

FOR IMMEDIATE RELEASE

**Bank of San Francisco Reports Results for the Quarter and Year  
Ended December 31, 2019**

SAN FRANCISCO, CA – (1/31/2020)—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, 2019. Net income for the year was \$4,058,000, or \$2.01 diluted earnings per share, compared to \$3,312,000, or \$1.84 diluted earnings per share for the year ended December 31, 2018. Net income increased by \$746,000, or 23%, in 2019 compared to 2018. Net income for the fourth quarter was \$1,184,000, or \$0.59 diluted earnings per share, up 9% compared to the preceding quarter, and up 17%, from \$1,010,000, or \$0.50 diluted earnings per share, achieved in the fourth quarter of 2018.

“We thank our team, directors, clients and shareholders for their help in making our fourth quarter and full year 2019 the most profitable quarter and year in the Bank’s history. We look forward to continuing our accelerated growth strategy in 2020”, said Wendy Ross, President, Bank of San Francisco.

**Financial Highlights:**

- Net income was \$1,184,000 for the fourth quarter of 2019, compared to \$1,086,000 for the preceding quarter. Total interest income was \$4,498,000 for the fourth quarter of 2019, an increase of \$99,000 from the preceding quarter. Net income was \$4,058,000 for the full year 2019 compared to \$3,312,000 for 2018, resulting in a year-over-year increase of \$746,000, or 23%. The Bank continues to benefit from the declining rate environment on the funding side, that began in the third quarter of 2019 and led to the reduction in cost of funds in the third and fourth quarters. With the decreasing rate environment, the Bank experienced an increase in loan refinances in the fourth quarter, which resulted in an increase in prepayment fee income. Loan yields also trended downward during this period.
- Net interest income was \$3,918,000 for the fourth quarter of 2019, an increase of \$134,000 from the preceding quarter, and a \$283,000 increase from \$3,635,000 for the fourth quarter of 2018. Net interest income was \$14,460,000 for the full year 2019, an increase of 11% from the prior year. Net interest margin decreased slightly, to 4.27%, in the fourth quarter of 2019, from 4.28% in the preceding quarter, and decreased from 4.47% in the fourth quarter of 2018. Net interest margin for the full year 2019 was 4.24%, a decrease from the prior year’s 4.31%.

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The increase in cost of funds during the first half of 2019 resulted in a compression of the interest rate margin. The lower interest rate environment and the continued focus to reduce the use of higher-cost secondary funding sources resulted in the decrease in cost of funds in the fourth quarter. That, combined with the increased loan prepayment fees in the fourth quarter, kept the net interest margin relatively flat compared to the prior quarter.

- Operating expenses were \$2,269,000 for the fourth quarter of 2019, a decrease of \$108,000 from the preceding quarter, and an increase of \$122,000 from the \$2,147,000 reported for the fourth quarter of 2018. Operating expenses were \$9,126,000 for the full year 2019, an \$856,000, or 10% increase, from the prior year. The increase in year-over-year operating expenses reflected the annual performance-based salary increases, recruiting expense, and the increase in our employee headcount. Expenses also included those from the Bank's Walnut Creek Loan Production Office that opened at the end of the first quarter of 2019. The efficiency ratio was 56.37% for the fourth quarter of 2019, compared to 58.46% for the preceding quarter, and 57.59% for the fourth quarter of 2018. The Bank continues to focus on balancing its goal to improve the efficiency ratio, with the opportunities presented in the market for talent acquisition and long-term growth potential.
- Diluted earnings per common share were \$0.59 for the quarter, up \$0.05 compared to the preceding quarter, and up \$0.09 compared to the fourth quarter of 2018. Diluted earnings per share were \$2.01 for the full year 2019, an increase of \$0.17, or 9%, compared to 2018. Basic earnings per share were \$2.02 for the full year 2019, an increase of \$0.18, or 10%, compared to 2018. Earnings per common share were impacted by the increase in net income, combined with the issuance of 18,208 shares of restricted stock awards in the third quarter of 2019.
- Total loans, net of deferred fees, were \$321 million as of December 31, 2019, up \$10 million from September 30, 2019, and up \$41 million from December 31, 2018. The loan growth for the full year and fourth quarter of 2019 was from a mix of commercial and residential loans.
- Total deposits were \$353 million as of December 31, 2019, up \$35 million from September 30, 2019, and up \$62 million from December 31, 2018. The growth for the full year and the fourth quarter of 2019 was primarily due to the increase in deposits from commercial clients, including an individual client's short-term deposit transaction of \$19 million. Growth in relationship-based deposits during the fourth quarter enabled the Bank to reduce its use of brokered deposits by \$2 million between September 30, 2019 and December 31, 2019. While the Bank expects there to be some seasonal declines in relationship deposits during the first quarter of 2020, it will continue to focus on reducing higher-cost funding by sourcing new client relationships and looking for opportunities for additional

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deposits from existing clients.

- Credit quality remains strong and stable with no non-accrual loans or loans past-due for longer than 30 days. The Allowance for Loan Losses reserve ratio was 1.35% as of December 31, 2019, a decrease of 0.01% from September 30, 2019, and a decrease of 0.05% from December 31, 2018. Loan loss provision expense for the fourth quarter of 2019 was \$90,000, compared to \$140,000 the previous quarter. The expense was \$390,000 for the full year 2019 compared to \$775,000 for 2018.
- Book value per share increased to \$20.10 per share as of December 31, 2019, up from \$19.49 at September 30, 2019, and \$18.18 per share at December 31, 2018.
- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 10.84%, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 15.23%, and a Total Risk-Based Capital Ratio of 16.48%.

“We are very pleased with the Bank’s record profitability both in the fourth quarter and for the full year 2019. This is attributable to our expanding loan and deposit portfolios, broad new client relationships, continued strong credit quality and expense management” 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](http://www.bankofsf.com). Bank of San Francisco is a member of the FDIC and is an Equal Housing Lender.

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## 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 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**  
**Statement of Income (Unaudited)**

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

	Three Months Ended					Year Over Year Change	
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	\$	%
Interest on loans, including fees	\$ 4,248	\$ 4,127	\$ 3,810	\$ 3,600	\$ 3,628	\$ 620	17%
Interest on deposits in banks	220	244	220	156	261	(41)	-16%
Other interest income	30	28	23	23	45	(15)	-33%
<b>Total interest income</b>	<b>4,498</b>	<b>4,399</b>	<b>4,053</b>	<b>3,779</b>	<b>3,934</b>	<b>564</b>	<b>14%</b>
Deposits interest expense	580	615	603	360	298	282	95%
Other interest expense	-	-	6	105	1	(1)	-100%
<b>Total interest expense</b>	<b>580</b>	<b>615</b>	<b>609</b>	<b>465</b>	<b>299</b>	<b>281</b>	<b>94%</b>
<b>Net interest income</b>	<b>3,918</b>	<b>3,784</b>	<b>3,444</b>	<b>3,314</b>	<b>3,635</b>	<b>283</b>	<b>8%</b>
Provision for loan losses	90	140	85	75	185	(95)	-51%
<b>Net interest income after provision</b>	<b>3,828</b>	<b>3,644</b>	<b>3,359</b>	<b>3,239</b>	<b>3,450</b>	<b>378</b>	<b>11%</b>
Service charges on deposits**	74	67	71	68	71	3	4%
Gains on sale of loans	-	183	75	148	-	-	0%
Other non-interest income**	33	32	37	25	22	11	50%
<b>Total non-interest income</b>	<b>107</b>	<b>282</b>	<b>183</b>	<b>241</b>	<b>93</b>	<b>14</b>	<b>15%</b>
Salaries and employee benefits expense**	1,417	1,539	1,566	1,457	1,421	(4)	0%
Occupancy**	212	211	202	178	159	53	33%
Information Technology and Equipment**	209	191	189	182	180	29	16%
Other operating expense**	431	436	398	308	387	44	11%
<b>Total non-interest expense</b>	<b>2,269</b>	<b>2,377</b>	<b>2,355</b>	<b>2,125</b>	<b>2,147</b>	<b>122</b>	<b>6%</b>
<b>Income before income taxes</b>	<b>1,666</b>	<b>1,549</b>	<b>1,187</b>	<b>1,355</b>	<b>1,396</b>	<b>270</b>	<b>19%</b>
Income tax expense	482	463	352	402	386	96	25%
<b>Net income</b>	<b>\$ 1,184</b>	<b>\$ 1,086</b>	<b>\$ 835</b>	<b>\$ 953</b>	<b>\$ 1,010</b>	<b>\$ 174</b>	<b>17%</b>

\*\* Amounts have been reclassified in the prior periods to conform with the current period's presentation.

Basic Earnings per Share	\$ 0.59	\$ 0.54	\$ 0.42	\$ 0.47	\$ 0.50	\$ 0.09	18%
Average Shares Outstanding	2,014,703	2,007,882	2,007,451	2,007,451	2,007,451	7,252	0%
Diluted Earnings per Share	\$ 0.59	\$ 0.54	\$ 0.41	\$ 0.47	\$ 0.50	\$ 0.09	17%
Average Shares Outstanding	2,018,478	2,009,404	2,012,374	2,011,655	2,009,505	8,973	0%

Annualized Performance Ratios

Return on Average Assets	1.26%	1.20%	0.99%	1.18%	1.21%	0.05%	4%
Return on Average Common Equity	11.73%	11.09%	8.75%	10.24%	11.15%	0.58%	5%
Net Interest Margin	4.27%	4.28%	4.18%	4.23%	4.47%	-0.20%	-4%
Cost of Funds	0.69%	0.78%	0.80%	0.64%	0.42%	0.27%	66%
Efficiency Ratio	56.37%	58.46%	64.93%	59.77%	57.59%	-1.22%	-2%

**Bank of San Francisco**

**Statement of Income (Unaudited)**

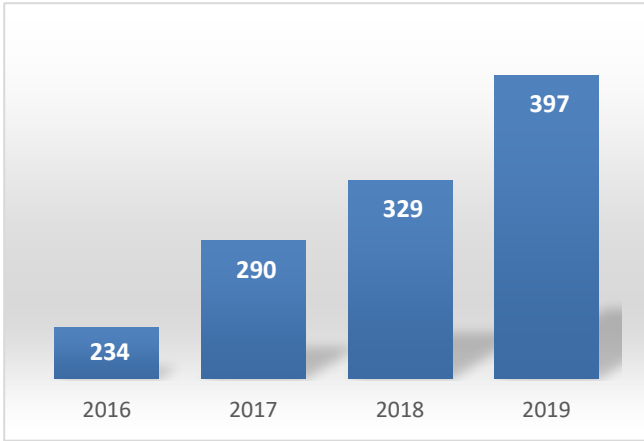
(\$000, except share and per share amounts)

	Year Ended		Year Over Year Change	
	12/31/2019	12/31/2018	\$	%
Interest on loans, including fees	\$ 15,785	\$ 13,044	\$ 2,741	21%
Interest on deposits in banks	840	829	11	1%
Other interest income	104	103	1	1%
<b>Total interest income</b>	<b>16,729</b>	<b>13,976</b>	<b>2,753</b>	<b>20%</b>
Deposits interest expense	2,158	957	1,201	125%
Other interest expense	111	1	110	11000%
<b>Total interest expense</b>	<b>2,269</b>	<b>958</b>	<b>1,311</b>	<b>137%</b>
<b>Net interest income</b>	<b>14,460</b>	<b>13,018</b>	<b>1,442</b>	<b>11%</b>
Provision for loan losses	390	775	(385)	-50%
<b>Net interest income after provision</b>	<b>14,070</b>	<b>12,243</b>	<b>1,827</b>	<b>15%</b>
Service charges on deposits**	280	271	9	3%
Gains on sale of loans	406	285	121	42%
Other non-interest income**	127	143	(16)	-11%
<b>Total non-interest income</b>	<b>813</b>	<b>699</b>	<b>114</b>	<b>16%</b>
Salaries and employee benefits expense	5,979	5,500	479	9%
Occupancy**	803	640	163	25%
Information Technology and Equipment**	771	689	82	12%
Other operating expense**	1,573	1,441	132	9%
<b>Total non-interest expense</b>	<b>9,126</b>	<b>8,270</b>	<b>856</b>	<b>10%</b>
<b>Income before income taxes</b>	<b>5,757</b>	<b>4,672</b>	<b>1,085</b>	<b>23%</b>
Income tax expense	1,699	1,360	339	25%
<b>Net income</b>	<b>\$ 4,058</b>	<b>\$ 3,312</b>	<b>\$ 746</b>	<b>23%</b>
** Amounts have been reclassified in the prior periods to conform with the current period's presentation.				
Basic Earnings per Share	\$ 2.02	\$ 1.84	\$ 0.18	10%
Average Shares Outstanding	2,009,387	1,799,662	209,726	12%
Diluted Earnings per Share	\$ 2.01	\$ 1.84	\$ 0.17	9%
Average Shares Outstanding	2,018,432	1,799,662	218,770	12%
<b>Performance Ratios</b>				
Return on Average Assets	1.16%	1.07%	0.09%	8%
Return on Average Common Equity	10.44%	10.62%	-0.19%	-2%
Net Interest Margin	4.24%	4.31%	-0.07%	-2%
Cost of Funds	0.74%	0.35%	0.39%	114%
Efficiency Ratio	59.75%	60.29%	-0.54%	-1%

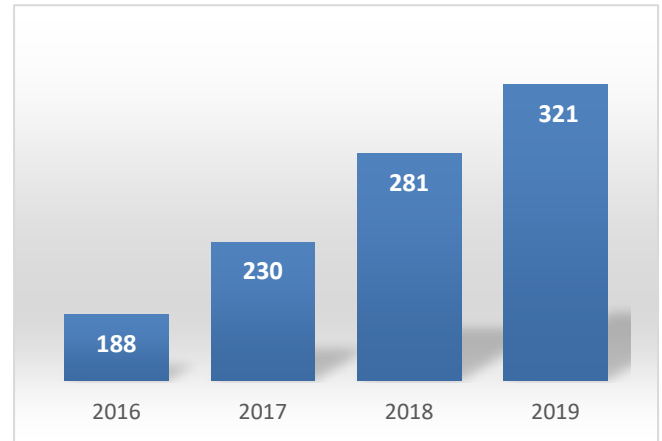
# FINANCIAL HIGHLIGHTS



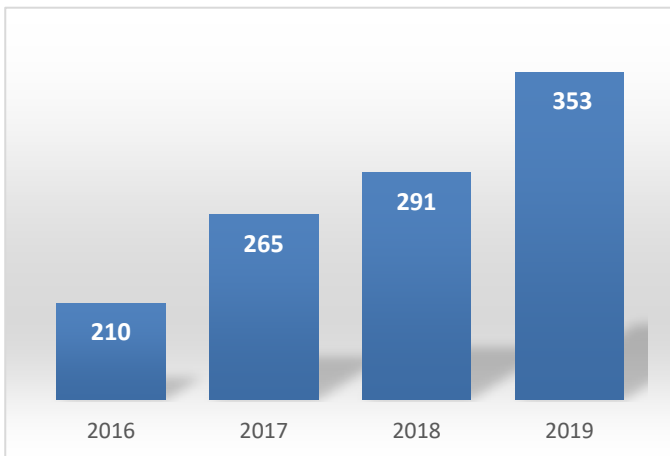
Total Assets (\$ Millions)  
As of December 31,



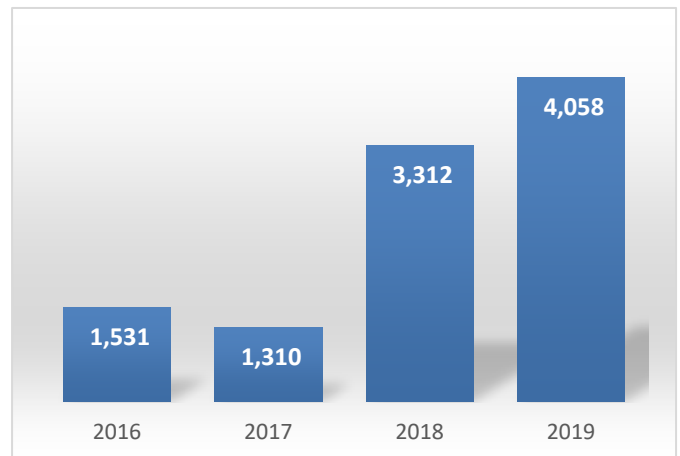
Total Loans (\$ Millions)  
As of December 31,



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

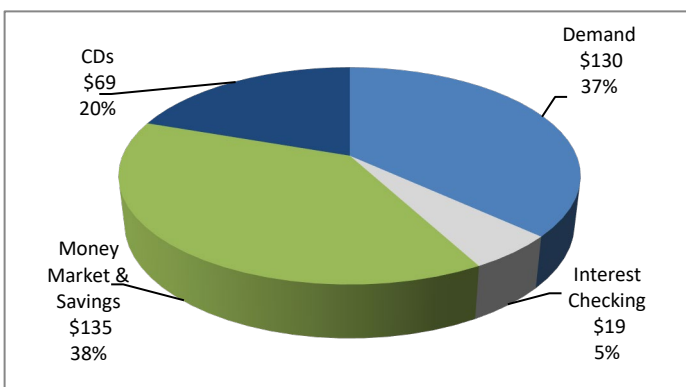


Net Income (\$ Thousands)  
For the year ended December 31,



As of December 31, 2019

Deposit Composition (\$ Millions)



Loan Composition (\$ Millions)

