



FOR IMMEDIATE RELEASE

Bank of San Francisco Reports Second-Quarter 2023 Results

SAN FRANCISCO, CA—(7/31/2023)—Bank of San Francisco (OTCQX: BSFO), a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the second quarter ended June 30, 2023. Net income for the quarter was \$1,809 thousand, up \$149 thousand compared to the preceding quarter, and up 5% from \$1,731 thousand achieved in the second quarter of 2022. Diluted earnings per share for the quarter were \$0.87, up \$0.08 compared to the preceding quarter, and up 2% from \$0.85 diluted earnings per share achieved in the second quarter of 2022.

Ed Obuchowski, CEO, noted, “Despite the banking industry’s headwinds, we are pleased with our Bank’s profitability and operating performance, our strong liquidity and capital positions and the quality of our loan portfolio. Our diversified client base and revenue streams, deep local ties in the communities that we serve, long-tenured client and employee relationships and the dedication of our team are key contributors to our success.”

Second-quarter 2023 results compared to second-quarter 2022:

- Net income was \$1,809 thousand, an increase of \$78 thousand, or 5%. The increase resulted from the gain on Small Business Administration (SBA) loan sales, with no sales in the second quarter of 2022. This was partially offset by the net interest income decrease of \$245 thousand.
- Net interest income was \$5,312 thousand, a decrease of \$245 thousand, or 4%. The decline was the result of increased interest expense of \$1,614 thousand and the decrease in Paycheck Protection Program (PPP) loan interest and fee income of \$479 thousand, which were offset by the increase in non-PPP loan interest and fee income of \$1,210 thousand and interest on deposits in banks increasing by \$627 thousand.
- Cost of funds was 1.44%, an increase of 1.22%.
- Net interest margin decreased to 3.62%, from 3.77%.
- Operating expenses were \$3,166 thousand, a decrease of \$22 thousand, or 1%. The decrease was primarily the result of decreased salary expense reflecting lower incentive compensation due to the current economic environment.
- The efficiency ratio was 55%, down from 56%.
- Diluted earnings per common share were \$0.87, up \$0.02, or 2%.
- Total loans, net of deferred fees, were \$510 million, increasing by \$17 million, or 3%.

with PPP loans decreasing by \$13 million, and non-PPP loans increasing by \$30 million, or 6%.

- Total deposits were \$540 million, decreasing by \$30 million, or 5%. Brokered deposits increased by \$41 million, with relationship deposits decreasing by \$71 million, or 15%. In the previous year, the Bank incurred a seasonal increase in its second-quarter relationship deposits. In the second quarter of 2022, there was an increase of 9% from the first quarter of 2022. There was not as significant a seasonal quarterly increase in 2023.

Insured relationship deposits and collateralized deposits were 50% of total deposits. In addition to on-balance-sheet liquidity of \$94 million, the Bank had available borrowings of \$194 million for a liquidity capacity of \$288 million, compared to \$203 million in uninsured relationship deposits. There were no borrowings under our lines of credit at the Federal Reserve Bank and Federal Home Loan Bank of San Francisco.

- Book value per share increased to \$30.66 per share, up from \$28.20 per share.

Second-quarter 2023 results compared to first-quarter 2023:

- Net income was \$1,809 thousand, an increase of \$149 thousand. The primary reason for the increase was the gain on SBA loan sales of \$299 thousand, with no sales in the first quarter of 2023.
- Net interest income was \$5,312 thousand, an increase of \$15 thousand. Interest expense increased by \$496 thousand, primarily from the increased industry pressure on deposit rates. Loan and fee interest income increased by \$314 thousand, and interest on deposits in banks increased by \$198 thousand.
- Cost of funds increased to 1.44%, from 1.12%.
- Net interest margin decreased to 3.62%, from 3.72%.
- Operating expenses were \$3,166 thousand, an increase of \$50 thousand. The increase was primarily from the FDIC industry-wide insurance assessment increase.
- The efficiency ratio was 55%, down from 57%.
- Diluted earnings per common share were \$0.87, up \$0.08.
- Total loans, net of deferred fees, were \$510 million, a decrease of \$3 million. The decline in loans was from the SBA loan sales of \$4 million, more than offsetting the \$1 million increase in commercial loans.
- Total deposits were \$540 million, an increase of \$6 million. Brokered deposits decreased by \$4 million, and relationship deposits increased by \$10 million, or 2%.
- Book value per share increased to \$30.66, up from \$29.86 per share.

Asset quality:

- The Allowance for Credit Losses was 1.41 % as of June 30, 2023, increasing by 0.01%

from March 31, 2023.

- As of June 30, 2023, the Bank had nine non-accrual loans totaling \$4.1 million, or 0.81% of the loan portfolio, down from \$4.3 million as of March 31, 2023. The non-accrual loans are to five borrowers: one in the transportation industry, 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% SBA guarantee, with an unguaranteed exposure to the Bank of \$810 thousand.
- Classified loans totaled \$7.7 million, or 1.51%, of the total loan portfolio as of June 30, 2023, down from \$8.6 million from the preceding quarter.

Capital:

- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 10.78%, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 15.84%, and a Total Risk-Based Capital Ratio of 17.10% as of June 30, 2023.

Wendy Ross, President, noted, “Considering the margin pressures that our industry is experiencing from increasing interest rates, we were pleased with the increase in our net income compared to both the previous quarter and to the second quarter of 2022. We thank our team for maintaining our strong credit and pricing discipline, having a strong SBA 7(a) production quarter and maintaining expense control.”

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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. 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	
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	\$	%
Assets							
Cash and due from banks	\$ 8,397	\$ 6,826	\$ 5,588	\$ 8,921	\$ 12,605	\$ (4,208)	-33%
Interest bearing deposits in banks	86,036	77,073	54,451	76,851	122,584	(36,548)	-30%
Total cash and cash equivalents	94,433	83,899	60,039	85,772	135,189	(40,756)	-30%
Loans, net of deferred costs/fees	510,339	513,375	521,847	517,137	493,393	16,946	3%
Allowance for credit losses	(7,188)	(7,188)	(6,382)	(7,160)	(7,160)	(28)	0%
Loans, net of allowance of credit losses	503,151	506,187	515,465	509,977	486,233	16,918	3%
Premises and equipment, net	1,714	1,685	1,411	1,074	153	1,561	1020%
Accrued interest receivable & other assets	13,101	13,118	14,437	13,684	9,632	3,469	36%
Total Assets	\$ 612,399	\$ 604,889	\$ 591,352	\$ 610,507	\$ 631,207	\$ (18,808)	-3%
Liabilities							
Non-interest bearing deposits	\$ 206,720	\$ 197,164	\$ 242,363	\$ 251,413	\$ 251,627	\$ (44,907)	-18%
Interest bearing deposits	333,077	337,200	279,924	290,133	318,600	14,477	5%
Total deposits	539,797	534,364	522,287	541,546	570,227	(30,430)	-5%
Accrued interest payable and other liabilities	7,920	8,004	7,524	7,632	1,888	6,032	319%
Total Liabilities	547,717	542,368	529,811	549,178	572,115	(24,398)	-4%
Shareholders' equity							
Common stock	27,938	27,821	27,704	27,636	27,483	455	2%
Retained earnings	36,744	34,700	33,837	33,693	31,609	5,135	16%
Total shareholders' equity	64,682	62,521	61,541	61,329	59,092	5,590	9%
Total Liabilities & Shareholders' Equity	\$ 612,399	\$ 604,889	\$ 591,352	\$ 610,507	\$ 631,207	\$ (18,808)	-3%
Book Value per Common Share	\$ 30.66	\$ 29.86	\$ 29.39	\$ 29.29	\$ 28.20	\$ 2.46	9%
Total Common Shares Outstanding	2,109,869	2,093,754	2,093,754	2,093,754	2,095,602	14,267	1%
Capital Ratios							
Tier 1 Leverage ratio	10.78%	10.56%	10.26%	9.83%	9.70%	1.08%	11%
Tier 1 RBC ratio	15.84%	15.35%	14.74%	14.89%	15.21%	0.63%	4%
Common Equity Tier 1 RBC ratio	15.84%	15.35%	14.74%	14.89%	15.21%	0.63%	4%
Total Risk-Based Capital (RBC) ratio	17.10%	16.61%	16.00%	16.14%	16.47%	0.63%	4%
Other Ratios							
Non-interest bearing to Total Deposits	38.30%	36.90%	46.40%	46.43%	44.13%	-5.83%	-13%
Loan to Deposit ratio	94.54%	96.07%	99.92%	95.49%	86.53%	8.01%	9%
Allowance for Loan Losses to Total Loans	1.41%	1.40%	1.22%	1.38%	1.45%	-0.04%	-3%
excluding PPP loans	1.41%	1.40%	1.23%	1.41%	1.49%	-0.08%	-5%
ALLL to Nonperforming Loans	174.95%	166.55%	145.23%	160.90%	157.56%	17.39%	11%
Nonperforming Assets to Total Assets	0.67%	0.71%	0.74%	0.73%	0.72%	-0.05%	-7%

Bank of San Francisco
Statement of Income (Unaudited)

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

	Three Months Ended				Year Over Year Change		
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	\$	%
Interest on loans, including fees	\$ 6,334	\$ 6,020	\$ 6,183	\$ 5,739	\$ 5,603	\$ 731	13%
Interest on deposits in banks	858	660	582	591	231	627	271%
Other interest income	54	55	55	45	43	11	26%
Total interest income	7,246	6,735	6,820	6,375	5,877	1,369	23%
Deposits interest expense	1,934	1,434	829	471	320	1,614	504%
Other interest expense	-	4	1	-	-	-	n/m
Total interest expense	1,934	1,438	830	471	320	1,614	504%
Net interest income	5,312	5,297	5,990	5,904	5,557	(245)	-4%
Provision for credit losses	-	-	3,123	-	-	-	n/m
Net interest income after provision	5,312	5,297	2,867	5,904	5,557	(245)	-4%
Service charges on deposits	89	78	86	87	88	1	1%
Gains on sale of loans	299	-	-	147	-	299	n/m
Other non-interest income	35	100	(3)	22	2	33	1650%
Total non-interest income	423	178	83	256	90	333	370%
Salaries and employee benefits expense	2,090	2,112	1,533	2,126	2,159	(69)	-3%
Occupancy	213	210	203	291	219	(6)	-3%
Information Technology and Equipment	268	286	286	245	243	25	10%
Other operating expense	595	508	755	538	567	28	5%
Total non-interest expense	3,166	3,116	2,777	3,200	3,188	(22)	-1%
Income before income taxes	2,569	2,359	173	2,960	2,459	110	4%
Income tax expense	760	699	29	876	728	32	4%
Net income	\$ 1,809	\$ 1,660	\$ 144	\$ 2,084	\$ 1,731	\$ 78	5%
Basic Earnings per Share	\$ 0.88	\$ 0.79	\$ 0.07	\$ 1.02	\$ 0.85	\$ 0.03	4%
Average Shares Outstanding	2,061,964	2,055,637	2,052,707	2,041,263	2,040,623	21,341	1%
Diluted Earnings per Share	\$ 0.87	\$ 0.79	\$ 0.07	\$ 1.02	\$ 0.85	\$ 0.02	2%
Average Shares Outstanding	2,074,970	2,068,169	2,062,424	2,050,472	2,042,939	32,031	2%
Annualized Performance Ratios							
Return on Average Assets	1.21%	1.14%	0.10%	1.34%	1.14%	0.07%	6%
Return on Average Common Equity	11.38%	10.77%	0.94%	13.84%	11.91%	-0.53%	-4%
Net Interest Margin	3.62%	3.72%	4.10%	3.86%	3.77%	-0.15%	-4%
Cost of Funds	1.44%	1.12%	0.62%	0.34%	0.22%	1.22%	555%
Efficiency Ratio	55.20%	56.91%	45.73%	51.95%	56.45%	-1.25%	-2%

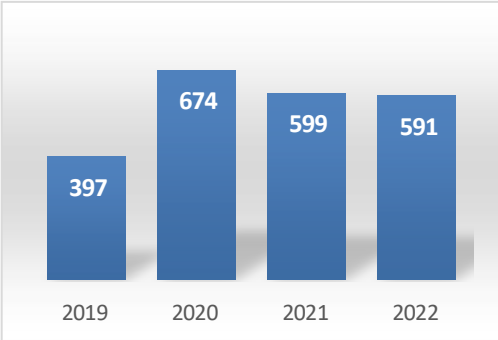
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Bank of San Francisco
Statement of Income (Unaudited)
(\$000, except share and per share amounts)

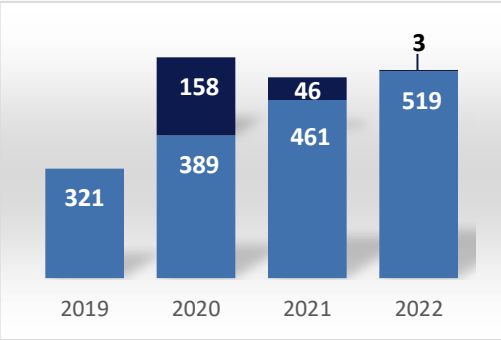
	Six Months Ended		Year Over Year Change	
	6/30/2023	6/30/2022	\$	%
Interest on loans, including fees	\$ 12,354	\$ 11,181	\$ 1,173	10%
Interest on deposits in banks	1,518	264	1,254	475%
Other interest income	109	86	23	27%
Total interest income	13,981	11,531	2,450	21%
Deposits interest expense	3,368	537	2,831	527%
Other interest expense	4	-	4	n/m
Total interest expense	3,372	537	2,835	528%
Net interest income	10,609	10,994	(385)	-4%
Provision for credit losses	-	-	-	-
Net interest income after provision	10,609	10,994	(385)	-4%
Service charges on deposits	167	163	4	2%
Gains on sale of loans	299	124	175	141%
Other non-interest income	135	38	97	255%
Total non-interest income	601	325	276	85%
Salaries and employee benefits expense	4,202	4,140	62	1%
Occupancy	423	438	(15)	-3%
Information Technology and Equipment	554	468	86	18%
Other operating expense	1,103	1,111	(8)	-1%
Total non-interest expense	6,282	6,157	125	2%
Income before income taxes	4,928	5,162	(234)	-5%
Income tax expense	1,459	1,528	(69)	-5%
Net income	\$ 3,469	\$ 3,634	\$ (165)	-5%
Basic Earnings per Share	\$ 1.68	\$ 1.78	\$ (0.10)	-6%
Average Shares Outstanding	2,058,818	2,040,623	18,195	1%
Diluted Earnings per Share	\$ 1.68	\$ 1.77	\$ (0.09)	-5%
Average Shares Outstanding	2,070,775	2,051,718	19,057	1%
Annualized Performance Ratios				
Return on Average Assets	1.18%	1.21%	-0.03%	-2%
Return on Average Common Equity	11.00%	12.50%	-1.50%	-12%
Net Interest Margin	3.68%	3.75%	-0.07%	-2%
Cost of Funds	1.26%	0.20%	1.06%	530%
Efficiency Ratio	56.04%	54.40%	1.64%	3%

FINANCIAL HIGHLIGHTS

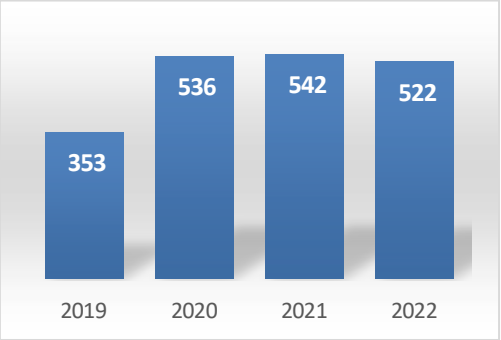
Total Assets (\$ Millions)
As of December 31,



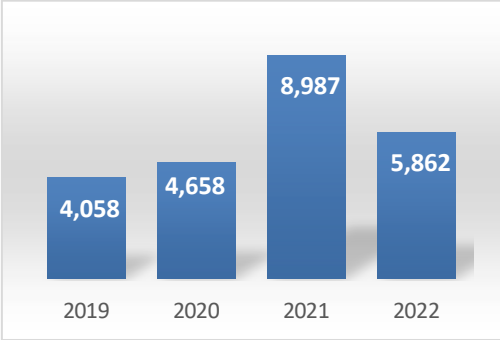
Total Loans (\$ Millions)
As of December 31,



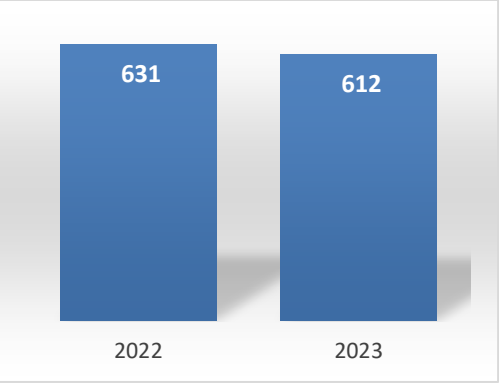
Total Deposits (\$ Millions)
As of December 31,



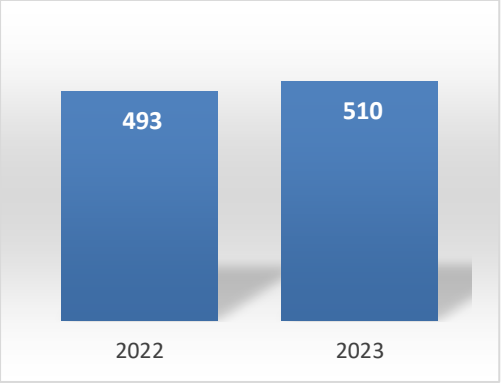
Net Income (\$ Thousands)
Year Ended December 31,



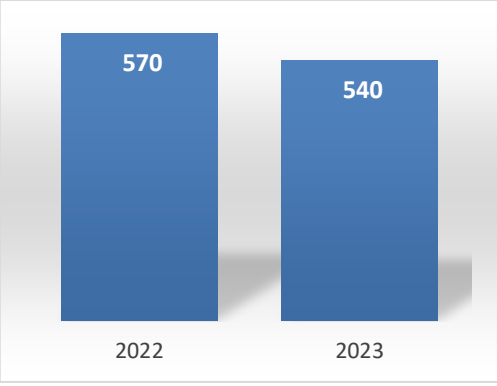
Total Assets (\$ Millions)
As of June 30,



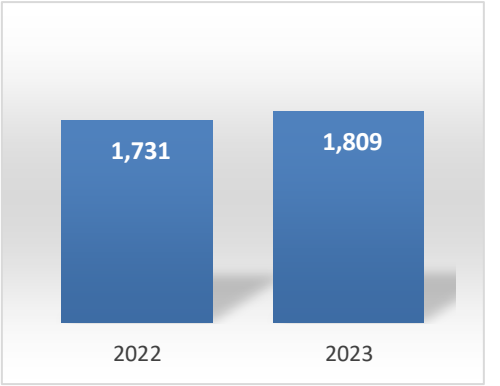
Total Loans (\$ Millions)
As of June 30, ■ = PPP Loans



Total Deposits (\$ Millions)
As of June 30,

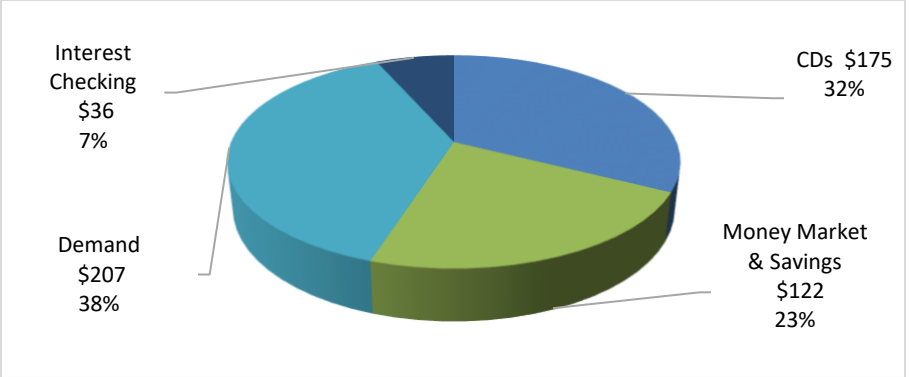


Net Income (\$ Thousands)
Three Months Ended June 30,



Deposit Composition (\$ Millions)

As of June 30, 2023



Loan Composition (\$ Millions)

