



FOR IMMEDIATE RELEASE

Bank of San Francisco Reports Results for the Quarter and Year Ended December 31, 2022

SAN FRANCISCO, CA—(1/31/2023)—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, 2022. Net income for the year ended December 31, 2022, was \$5,862 thousand, or \$2.85 diluted earnings per share, a 35% decrease from the \$8,987 thousand, or \$4.41 diluted earnings per share, for the year ended December 31, 2021. Net income for the quarter was \$144 thousand, down 93% compared to the preceding quarter, and down 93% from \$2,125 thousand achieved in the fourth quarter of 2021. Diluted earnings per share for the quarter were \$0.07, down 93% compared to the preceding quarter, and down 93% from \$1.04 diluted earnings per share achieved in the fourth quarter of 2021.

Fourth-quarter profitability was negatively impacted by the charge-off of two unsecured Commercial and Industrial (C&I) loans totaling \$3,901 thousand. The loans were made to two companies in the residential real estate services industry and were both guaranteed by the same individual. With the companies having strained cash flows primarily relating to the extreme downturn in their industry, the Bank initially downgraded the loans in the third quarter. After anticipated sources of repayment did not materialize during the fourth quarter, the Bank charged off the full amounts of the loans, less a small recovery.

Wendy Ross, President, noted, “Having previously had net loan losses of less than \$750 thousand throughout our Bank’s 17-year history, we were extremely disappointed by the two charge-offs, but also determined to put the two problem loans behind us and to focus our team’s efforts on building deposits and having solid, although tempered, loan growth during the current uncertain economic environment.”

Year-end 2022 results compared to year-end 2021:

- Net income was \$5,862 thousand, a decrease of \$3,125 thousand, or 35%. The decrease was primarily the result of provision expense of \$3,123 thousand related to the two loans noted above.

- Net interest income was \$22,889 thousand, a decrease of \$551 thousand, or 2%. The decrease was the result of the decrease in Paycheck Protection Program (PPP) loan interest and fee income of \$4,176 thousand, partially offset by the increase in non-PPP loan interest and fee income of \$2,983 thousand, the increase in interest income from correspondent banks and other of \$1,395 thousand, and the increase in total interest expense of \$753 thousand. PPP interest income in 2022 was \$1,425 thousand versus \$5,601 thousand in 2021.
- Cost of funds was 0.34%, up from 0.18%.
- Net interest margin increased to 3.84%, up from 3.75%.
- Operating expenses were \$12,134 thousand, up \$902 thousand, or 8%. The increase was the result of the increase of \$557 thousand in salary expense, primarily from annual performance salary increases and one additional employee, and an increase of \$186 thousand in other operating expenses, primarily related to professional fees for the Bank's rebranding and other projects and legal fees related to the two loans discussed above. Occupancy and equipment expense increased as a result of the move of the San Francisco headquarters office to its new location and the replacement and addition of new equipment.
- The efficiency ratio was 52%, up from 47%.
- Diluted earnings per common share were \$2.85, down \$1.56.
- Total loans, net of deferred fees, were \$522 million, increasing by \$15 million, or 3%, with PPP loans decreasing by \$43 million, or 93%, and non-PPP loans increasing by \$58 million, or 13%. PPP loans totaled \$3 million as of December 31, 2022.
- Total deposits were \$522 million, decreasing by \$20 million, or 4%. Public funds decreased by \$10 million, brokered deposits decreased \$7 million, with relationship deposits decreasing by \$3 million.
- Book value per share increased to \$29.39, up from \$26.61, or 10%.

Fourth-quarter 2022 results compared to fourth-quarter 2021:

- Net income was \$144 thousand, a decrease of \$1,981 thousand, or 93%. The decrease resulted largely from the \$3,123 thousand provision expense booked in the fourth quarter of 2022. Salary expense decreased by \$237 thousand, or 13%, as the bonus accrual in the fourth quarter of 2022 was reduced.
- Net interest income was \$5,990 thousand, an increase of \$252 thousand, or 4%. The increase was the result of the increase in non-PPP loan interest and fee

income of \$1,148 thousand, the increase in interest income from correspondent banks and other of \$565 thousand, partially offset by the increase in total interest expense of \$609 thousand and the decrease in PPP loan interest and fee income of \$852 thousand.

- Cost of funds was 0.62%, up from 0.16%. The Federal Reserve interest rate increases in 2022 were the primary drivers behind the increased cost of funds.
- Net interest margin increased to 4.10%, up from 3.89%. The significant interest rate increases instituted by the Federal Reserve in 2022 resulted in variable rate loans repricing, increasing interest income and the net interest margin. Deposit costs increased at a slower rate, with the largest increase in the fourth quarter of 2022.
- Operating expenses were \$2,777 thousand, which was a decrease of \$38 thousand, or 1%. The decrease resulted from a decrease in salary expense of \$237 thousand resulting from a reversal of the bonus accrual based on the fourth quarter's net income, offset by an increase in other operating expenses, as noted above. In addition, information technology and equipment expense increased as new equipment was placed into service in conjunction with the Bank's move to its new San Francisco headquarters.
- The efficiency ratio was 46%, down from 48%.
- Diluted earnings per common share were \$0.07, down \$0.97.

Fourth-quarter 2022 results compared to third-quarter 2022:

- Net income was \$144 thousand, a decrease of \$1,940 thousand, or 93%. The decrease resulted largely from the fourth quarter provision expense of \$3,123 thousand. Gain on sale of loans decreased by \$147 thousand as no loan sales occurred in the fourth quarter. The increase in other operating expenses related to the increased professional fees in the fourth quarter 2022. This was partially offset by the decrease in salary expense.
- Net interest income was \$5,990 thousand, an increase of \$86 thousand, or 1%. The increase was the result of the increase in non-PPP loan interest and fee income of \$471 thousand, an increase in deposit expense of \$359 thousand, and the decline in PPP loan interest and fee income of \$27 thousand.
- Cost of funds was 0.62%, up from 0.34%.
- Net interest margin increased to 4.10%, up from 3.86%.
- Operating expenses were \$2,777 thousand, which was a decrease of \$423 thousand. The decrease was primarily due to the decrease in salaries and

employee benefits of \$593 thousand, partially offset by the increase in other operating expenses of \$217 thousand.

- The efficiency ratio was 46%, down from 52%.
- Diluted earnings per common share were \$0.07, down \$0.95.
- Total loans, net of deferred fees, were \$522 million. Before the two loan charge-offs previously discussed, PPP loans decreased by \$7 million, and non-PPP loans increased by \$16 million, or 3%.
- Total deposits were \$522 million, decreasing by \$19 million, with an increase of \$3 million in brokered funds and a decrease of \$22 million in relationship deposits.
- Book value per share increased to \$29.39, up from \$29.29 per share.

Asset quality:

- The Allowance for Loan Losses Reserve Ratio was 1.22% as of December 31, 2022, decreasing by 0.16% from September 30, 2022. The Allowance for Loan Losses Reserve Ratio, excluding PPP loans, was 1.23% as of December 31, 2022, a decrease of 0.18% from September 30, 2022.
- As of December 31, 2022, the Bank had nine non-accrual loans totaling \$4.4 million, or 0.85% of the non-PPP loan portfolio, slightly decreasing from \$4.5 million as of September 30, 2022. The non-accrual loans are to six borrowers: two in the transportation industry, two in the food industry, and two 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 (SBA) guarantee, with an unguaranteed exposure to the Bank of \$897 thousand. All of the unguaranteed exposure has been fully reserved.
- Classified loans totaled \$8.5 million, or 1.63%, of the total loan portfolio as of December 31, 2022, decreasing by \$2.9 million from the preceding quarter.

Capital:

- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 10.26%, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 14.74%, and a Total Risk-Based Capital Ratio of 16.00% as of December 31, 2022.

Ed Obuchowski, Chief Executive Officer, noted, “While the fourth quarter charge-offs were disappointing, we are pleased with our non-PPP loan and interest income growth, and the strength and dedication of our team and its ability to navigate through a challenging economic and operating environment. As we enter 2023, our main areas of

focus are maintaining the strong credit quality our Bank has been known for throughout its history, focusing on deposits, and continuing to provide exceptional service to our business, nonprofit and individual clients.”

#

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. 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 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	
	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	\$	%
Assets							
Cash and due from banks	\$ 5,588	\$ 8,921	\$ 12,605	\$ 17,069	\$ 15,763	\$ (10,175)	-65%
Interest bearing deposits in banks	54,451	76,851	122,584	80,577	75,375	(20,924)	-28%
Total cash and cash equivalents	60,039	85,772	135,189	97,646	91,138	(31,099)	-34%
Loans, net of deferred costs/fees	521,847	517,137	493,393	486,546	506,697	15,150	3%
Allowance for Loan Losses	(6,382)	(7,160)	(7,160)	(7,160)	(7,160)	778	-11%
Loans, net of allowance of loan losses	515,465	509,977	486,233	479,386	499,537	15,928	3%
Premises and equipment, net	1,411	1,074	153	172	203	1,208	595%
Accrued interest receivable & other assets	14,437	13,684	9,632	8,236	8,571	5,866	68%
Total Assets	\$ 591,352	\$ 610,507	\$ 631,207	\$ 585,440	\$ 599,449	\$ (8,097)	-1%
Liabilities							
Non-interest bearing deposits	\$ 242,363	\$ 251,413	\$ 251,627	\$ 215,361	\$ 217,899	\$ 24,464	11%
Interest bearing deposits	279,924	290,133	318,600	309,739	323,888	(43,964)	-14%
Total deposits	522,287	541,546	570,227	525,100	541,787	(19,500)	-4%
Accrued interest payable and other liabilities	7,524	7,632	1,888	3,123	2,452	5,072	207%
Total Liabilities	529,811	549,178	572,115	528,223	544,239	(14,428)	-3%
Shareholders' equity							
Common stock	27,704	27,636	27,483	27,339	27,235	469	2%
Retained earnings	33,837	33,693	31,609	29,878	27,975	5,862	21%
Total shareholders' equity	61,541	61,329	59,092	57,217	55,210	6,331	11%
Total Liabilities & Shareholders' Equity	\$ 591,352	\$ 610,507	\$ 631,207	\$ 585,440	\$ 599,449	\$ (8,097)	-1%
Book Value per Common Share	\$ 29.39	\$ 29.29	\$ 28.20	\$ 27.58	\$ 26.61	\$ 2.78	10%
Total Common Shares Outstanding	2,093,754	2,093,754	2,095,602	2,074,540	2,074,540	19,214	1%
Capital Ratios							
Tier 1 Leverage ratio	10.26%	9.83%	9.70%	9.56%	9.13%	1.13%	12%
Tier 1 RBC ratio	14.74%	14.89%	15.21%	15.53%	15.19%	-0.45%	-3%
Common Equity Tier 1 RBC ratio	14.74%	14.89%	15.21%	15.53%	15.19%	-0.45%	-3%
Total Risk-Based Capital (RBC) ratio	16.00%	16.14%	16.47%	16.79%	16.45%	-0.45%	-3%
Other Ratios							
Non-interest bearing to Total Deposits	46.40%	46.43%	44.13%	41.01%	40.22%	6.19%	15%
Loan to Deposit ratio	99.92%	95.49%	86.53%	92.66%	93.52%	6.39%	7%
Allowance for Loan Losses to Total Loans	1.22%	1.38%	1.45%	1.47%	1.41%	-0.19%	-13%
Allowance for Loan Losses to Total Loans excluding PPP loans	1.23%	1.41%	1.49%	1.57%	1.56%	-0.33%	-21%
ALLL to Nonperforming Loans	145.23%	160.90%	157.56%	155.99%	151.97%	-6.74%	-4%
Nonperforming Assets to Total Assets	0.74%	0.73%	0.72%	0.78%	0.79%	-0.04%	-5%

Bank of San Francisco
Statement of Income (Unaudited)

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

	Three Months Ended					Year Over Year Change	
	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	\$	%
Interest on loans, including fees	\$ 6,183	\$ 5,739	\$ 5,603	\$ 5,578	\$ 5,887	\$ 296	5%
Interest on deposits in banks	582	591	231	33	29	553	1907%
Other interest income	55	45	43	43	43	12	28%
Total interest income	<u>6,820</u>	<u>6,375</u>	<u>5,877</u>	<u>5,654</u>	<u>5,959</u>	<u>861</u>	<u>14%</u>
Deposits interest expense	829	471	320	217	216	613	284%
Other interest expense	1	-	-	-	5	(4)	-80%
Total interest expense	<u>830</u>	<u>471</u>	<u>320</u>	<u>217</u>	<u>221</u>	<u>609</u>	<u>276%</u>
Net interest income	<u>5,990</u>	<u>5,904</u>	<u>5,557</u>	<u>5,437</u>	<u>5,738</u>	<u>252</u>	<u>4%</u>
Provision for loan losses	3,123	-	-	-	-	3,123	NM
Net interest income after provision	<u>2,867</u>	<u>5,904</u>	<u>5,557</u>	<u>5,437</u>	<u>5,738</u>	<u>(2,871)</u>	<u>-50%</u>
Service charges on deposits	86	87	88	75	78	8	10%
Gains on sale of loans	-	147	-	124	-	-	-
Other non-interest income	(3)	22	2	36	16	(19)	-119%
Total non-interest income	<u>83</u>	<u>256</u>	<u>90</u>	<u>235</u>	<u>94</u>	<u>(11)</u>	<u>-12%</u>
Salaries and employee benefits expense	1,533	2,126	2,159	1,981	1,770	(237)	-13%
Occupancy	203	291	219	219	219	(16)	-7%
Information Technology and Equipment	286	245	243	225	224	62	28%
Other operating expense	755	538	567	544	602	153	25%
Total non-interest expense	<u>2,777</u>	<u>3,200</u>	<u>3,188</u>	<u>2,969</u>	<u>2,815</u>	<u>(38)</u>	<u>-1%</u>
Income before income taxes	<u>173</u>	<u>2,960</u>	<u>2,459</u>	<u>2,703</u>	<u>3,017</u>	<u>(2,844)</u>	<u>-94%</u>
Income tax expense	29	876	728	800	892	(863)	-97%
Net income	<u>\$ 144</u>	<u>\$ 2,084</u>	<u>\$ 1,731</u>	<u>\$ 1,903</u>	<u>\$ 2,125</u>	<u>\$ (1,981)</u>	<u>-93%</u>
Basic Earnings per Share	\$ 0.07	\$ 1.02	\$ 0.85	\$ 0.93	\$ 1.04	\$ (0.97)	-93%
Average Shares Outstanding	2,052,707	2,041,263	2,040,623	2,040,623	2,040,623	12,084	1%
Diluted Earnings per Share	\$ 0.07	\$ 1.02	\$ 0.85	\$ 0.93	\$ 1.04	\$ (0.97)	-93%
Average Shares Outstanding	2,062,424	2,050,472	2,042,939	2,048,805	2,044,886	17,538	1%
Annualized Performance Ratios							
Return on Average Assets	0.10%	1.34%	1.14%	1.28%	1.40%	-1.30%	-93%
Return on Average Common Equity	0.94%	13.84%	11.91%	13.54%	15.71%	-14.77%	-94%
Net Interest Margin	4.10%	3.86%	3.77%	3.80%	3.89%	0.21%	5%
Cost of Funds	0.62%	0.34%	0.22%	0.16%	0.16%	0.46%	288%
Efficiency Ratio	45.73%	51.95%	56.45%	52.34%	48.27%	-2.54%	-5%

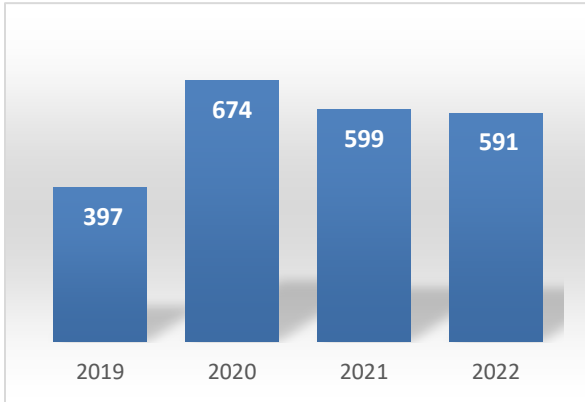
NM = Not Meaningful

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

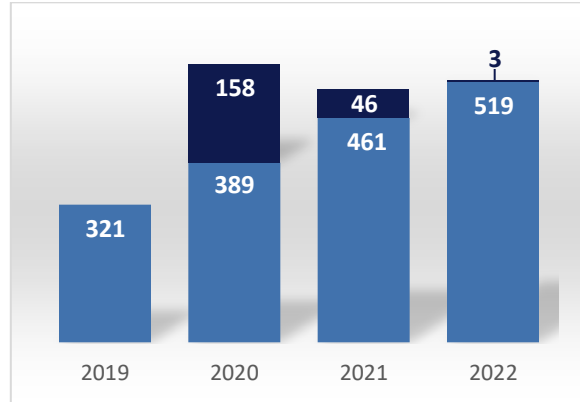
	Year Ended		Year Over Year Change	
	12/31/2022	12/31/2021	\$	%
Interest on loans, including fees	\$ 23,103	\$ 24,296	\$ (1,193)	-5%
Interest on deposits in banks	1,437	90	1,347	1497%
Other interest income	186	138	48	35%
Total interest income	<u>24,726</u>	<u>24,524</u>	<u>202</u>	<u>1%</u>
Deposits interest expense	1,836	882	954	108%
Other interest expense	1	202	(201)	-100%
Total interest expense	<u>1,837</u>	<u>1,084</u>	<u>753</u>	<u>69%</u>
Net interest income	<u>22,889</u>	<u>23,440</u>	<u>(551)</u>	<u>-2%</u>
Provision for loan losses	3,123	100	3,023	3023%
Net interest income after provision	<u>19,766</u>	<u>23,340</u>	<u>(3,574)</u>	<u>-15%</u>
Service charges on deposits	336	284	52	18%
Gains on sale of loans	271	294	(23)	-8%
Other non-interest income	57	75	(18)	-24%
Total non-interest income	<u>664</u>	<u>653</u>	<u>11</u>	<u>2%</u>
Salaries and employee benefits expense	7,799	7,242	557	8%
Occupancy	932	876	56	6%
Information Technology and Equipment	999	896	103	11%
Other operating expense	2,404	2,218	186	8%
Total non-interest expense	<u>12,134</u>	<u>11,232</u>	<u>902</u>	<u>8%</u>
Income before income taxes	<u>8,296</u>	<u>12,761</u>	<u>(4,465)</u>	<u>-35%</u>
Income tax expense	2,434	3,774	(1,340)	-36%
Net income	<u>\$ 5,862</u>	<u>\$ 8,987</u>	<u>\$ (3,125)</u>	<u>-35%</u>
Basic Earnings per Share	\$ 2.87	\$ 4.42	\$ (1.55)	-35%
Average Shares Outstanding	2,044,086	2,032,757	11,329	1%
Diluted Earnings per Share	\$ 2.85	\$ 4.41	\$ (1.56)	-35%
Average Shares Outstanding	2,054,380	2,039,763	14,617	1%
Annualized Performance Ratios				
Return on Average Assets	0.96%	1.44%	-0.48%	-33%
Return on Average Common Equity	9.80%	17.75%	-7.95%	-45%
Net Interest Margin	3.84%	3.75%	0.09%	2%
Cost of Funds	0.34%	0.18%	0.16%	89%
Efficiency Ratio	51.52%	46.62%	4.90%	11%

FINANCIAL HIGHLIGHTS

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

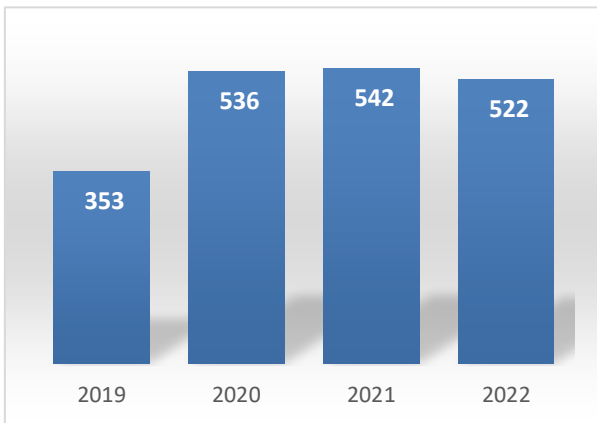


Total Loans (\$ Millions)
As of December 31,

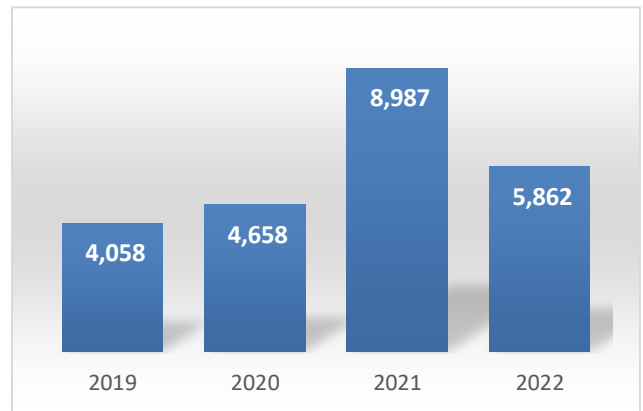


■ = PPP Loans

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



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



Deposit Composition (\$ Millions)

As of December 31, 2022

Loan Composition (\$ Millions)

