1 RBC ratio	11.82%	12.87%	13.83%	-2.01%	-15%
Common Equity Tier 1 RBC ratio	11.82%	12.87%	13.83%	-2.01%	-15%
Total Risk-Based Capital (RBC) ratio	13.07%	14.12%	15.08%	-2.01%	-13%
Other Ratios					
Non-interest bearing to Total Deposits	43.11%	41.39%	42.58%	0.53%	1%
Loan to Deposit ratio	86.68%	81.78%	89.39%	-2.71%	-3%
Allowance for Loan Losses to Total Loans	1.38%	1.38%	1.37%	0.01%	0%
ALLL to Nonperforming Loans	904%	0.00%	0.00%	904.29%	0%
Nonperforming Assets to Total Assets	0.12%	0.00%	0.00%	0.12%	0%

Bank of San Francisco

Statement of Income (Unaudited)

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

	Three Months Ended			Year Over Year Change	
	12/31/2017	9/30/2017	12/31/2016	\$	%
Interest on loans, including fees	\$ 2,628	\$ 2,524	\$ 2,303	\$ 325	14%
Interest on deposits in banks	212	171	47	165	351%
Other interest income	18	18	53	(35)	-66%
Total interest income	2,858	2,713	2,403	455	19%
Deposits interest expense	(187)	(189)	(127)	(60)	47%
Other interest expense	0	0	0	0	0%
Total interest expense	(187)	(189)	(127)	(60)	47%
Net interest income	2,671	2,524	2,276	395	17%
Provision for loan losses	(280)	(100)	(79)	(201)	254%
Net interest income after provision	2,391	2,424	2,197	194	9%
Service charges on deposits	46	49	47	(1)	-2%
Gains on sale of loans	57	75	0	57	0%
Other non-interest income	70	53	39	31	79%
Total non-interest income	173	177	86	87	101%
Salaries and employee benefits expense	(1,214)	(1,129)	(1,073)	(141)	13%
Occupancy and equipment expense	(189)	(185)	(172)	(17)	10%
Other operating expense	(456)	(442)	(416)	(40)	10%
Total non-interest expense	(1,859)	(1,756)	(1,661)	(198)	12%
Income before income taxes	705	845	622	83	13%
Income tax expense	(694)	(349)	(248)	(446)	180%
Net income	\$ 11	\$ 496	\$ 374	\$ (363)	-97%
Basic Earnings per Share	\$ 0.01	\$ 0.33	\$ 0.25	\$ (0.24)	-96%
Average Shares Outstanding	1,500,675	1,500,675	1,500,675	-	0%
Diluted Earnings per Share	\$ 0.01	\$ 0.33	\$ 0.25	\$ (0.24)	-96%
Average Shares Outstanding	1,501,716	1,500,675	1,500,675	1,041	0%
Annualized Performance Ratios					
Return on Average Assets	0.02%	0.74%	0.64%	-0.62%	-97%
Return on Average Common Equity	0.18%	8.29%	6.61%	-6.43%	-97%
Net Interest Margin	3.80%	3.84%	4.02%	-0.22%	-5%
Cost of Funds	0.28%	0.31%	0.24%	0.04%	17%
Efficiency Ratio	65.37%	65.01%	70.32%	-4.95%	-7%

Bank of San Francisco

Statement of Income (Unaudited)

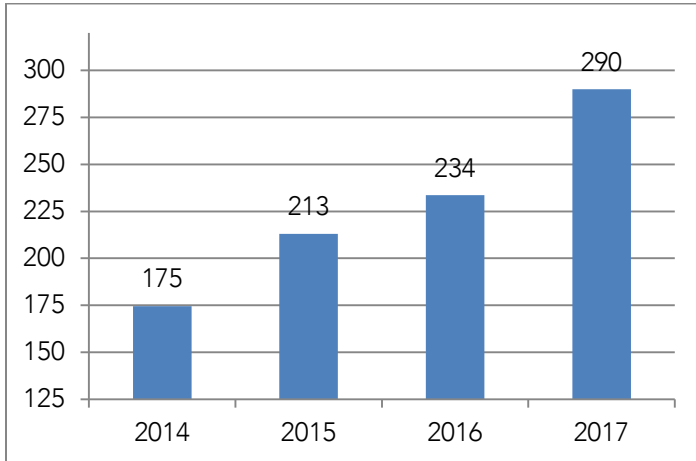
(\$000, except share and per share amounts)

	Twelve Month Ended		Year Over Year Change	
	12/31/2017	12/31/2016	\$	%
Interest on loans, including fees	\$ 9,799	\$ 8,895	\$ 904	10%
Interest on deposits in banks	516	142	374	263%
Other interest income	73	103	(30)	-29%
Total interest income	10,388	9,140	1,248	14%
Deposits interest expense	(657)	(488)	(169)	35%
Other interest expense	(7)	(4)	(3)	75%
Total interest expense	(664)	(492)	(172)	35%
Net interest income	9,724	8,648	1,076	12%
Provision for loan losses	(590)	(253)	(337)	133%
Net interest income after provision	9,134	8,395	739	9%
Service charges on deposits	196	198	(2)	-1%
Gains on sale of loans	404	380	24	6%
Other non-interest income	197	225	(28)	-12%
Total non-interest income	797	803	(6)	-1%
Salaries and employee benefits expense	(4,560)	(4,141)	(419)	10%
Occupancy and equipment expense	(768)	(712)	(56)	8%
Other operating expense	(1,682)	(1,747)	65	-4%
Total non-interest expense	(7,010)	(6,600)	(410)	6%
Income before income taxes	2,921	2,598	323	12%
Income tax expense	(1,611)	(1,067)	(544)	51%
Net income	\$ 1,310	\$ 1,531	\$ (221)	-14%
Basic Earnings per Share	\$ 0.87	\$ 1.06	\$ (0.19)	-18%
Average Shares Outstanding	1,500,675	1,447,846	52,829	4%
Diluted Earnings per Share	\$ 0.87	\$ 1.06	\$ (0.19)	-18%
Average Shares Outstanding	1,501,716	1,447,846	53,870	4%
Performance Ratios				
Return on Average Assets	0.51%	0.70%	-0.19%	-27%
Return on Average Common Equity	5.58%	7.25%	-1.67%	-23%
Net Interest Margin	3.90%	4.05%	-0.15%	-4%
Cost of Funds	0.28%	0.25%	0.03%	12%
Efficiency Ratio	66.63%	69.83%	-3.20%	-5%

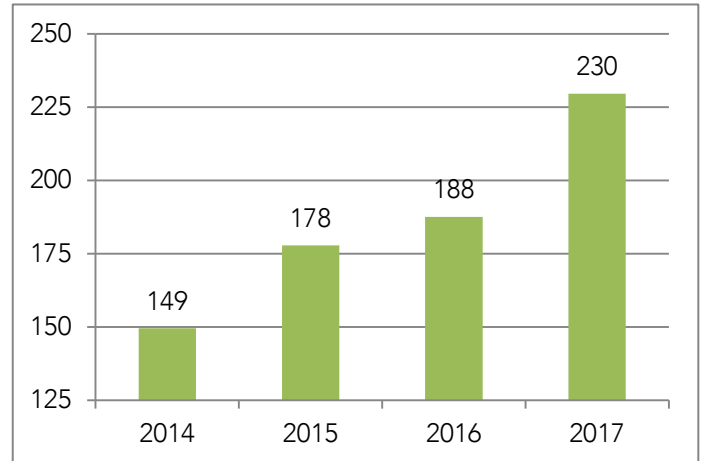
FINANCIAL HIGHLIGHTS



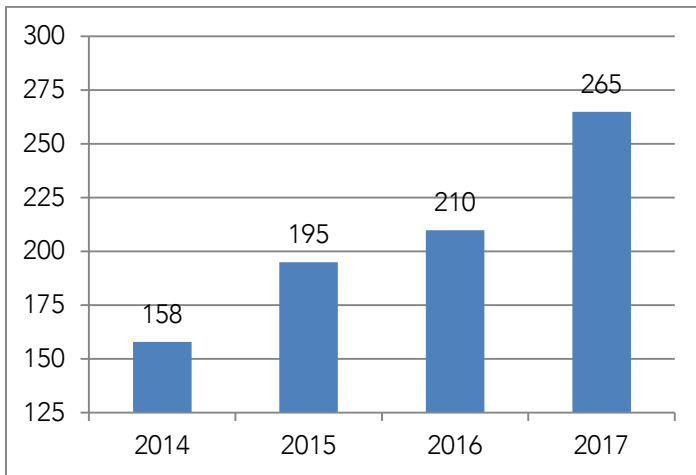
Total Assets (\$ Millions)



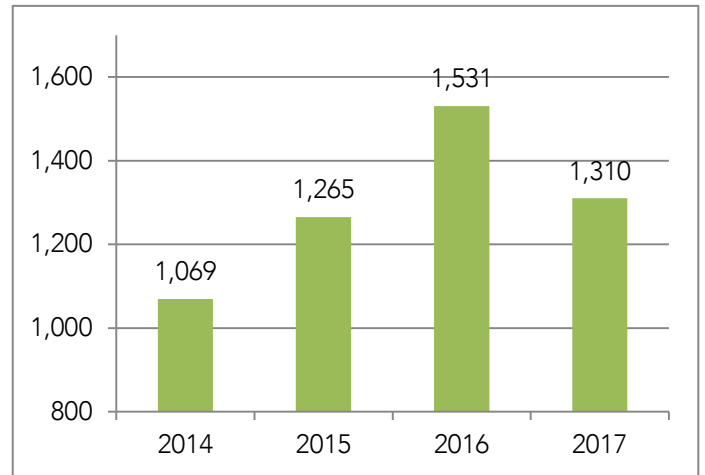
Total Loans (\$ Millions)



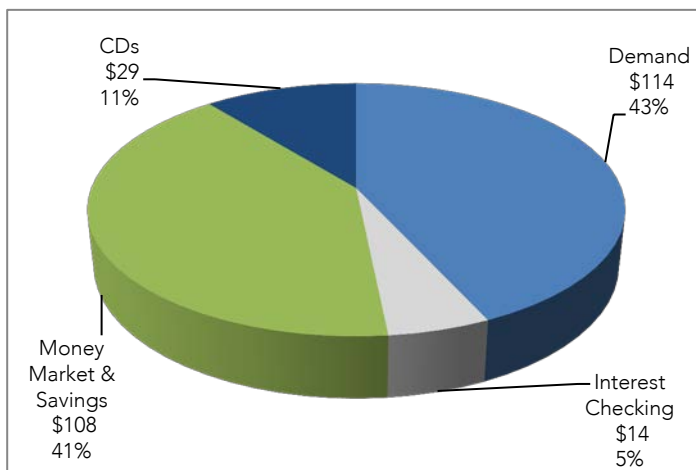
Total Deposits (\$ Millions)



Net Profit (\$ Thousands)



Deposits Composition (\$ Millions)



Loan Composition (\$ Millions)

