



FOR IMMEDIATE RELEASE

## **Bank of San Francisco Reports Results for the Quarter and Year Ended December 31, 2023**

SAN FRANCISCO, CA—(1/31/2024)—Bank of San Francisco (OTCQX: BSFO), a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the fourth quarter and year ended December 31, 2023. Net income for the year ended December 31, 2023, was \$6,930 thousand, or \$3.33 diluted earnings per share, compared to \$5,862 thousand, or \$2.85 diluted earnings per share, for the year ended December 31, 2022. Net income for the quarter was \$1,610 thousand, down \$241 thousand compared to the preceding quarter, and up from \$144 thousand achieved in the fourth quarter of 2022. Diluted earnings per share for the quarter were \$0.77, down \$0.12 compared to the preceding quarter, and up \$0.70 from \$0.07 diluted earnings per share achieved in the fourth quarter of 2022.

Wendy Ross, President, noted, “We were pleased with our operating performance and strong liquidity and capital positions during one the most challenging years for our industry. Throughout 2023, we stayed laser-focused on client service and credit quality. Our diversified client base and revenue streams, deep, long tenured client relationships, and dedicated team were key to our success in navigating this unprecedented period.”

### **Year-end 2023 results compared to year-end 2022:**

- Net income was \$6,930 thousand, an increase of \$1,068 thousand, or 18%. The increase reflected a decrease in provision expense of \$2,833 thousand, partially offset by a decrease in net interest income of \$1,155 thousand in 2023.
- Net interest income was \$21,734 thousand, a decrease of \$1,155 thousand, or 5%. The decrease was a result of loan interest and fee income increasing by \$1,932 thousand, or 8%, the increase in interest income earned on deposits in banks of \$2,595 thousand, and the increase in total interest expense of \$5,738 thousand.
- Cost of funds was 1.41%, up from 0.34%.
- Net interest margin was 3.68%, down from 3.84%.
- Operating expenses were \$12,518 thousand, up \$384 thousand, or 3%. This was the result of the \$395 thousand increase in salary expense, primarily from annual performance salary increases and a decrease in deferred salary due to lower loan production, as well as a decrease of \$140 thousand in other operating expenses, primarily related to one-time costs incurred in the prior year related to the Bank’s re-branding, and other projects in the prior year.

- The efficiency ratio was 55%, up from 52%.
- Diluted earnings per common share were \$3.33, up \$0.48.
- Total loans, net of deferred fees, were \$502 million, decreasing by \$20 million, or 4%, with Paycheck Protection Program (PPP) loans decreasing by \$3 million, and non-PPP loans decreasing by \$17 million, or 3%.
- Total deposits were \$535 million, increasing by \$13 million, or 3%. Brokered deposits increased by \$21 million, with relationship and collateralized deposits decreasing by \$8 million.
- Insured relationship deposits and collateralized deposits were 48% of total deposits. In addition to on-balance-sheet liquidity of \$101 million, the Bank had available borrowings of \$198 million for a liquidity capacity of \$299 million, compared to \$222 million in uninsured relationship deposits. There were no borrowings under the Bank's lines of credit at the Federal Reserve Bank and Federal Home Loan Bank of San Francisco.
- Book value per share increased to \$32.43, up from \$29.39 per share.

#### **Fourth-quarter 2023 results compared to fourth-quarter 2022:**

- Net income was \$1,610 thousand, an increase of \$1,466 thousand. The increase was primarily from the combination of a \$2,833 thousand decrease in provision expense, a decrease of \$486 thousand in net interest income, and a \$313 thousand increase in non-interest expense.
- Net interest income was \$5,504 thousand, a decrease of \$486 thousand, or 8%. The decline was the result of increased interest expense of \$1,323 thousand, which was partially offset by a \$177 thousand increase in loan interest and fee income and a \$645 thousand increase in interest earned on deposits in banks.
- Cost of funds was 1.61%, an increase of 0.99%.
- Net interest margin decreased to 3.70%, from 4.10%.
- Operating expenses were \$3,090 thousand, an increase of \$313 thousand, or 11%. The increase was primarily the result of increased salary and benefit expenses, from lower incentive compensation in the fourth quarter of 2022.
- The efficiency ratio was 55%, up from 46%.
- Diluted earnings per common share were \$0.77, up \$0.70.

#### **Fourth-quarter 2023 results compared to third-quarter 2023:**

- Net income was \$1,610 thousand, a decrease of \$241 thousand. The primary reason for the decrease was a \$290 thousand increase in provision expense.
- Net interest income was \$5,504 thousand, a \$117 thousand decrease. Interest expense increased by \$103 thousand, primarily from the increased industry pressure on deposit rates.
- Cost of funds increased to 1.61%, from 1.53%.

- Net interest margin decreased to 3.70%, from 3.72%.
- Operating expenses were \$3,090 thousand, a \$56 thousand decrease, primarily from decreased salary and benefit expense.
- The efficiency ratio remained the same at 55%.
- Diluted earnings per common share were \$0.77, down \$0.12.
- Total loans, net of deferred fees, were \$502 million, a decrease of \$3 million. Residential loans remained flat, and commercial loans decreased by \$3 million from various loan pay downs.
- Total deposits were \$535 million, a decrease of \$1 million. Brokered deposits increased by \$3 million, and relationship deposits decreased by \$4 million.
- Book value per share increased to \$32.43, up from \$31.61 per share.

#### **Asset quality:**

- The Allowance for Credit Losses was 1.34% as of December 31, 2023, decreasing by 0.08% from September 30, 2023. The Bank charged off \$734 thousand in non-performing loans in the quarter.
- As of December 31, 2023, the Bank had nine non-accrual loans totaling \$3.8 million, or 0.54% of the loan portfolio, down from \$4.0 million as of September 30, 2023. The non-accrual loans are to five borrowers: one in the transportation, three in the food industry, and one in the import industry. All non-accrual loans are supported by either an 80% guarantee by the State of California or a 75% Small Business Administration guarantee, with an unguaranteed exposure to the Bank of \$65 thousand.
- Classified loans totaled \$17.5 million, or 3.5%, of the total loan portfolio as of December 31, 2023, up from \$10.7 million in the preceding quarter.

#### **Capital:**

- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 11.21%, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 17.11%, and a Total Risk-Based Capital Ratio of 18.36% as of December 31, 2023.

Ed Obuchowski, CEO, noted, “As the only truly broadly owned local bank headquartered in San Francisco, we see tremendous opportunity ahead. We want to take advantage of our being local and able to make decisions quickly, with a reputation for providing an extraordinarily high level of service to our clients. With that in mind, we are extremely pleased to be launching Private Banking in 2024, and view this as a crucial element of our growth strategy. Margaret Mak, who has extensive private banking experience in our market, is heading up this important line of business for our Bank.”

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## **About Bank of San Francisco**

Bank of San Francisco is a forward-thinking community bank that reflects the best qualities of San Francisco and the Bay Area. We combine advanced, modern technology with the enduring values of high-touch, personalized financial services, delivered with agility and accountability.

Like the businesses, nonprofits, individuals and families we serve, the Bay Area is our home. We are a local bank, with significant ownership by members of the community. 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 our Bank, and to join our family of successful, community-minded clients, employees and investors. For more information about Bank of San Francisco, please call us at (415) 744-6700, or visit us at [www.bankbsf.com](http://www.bankbsf.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 new products and 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, capital needs and results of operations of Bank of San Francisco, and include, but are not limited to, local and national economic conditions; interest rate changes; inflation and monetary policy; 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 new products and technology enhancements; the impact of competitive products, services and pricing; acts of war, terrorism or civil unrest; the soundness or failure of other financial institutions that may directly or indirectly affect the Bank; potential deposit withdrawals triggered by client concerns following the failures of or risks at other depository institutions; the effect of the COVID-19 pandemic and other infectious illness outbreaks that may arise in the future; 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.

**Bank of San Francisco**
**Balance Sheets (Unaudited)**

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

	For the Periods Ended					Year Over Year Change	
	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	\$	%
<b>Assets</b>							
Cash and due from banks	\$ 12,853	\$ 6,107	\$ 8,397	\$ 6,826	\$ 5,588	\$ 7,265	130%
Interest bearing deposits in banks	88,701	93,850	86,036	77,073	54,451	34,250	63%
Total cash and cash equivalents	101,554	99,957	94,433	83,899	60,039	41,515	69%
Loans, net of deferred costs/fees	501,941	504,703	510,339	513,375	521,847	(19,906)	-4%
Allowance for credit losses	(6,745)	(7,188)	(7,188)	(7,188)	(6,382)	(363)	6%
Loans, net of allowance of credit losses	495,196	497,515	503,151	506,187	515,465	(20,269)	-4%
Premises and equipment, net	1,604	1,662	1,714	1,685	1,411	193	14%
Accrued interest receivable & other assets	13,622	13,056	13,101	13,118	14,437	(815)	-6%
<b>Total Assets</b>	<b>\$ 611,976</b>	<b>\$ 612,190</b>	<b>\$ 612,399</b>	<b>\$ 604,889</b>	<b>\$ 591,352</b>	<b>\$ 20,624</b>	<b>3%</b>
<b>Liabilities</b>							
Non-interest bearing deposits	\$ 190,040	\$ 221,621	\$ 206,720	\$ 197,164	\$ 242,363	\$ (52,323)	-22%
Interest bearing deposits	345,385	314,827	333,077	337,200	279,924	65,461	23%
Total deposits	535,425	536,448	539,797	534,364	522,287	13,138	3%
Accrued interest payable and other liabilities	8,178	9,099	7,920	8,004	7,524	654	9%
<b>Total Liabilities</b>	<b>543,603</b>	<b>545,547</b>	<b>547,717</b>	<b>542,368</b>	<b>529,811</b>	<b>13,792</b>	<b>3%</b>
<b>Shareholders' equity</b>							
Common stock	28,168	28,047	27,938	27,821	27,704	464	2%
Retained earnings	40,205	38,596	36,744	34,700	33,837	6,368	19%
<b>Total shareholders' equity</b>	<b>68,373</b>	<b>66,643</b>	<b>64,682</b>	<b>62,521</b>	<b>61,541</b>	<b>6,832</b>	<b>11%</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 611,976</b>	<b>\$ 612,190</b>	<b>\$ 612,399</b>	<b>\$ 604,889</b>	<b>\$ 591,352</b>	<b>\$ 20,624</b>	<b>3%</b>
Book Value per Common Share	\$ 32.43	\$ 31.61	\$ 30.66	\$ 29.86	\$ 29.39	\$ 3.04	10%
Total Common Shares Outstanding	2,108,162	2,108,162	2,109,869	2,093,754	2,093,754	14,408	1%
<b>Capital Ratios</b>							
Tier 1 Leverage ratio	11.21%	10.78%	10.78%	10.56%	10.26%	0.95%	9%
Tier 1 RBC ratio	17.11%	16.60%	15.84%	15.35%	14.74%	2.37%	16%
Common Equity Tier 1 RBC ratio	17.11%	16.60%	15.84%	15.35%	14.74%	2.37%	16%
Total Risk-Based Capital (RBC) ratio	18.36%	17.86%	17.10%	16.61%	16.00%	2.36%	15%
<b>Other Ratios</b>							
Non-interest bearing to Total Deposits	35.49%	41.31%	38.30%	36.90%	46.40%	-10.91%	-24%
Loan to Deposit ratio	93.75%	94.08%	94.54%	96.07%	99.92%	-6.17%	-6%
Allowance for Credit Losses to Total Loans	1.34%	1.42%	1.41%	1.40%	1.22%	0.12%	10%
ACL to Nonperforming Loans	178.87%	181.09%	174.95%	166.55%	145.23%	33.64%	23%
Nonperforming Assets to Total Assets	0.62%	0.65%	0.67%	0.71%	0.74%	-0.12%	-16%

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

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

	Three Months Ended				Year Over Year Change		
	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	\$	%
Interest on loans, including fees	\$ 6,360	\$ 6,321	\$ 6,334	\$ 6,020	\$ 6,183	\$ 177	3%
Interest on deposits in banks	1,227	1,287	858	660	582	645	111%
Other interest income	70	63	54	55	55	15	27%
<b>Total interest income</b>	<b>7,657</b>	<b>7,671</b>	<b>7,246</b>	<b>6,735</b>	<b>6,820</b>	<b>837</b>	<b>12%</b>
Deposits interest expense	2,153	2,050	1,934	1,434	829	1,324	160%
Other interest expense	-	-	-	4	1	(1)	-100%
<b>Total interest expense</b>	<b>2,153</b>	<b>2,050</b>	<b>1,934</b>	<b>1,438</b>	<b>830</b>	<b>1,323</b>	<b>159%</b>
<b>Net interest income</b>	<b>5,504</b>	<b>5,621</b>	<b>5,312</b>	<b>5,297</b>	<b>5,990</b>	<b>(486)</b>	<b>-8%</b>
Provision for credit losses	290	-	-	-	3,123	(2,833)	-91%
<b>Net interest income after provision</b>	<b>5,214</b>	<b>5,621</b>	<b>5,312</b>	<b>5,297</b>	<b>2,867</b>	<b>2,347</b>	<b>82%</b>
Service charges on deposits	91	96	89	78	86	5	6%
Gains on sale of loans	-	-	299	-	-	-	-
Other non-interest income	73	60	35	100	(3)	76	n/m
<b>Total non-interest income</b>	<b>164</b>	<b>156</b>	<b>423</b>	<b>178</b>	<b>83</b>	<b>81</b>	<b>98%</b>
Salaries and employee benefits expense	1,961	2,031	2,090	2,112	1,533	428	28%
Occupancy	289	236	213	210	203	86	42%
Information Technology and Equipment	276	282	268	286	286	(10)	-3%
Other operating expense	564	597	595	508	755	(191)	-25%
<b>Total non-interest expense</b>	<b>3,090</b>	<b>3,146</b>	<b>3,166</b>	<b>3,116</b>	<b>2,777</b>	<b>313</b>	<b>11%</b>
<b>Income before income taxes</b>	<b>2,288</b>	<b>2,631</b>	<b>2,569</b>	<b>2,359</b>	<b>173</b>	<b>2,115</b>	<b>1223%</b>
Income tax expense	678	780	760	699	29	649	2238%
<b>Net income</b>	<b>\$ 1,610</b>	<b>\$ 1,851</b>	<b>\$ 1,809</b>	<b>\$ 1,660</b>	<b>\$ 144</b>	<b>\$ 1,466</b>	<b>1018%</b>
Basic Earnings per Share	\$ 0.77	\$ 0.89	\$ 0.88	\$ 0.79	\$ 0.07	\$ 0.70	1000%
Average Shares Outstanding	2,083,168	2,075,107	2,061,964	2,055,637	2,052,707	30,461	1%
Diluted Earnings per Share	\$ 0.77	\$ 0.89	\$ 0.87	\$ 0.79	\$ 0.07	\$ 0.70	1000%
Average Shares Outstanding	2,092,143	2,075,107	2,074,970	2,068,169	2,062,424	29,719	1%
<b>Annualized Performance Ratios</b>							
Return on Average Assets	1.06%	1.20%	1.21%	1.14%	0.10%	0.96%	960%
Return on Average Common Equity	9.54%	11.28%	11.38%	10.77%	0.94%	8.60%	915%
Net Interest Margin	3.70%	3.72%	3.62%	3.72%	4.10%	-0.40%	-10%
Cost of Funds	1.61%	1.53%	1.44%	1.12%	0.62%	0.99%	160%
Efficiency Ratio	54.52%	54.46%	55.20%	56.91%	45.73%	8.79%	19%

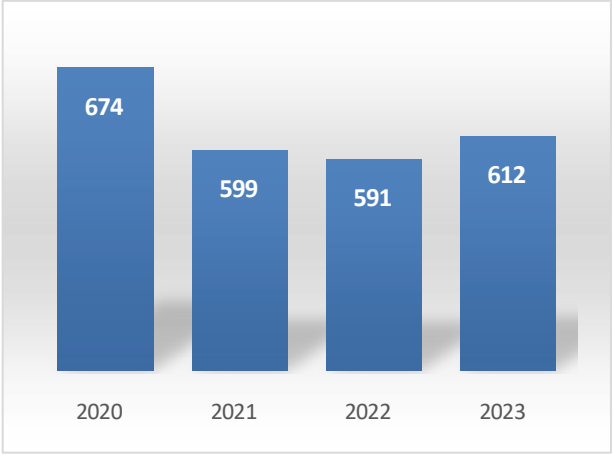
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**Bank of San Francisco**  
**Statement of Income (Unaudited)**  
(\$000, except share and per share amounts)

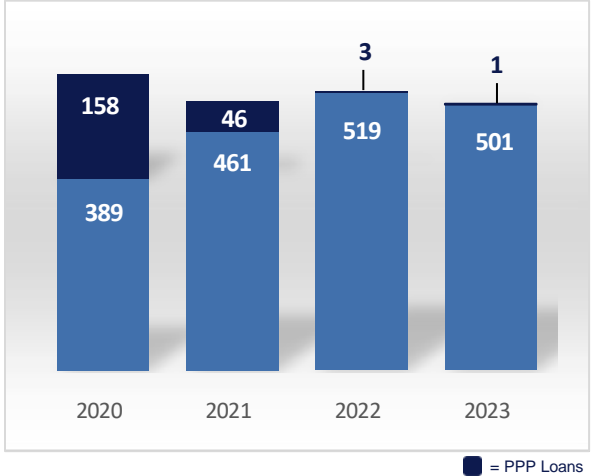
	Year Ended		Year Over Year Change	
	12/31/2023	12/31/2022	\$	%
Interest on loans, including fees	\$ 25,035	\$ 23,103	\$ 1,932	8%
Interest on deposits in banks	4,032	1,437	2,595	181%
Other interest income	242	186	56	30%
<b>Total interest income</b>	<b>29,309</b>	<b>24,726</b>	<b>4,583</b>	<b>19%</b>
Deposits interest expense	7,571	1,836	5,735	312%
Other interest expense	4	1	3	300%
<b>Total interest expense</b>	<b>7,575</b>	<b>1,837</b>	<b>5,738</b>	<b>312%</b>
<b>Net interest income</b>	<b>21,734</b>	<b>22,889</b>	<b>(1,155)</b>	<b>-5%</b>
Provision for credit losses	290	3,123	(2,833)	-91%
<b>Net interest income after provision</b>	<b>21,444</b>	<b>19,766</b>	<b>1,678</b>	<b>8%</b>
Service charges on deposits	354	336	18	5%
Gains on sale of loans	299	271	28	10%
Other non-interest income	268	57	211	370%
<b>Total non-interest income</b>	<b>921</b>	<b>664</b>	<b>257</b>	<b>39%</b>
Salaries and employee benefits expense	8,194	7,799	395	5%
Occupancy	948	932	16	2%
Information Technology and Equipment	1,112	999	113	11%
Other operating expense	2,264	2,404	(140)	-6%
<b>Total non-interest expense</b>	<b>12,518</b>	<b>12,134</b>	<b>384</b>	<b>3%</b>
<b>Income before income taxes</b>	<b>9,847</b>	<b>8,296</b>	<b>1,551</b>	<b>19%</b>
Income tax expense	2,917	2,434	483	20%
<b>Net income</b>	<b>\$ 6,930</b>	<b>\$ 5,862</b>	<b>\$ 1,068</b>	<b>18%</b>
Basic Earnings per Share	\$ 3.35	\$ 2.87	\$ 0.48	17%
Average Shares Outstanding	2,071,000	2,044,086	26,914	1%
Diluted Earnings per Share	\$ 3.33	\$ 2.85	\$ 0.48	17%
Average Shares Outstanding	2,082,704	2,054,380	28,324	1%
<b>Annualized Performance Ratios</b>				
Return on Average Assets	1.15%	0.96%	0.19%	20%
Return on Average Common Equity	10.57%	9.80%	0.77%	8%
Net Interest Margin	3.68%	3.84%	-0.16%	-4%
Cost of Funds	1.41%	0.34%	1.07%	315%
Efficiency Ratio	55.25%	51.52%	3.73%	7%

# FINANCIAL HIGHLIGHTS

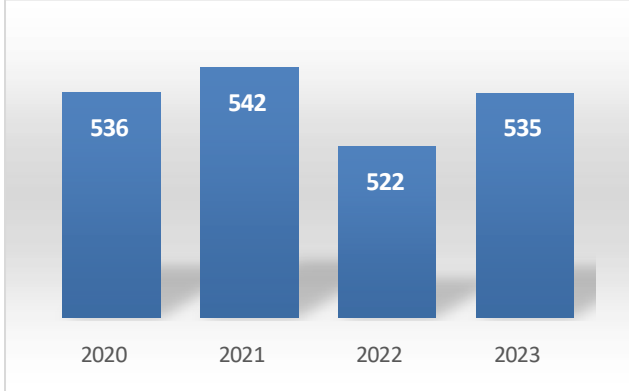
Total Assets (\$ Millions)  
As of December 31,



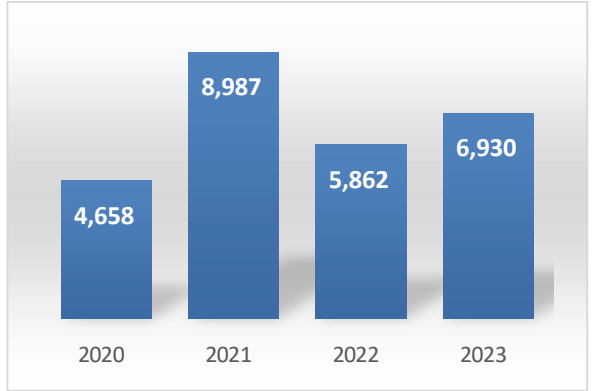
Total Loans (\$ Millions)  
As of December 31,



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



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



Deposit Composition (\$ Millions)

As of December 31, 2023

Loan Composition (\$ Millions)

