

FOR IMMEDIATE RELEASE

## **Bank of San Francisco Reports Results for the Quarter Ended March 31, 2020**

SAN FRANCISCO, CA – (5/5/2020)—Bank of San Francisco (OTCQX: BSFO), a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the first quarter ended March 31, 2020. Net income for the quarter was \$919,000, or \$0.46 diluted earnings per share, down 23% compared to the preceding quarter, and down 4%, from \$953,000, or \$0.47 diluted earnings per share, achieved in the first quarter of 2019.

“While we were pleased with our first quarter operating performance, which is detailed below, we are now extremely focused on navigating through the Coronavirus pandemic,” said Wendy Ross, President of Bank of San Francisco. “Approximately 75% of our team is working remotely to service our clients, with small teams working out of our San Francisco and Walnut Creek offices. Both offices are operating with social distancing and other safety measures in place to protect the health of our team members and clients.”

Ed Obuchowski, CEO of Bank of San Francisco, added, “In an effort to assist our clients through this challenging time, we have approved six-month deferrals of principal payments on 70 loans totaling \$41 million. Per regulatory guidelines, the deferrals will not trigger Troubled Debt Restructures. Additionally, we are actively participating in the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) under Congress’ Coronavirus Aid, Relief and Economic Security Act (“CARES”). Through May 3, 2020, we had secured 487 SBA PPP loan authorizations, totaling \$180 million, preserving more than 13,000 Bay Area jobs. Estimated fee income for the PPP loans is approximately \$4.9 million, which will be amortized over the life of the loans. While these loans will have a negative impact on our net interest margin, they are important in terms of saving jobs, as well as supporting small businesses and nonprofits in our community. We are proud to be doing our part.”

### Financial Highlights:

- Net income was \$919,000 for the first quarter of 2020, compared to \$1,184,000 for the preceding quarter and \$953,000 for the first quarter of 2019. Major factors impacting the lower net income, quarter-over-quarter, include: the declining interest rate environment; lower loan prepayment fee income from the higher

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levels experienced in the fourth quarter of 2019; increased salaries and benefits expense; and increased loan loss provision expense.

- Net income for the first quarter of 2020 was \$34,000 lower than that for the first quarter of 2019. In addition to the impact of the lower interest rate environment, the Bank did not sell any SBA 7(a) loans in the first quarter of 2020, resulting in no gain-on-sale income, versus the \$148,000 realized from SBA 7(a) sales in the first quarter of 2019. In recognition of the significant economic stresses that surfaced during the latter part of March of 2020, the Bank increased its loan loss provision expense to \$195,000, versus the \$75,000 expensed in the first quarter of 2019.
- Net interest income was \$3,751,000 for the first quarter of 2020, a decrease of \$167,000 from the preceding quarter, and a \$437,000 increase from \$3,314,000 for the first quarter of 2019. The Bank's net interest margin decreased to 4.08% in the first quarter of 2020, from 4.27% in the preceding quarter, and 4.23% in the first quarter of 2019. A decrease in loan prepayment fees in the first quarter of 2020, combined with the decreasing interest rate environment, resulted in the reduced net interest income and compression of the interest margin, quarter-over-quarter. The year-over-year increase in interest income was the result of the \$42,953,000, or 15%, growth in total loans, net of deferred costs and fees, partially offset by the decline in loan interest rates.
- The lower interest rate environment enabled the Bank to replace higher-rate brokered Certificates of Deposit with lower-priced ones during the first quarter of 2020, and to reduce its deposit rates in March. This resulted in the cost of funds decreasing from 0.69% in the fourth quarter of 2019 to 0.65% in the first quarter of 2020.
- Operating expenses were \$2,356,000 for the first quarter of 2020, an increase of \$87,000, or 4%, from the preceding quarter, and an increase of \$231,000, or 11%, from the \$2,125,000 reported for the first quarter of 2019. The quarter-over-quarter increase was due to an increase in salaries and employee benefits expense.
- The year-over-year increase in operating expenses reflected annual performance-based salary increases, recruiting expense and the increase in the Bank's employee headcount. Expenses also included those from the Bank's Walnut Creek Loan Production Office, which opened at the end of the first quarter of 2019.
- The efficiency ratio was 61.07% for the first quarter of 2020, compared to 56.37% for the preceding quarter, and 59.77% for the first quarter of 2019. The Bank continues to balance the goals of improving its efficiency ratio with taking

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advantage of unique opportunities presented in the market for talent acquisition and long-term growth potential.

- Diluted earnings per common share were \$0.46 for the first quarter of 2020, down \$0.13 compared to the preceding quarter, and down \$0.01 compared to the first quarter of 2019. Earnings per common share were primarily impacted by the decrease in net income.
- Total loans, net of deferred fees, were \$331 million as of March 31, 2020, up \$10 million from December 31, 2019, and up \$43 million from March 31, 2019. The loan growth for the first quarter of 2020 was comprised of a mix of commercial and residential loans.
- Total deposits were \$362 million as of March 31, 2020, up \$9 million from December 31, 2019, and up \$70 million from March 31, 2019. The growth for the quarter included \$20 million in new public funds and \$6 million in additional brokered deposits, less the \$19 million transaction deposit that was received during the fourth quarter of 2019 and dispersed in the first quarter of 2020. While the Bank was focused on reducing the use of brokered deposits in the preceding quarters, the seasonal deposit trends early in the year resulted in the Bank increasing brokered deposits by \$6 million. In addition, the Bank took the opportunity to secure low-cost funding with a one-year Federal Home Loan Bank (“FHLB”) advance. Given the current low interest rate environment, the Bank will continue to focus on reducing its deposit rates where possible, and replacing higher-cost funding.
- Credit quality remained strong and stable in the first quarter of 2020, with no non-accrual loans and one past-due loan, which is now current. The Allowance for Loan Losses reserve ratio was 1.37% as of March 31, 2020, an increase of 0.02% from December 31, 2019, and a decrease of 0.03% from March 31, 2019. As noted above, loan loss provision expense for the first quarter of 2020 was \$195,000, compared to \$90,000 the preceding quarter.

As of March 31, 2020, residential loans represented 41% of the Bank’s total loan portfolio. The weighted average loan-to-value (“LTV”) ratio for the residential portfolio was 56%. As of March 31, 2020, commercial real estate (“CRE”) loans represented 33% of the total loan portfolio, and the weighted average LTV ratio for these loans was under 55%. The ratio was calculated with the loan balance as of March 31, 2020 over the collateral value at origination.

Commercial and Industrial (“C&I”) loans represented 24% of the total loan portfolio. Within that category, the Bank considers dental and medical offices, restaurants and transportation to be industries severely impacted by the pandemic. Those industries represented approximately 4.9%, 1.7%, and 1.0% of the Bank’s overall loan portfolio, respectively, as of March 31, 2020. The

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dominant percentage of the Bank's dental and medical loans are seasoned, having originated prior to 2016. Almost all of the Bank's restaurant and travel industry loans are guaranteed up to 75% by the SBA, or up to 80% by the State of California.

With very few exceptions, the Bank's C&I and CRE loans are supported by owner/operator guarantees, as a secondary source of repayment. However, the full impact of the Coronavirus on the Bank's borrowers and guarantors is unknown at this time. The Bank increased qualitative factors in its March 31, 2020 Allowance for Loan Losses reserve ratio due to the current health crisis. As additional information is known, and the extent and impact of the pandemic on various industries become more apparent, the Allowance for Loan Losses reserve ratio will be adjusted.

- Book value per share increased to \$20.58 per share as of March 31, 2020, up from \$20.10 at December 31, 2019, and \$18.67 per share at March 31, 2019.
- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 11.04%, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 15.23%, and a Total Risk-Based Capital Ratio of 16.48% as of March 31, 2020.

“As we navigate the current uncertain operating environment, we take comfort in our deeply imbedded credit culture, our diversified lines of business, the strong relationships we have forged with our clients since our Bank's founding, and the strength and character of our Bank of San Francisco team” said Ed Obuchowski, CEO of 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

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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.

### **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	
	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019	\$	%
Interest on loans, including fees	\$ 4,134	\$ 4,248	\$ 4,127	\$ 3,810	\$ 3,600	\$ 534	15%
Interest on deposits in banks	126	220	244	220	156	(30)	-19%
Other interest income	30	30	28	23	23	7	30%
<b>Total interest income</b>	<b>4,290</b>	<b>4,498</b>	<b>4,399</b>	<b>4,053</b>	<b>3,779</b>	<b>511</b>	<b>14%</b>
Deposits interest expense	535	580	615	603	360	175	49%
Other interest expense	4	-	-	6	105	(101)	-96%
<b>Total interest expense</b>	<b>539</b>	<b>580</b>	<b>615</b>	<b>609</b>	<b>465</b>	<b>74</b>	<b>16%</b>
<b>Net interest income</b>	<b>3,751</b>	<b>3,918</b>	<b>3,784</b>	<b>3,444</b>	<b>3,314</b>	<b>437</b>	<b>13%</b>
Provision for loan losses	195	90	140	85	75	120	160%
<b>Net interest income after provision</b>	<b>3,556</b>	<b>3,828</b>	<b>3,644</b>	<b>3,359</b>	<b>3,239</b>	<b>317</b>	<b>10%</b>
Service charges on deposits**	74	74	67	71	68	6	9%
Gains on sale of loans	-	-	183	75	148	(148)	-100%
Other non-interest income**	33	33	32	37	25	8	32%
<b>Total non-interest income</b>	<b>107</b>	<b>107</b>	<b>282</b>	<b>183</b>	<b>241</b>	<b>(134)</b>	<b>-56%</b>
Salaries and employee benefits expense**	1,573	1,417	1,539	1,566	1,457	116	8%
Occupancy**	209	212	211	202	178	31	17%
Information Technology and Equipment**	195	209	191	189	182	13	7%
Other operating expense**	379	431	436	398	308	71	23%
<b>Total non-interest expense</b>	<b>2,356</b>	<b>2,269</b>	<b>2,377</b>	<b>2,355</b>	<b>2,125</b>	<b>231</b>	<b>11%</b>
<b>Income before income taxes</b>	<b>1,307</b>	<b>1,666</b>	<b>1,549</b>	<b>1,187</b>	<b>1,355</b>	<b>(48)</b>	<b>-4%</b>
Income tax expense	388	482	463	352	402	(14)	-3%
<b>Net income</b>	<b>\$ 919</b>	<b>\$ 1,184</b>	<b>\$ 1,086</b>	<b>\$ 835</b>	<b>\$ 953</b>	<b>\$ (34)</b>	<b>-4%</b>

\*\* Amounts have been reclassified in periods prior to December 31, 2019 to conform with the current period's presentation.

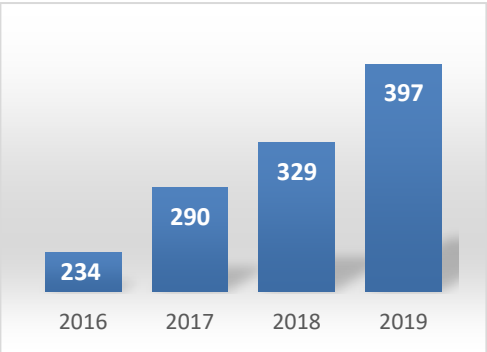
Basic Earnings per Share	\$ 0.46	\$ 0.59	\$ 0.54	\$ 0.42	\$ 0.47	\$ (0.01)	-2%
Average Shares Outstanding	2,014,703	2,014,703	2,007,882	2,007,451	2,007,451	7,252	0%
Diluted Earnings per Share	\$ 0.46	\$ 0.59	\$ 0.54	\$ 0.41	\$ 0.47	\$ (0.01)	-2%
Average Shares Outstanding	2,019,510	2,018,478	2,009,404	2,012,374	2,011,655	7,855	0%

Annualized Performance Ratios

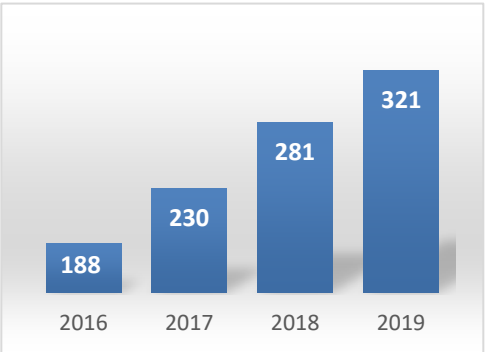
Return on Average Assets	0.97%	1.26%	1.20%	0.99%	1.18%	-0.21%	-18%
Return on Average Common Equity	8.86%	11.73%	11.09%	8.75%	10.24%	-1.38%	-13%
Net Interest Margin	4.08%	4.27%	4.28%	4.18%	4.23%	-0.15%	-3%
Cost of Funds	0.65%	0.69%	0.78%	0.80%	0.64%	0.01%	2%
Efficiency Ratio	61.07%	56.37%	58.46%	64.93%	59.77%	1.30%	2%

# FINANCIAL HIGHLIGHTS

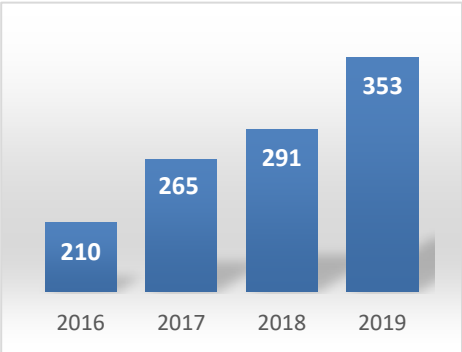
Total Assets (\$ Millions)  
As of December 31,



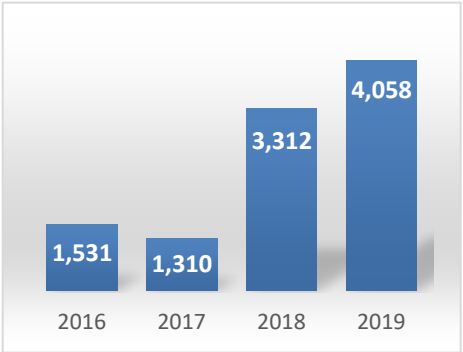
Total Loans (\$ Millions)  
As of December 31,



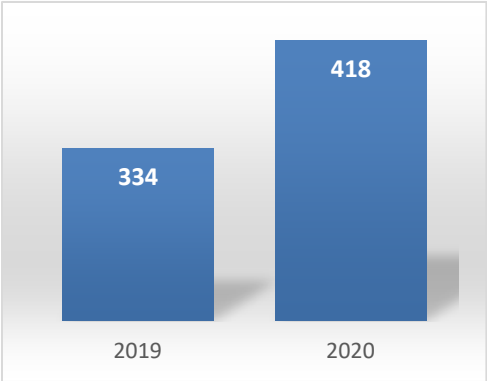
Total Deposits (\$ Millions)  
As of December 31,



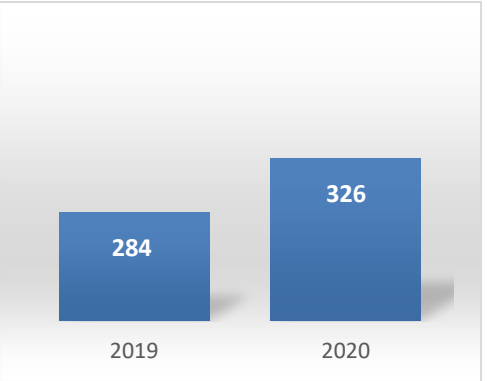
Net Profit (\$ Thousands)  
Year Ended December 31,



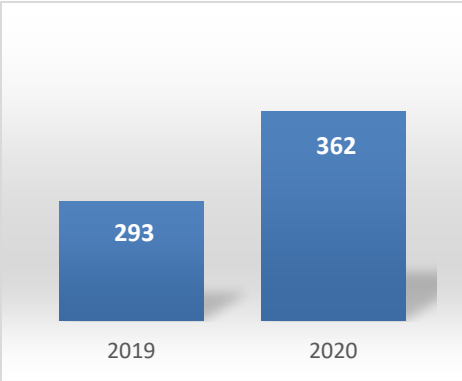
Total Assets (\$ Millions)  
As of March 31,



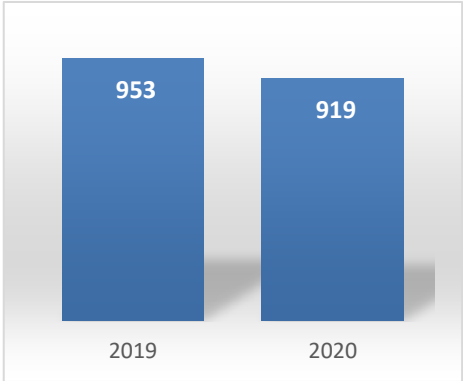
Total Loans (\$ Millions)  
As of March 31,



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

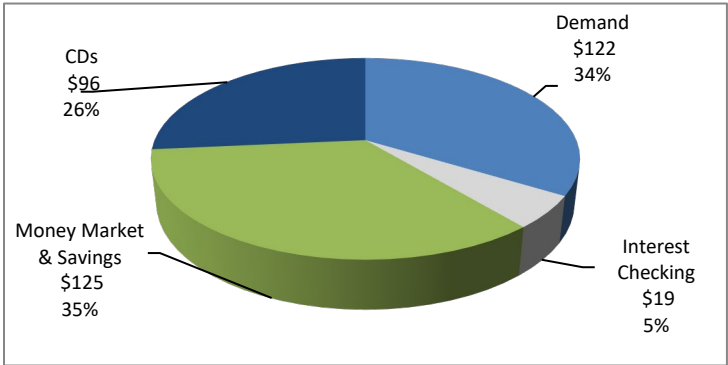


Net Profit (\$ Thousands)  
Three Months Ended March 31,

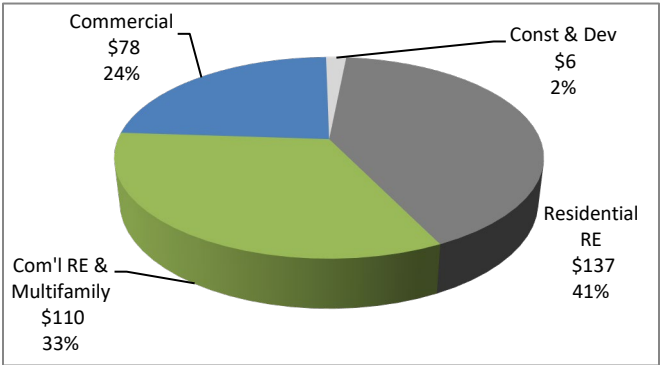


Deposit Composition (\$ Millions)

As of March 31, 2020



Loan Composition (\$ Millions)



BANK OF SAN FRANCISCO