



FOR IMMEDIATE RELEASE

Bank of San Francisco Reports First-Quarter 2023 Results

SAN FRANCISCO, CA—(4/27/2023)—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, 2023. Net income for the quarter was \$1,660 thousand, up \$1,516 thousand compared to the preceding quarter, and down 13% from \$1,903 thousand achieved in the first quarter of 2022. Diluted earnings per share for the quarter were \$0.79, up \$0.72 compared to the preceding quarter, and down 15% from \$0.93 diluted earnings per share achieved in the first quarter of 2022.

Ed Obuchowski, Chief Executive Officer, noted, “We would like to give special thanks to our clients and team for successfully navigating the March turmoil within the banking industry. We were very pleased to see that our relationship deposits decreased by only 3% between March 10 and the end of the quarter, especially when considering the seasonal decrease in deposits that typically occurs during this time. Our clients have been very understanding about how different our traditional community banking business model is compared to the models of those few banks that have incurred major issues recently. Our team continues to be highly focused on providing exceptional client service, developing new client relationships, and expanding existing client relationships.”

First-quarter 2023 results compared to first-quarter 2022:

- Net income was \$1,660 thousand, a decrease of \$243 thousand, or 13%. The decrease resulted from a decline in the Paycheck Protection Program (PPP) loan interest income of \$628 thousand, which was offset partially by an increase in the non-PPP loan interest income. The first quarter of 2022 included a gain on Small Business Administration (SBA) loan sales of \$124 thousand, with no sales in the first quarter of 2023. Salary and benefits increased by \$131 thousand, reflecting lower loan originations, which resulted in reduced deferred salary expense.
- Net interest income was \$5,297 thousand, a decrease of \$140 thousand, or 3%. The decline was the result of increased interest expense of \$1,221 thousand and the decrease in PPP loan interest and fee income of \$628 thousand, which were offset partially by the increase in non-PPP loan interest and fee income of \$1,070 thousand and interest on deposits in banks increasing by \$627 thousand.
- Cost of funds was 1.12%, an increase of 0.96%.
- Net interest margin decreased to 3.72% from 3.80%.

- Operating expenses were \$3,116 thousand, an increase of \$147 thousand, or 5%. The increase was primarily the result of increased salary expense, with lower loan production in the first quarter of 2023 leading to reduced deferred salary expense.
- The efficiency ratio was 57%, up from 52%.
- Diluted earnings per common share were \$0.79, down \$0.14, or 15%.
- Total loans, net of deferred fees, were \$513 million, increasing by \$27 million, or 6%, with PPP loans decreasing by \$29 million, and non-PPP loans increasing by \$56 million, or 12%.
- Total deposits were \$534 million, increasing by \$9 million, or 2%. Brokered deposits increased by \$50 million, or 9%, with relationship deposits decreasing by \$41 million, or 8%. Uninsured deposits were 28% of total deposits. In addition to on-balance-sheet liquidity of \$83 million, the Bank had available borrowings of \$195 million, or 1.3 times the \$150 million in uninsured 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 \$29.86 per share, up from \$27.58 per share.
- The Bank adopted Accounting Standards Update 2016-13 – Current Expected Credit Losses (CECL), effective January 1, 2023. The adoption decreased retained earnings by \$797 thousand and increased the loan loss reserve, resulting in a reserve of 1.40% of total loans.

First-quarter 2023 results compared to fourth-quarter 2022:

- Net income was \$1,660 thousand, an increase of \$1,516 thousand. The primary reason for the increase was the \$3,123 thousand provision recorded in the fourth quarter of 2022 compared to no reserve in the first quarter of 2023. Operating expenses increased as the Bank decreased the bonus pool as a result of the fourth quarter 2022 provision expense.
- Net interest income was \$5,297 thousand, a decrease of \$693 thousand. Interest expense increased \$608 thousand primarily from the increased industry pressure on deposits. PPP loan interest and fee income decreased by \$141 thousand, to \$20 thousand, with non-PPP loan and fee interest income decreasing by \$20 thousand, and interest on deposits in banks increasing \$78 thousand.
- Cost of funds increased to 1.12%, from 0.62%.
- Net interest margin decreased to 3.72%, from 4.10%.
- Operating expenses were \$3,116 thousand; an increase of \$339 thousand. The increase was primarily from the \$579 thousand increase in salary and benefits, largely from the reversal of the bonus accrual in the fourth quarter of 2022. This was partially offset by the decrease in other operating expenses of \$247 thousand from special projects completed during the quarter of 2022.
- The efficiency ratio was 57%, up from 46%.

- Diluted earnings per common share were \$0.79, up \$0.72.
- Total loans, net of deferred fees, were \$513 million, a decrease of \$8 million. The decline in loans was from the combination of a \$7 million paydown under a line of credit and reflected the Bank's typical seasonal slowdown in the first quarter of the year.
- Total deposits were \$534 million, an increase of \$12 million. Brokered deposits increased by \$38 million and relationship deposits declined by \$26 million, or 5%. The Bank typically sees a seasonal decline in relationship deposits during this time.
- Book value per share increased to \$29.86, up from \$29.39 per share.

Asset quality:

- The Allowance for Loan Losses Reserve Ratio was 1.40% as of March 31, 2023, increasing by 0.18% from December 31, 2022. The increase in the reserve was from the adoption of CECL, effective the beginning of the first quarter of 2023.
- As of March 31, 2023, the Bank had nine non-accrual loans totaling \$4.3 million, or 0.84% of the loan portfolio, down from \$4.4 million as of December 31, 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% SBA guarantee, with an unguaranteed exposure to the Bank of \$880 thousand.
- Classified loans totaled \$8.6 million, or 1.68%, of the total loan portfolio as of March 31, 2023, up from \$8.5 million from the preceding quarter.

Capital:

- The Bank continues to be well-capitalized, with a Tier 1 Leverage Ratio of 10.56%, Tier 1 Risk-Based Capital and Common Equity Tier 1 Ratios of 15.35%, and a Total Risk-Based Capital Ratio of 16.61% as of March 31, 2023.

Wendy Ross, President, noted, "With rising interest rates and the current challenging economic environment, we are purposely tempering our loan growth in 2023. Our team is focused on continuing to take exceptional care of our clients while looking for new depository opportunities, closely managing our loan portfolio and bringing in very high-quality loans from borrowers who value full banking relationships. The team is also very focused on expense control during this period of slower growth."

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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	
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	\$	%
Assets							
Cash and due from banks	\$ 6,826	\$ 5,588	\$ 8,921	\$ 12,605	\$ 17,069	\$ (10,243)	-60%
Interest bearing deposits in banks	77,073	54,451	76,851	122,584	80,577	(3,504)	-4%
Total cash and cash equivalents	83,899	60,039	85,772	135,189	97,646	(13,747)	-14%
Loans, net of deferred costs/fees	513,375	521,847	517,137	493,393	486,546	26,829	6%
Allowance for Loan Losses	(7,188)	(6,382)	(7,160)	(7,160)	(7,160)	(28)	0%
Loans, net of allowance of loan losses	506,187	515,465	509,977	486,233	479,386	26,801	6%
Premises and equipment, net	1,685	1,411	1,074	153	172	1,513	880%
Accrued interest receivable & other assets	13,118	14,437	13,684	9,632	8,236	4,882	59%
Total Assets	\$ 604,889	\$ 591,352	\$ 610,507	\$ 631,207	\$ 585,440	\$ 19,449	3%
Liabilities							
Non-interest bearing deposits	\$ 197,164	\$ 242,363	\$ 251,413	\$ 251,627	\$ 215,361	\$ (18,197)	-8%
Interest bearing deposits	337,200	279,924	290,133	318,600	309,739	27,461	9%
Total deposits	534,364	522,287	541,546	570,227	525,100	9,264	2%
Accrued interest payable and other liabilities	8,004	7,524	7,632	1,888	3,123	4,881	156%
Total Liabilities	542,368	529,811	549,178	572,115	528,223	14,145	3%
Shareholders' equity							
Common stock	27,821	27,704	27,636	27,483	27,339	482	2%
Retained earnings	34,700	33,837	33,693	31,609	29,878	4,822	16%
Total shareholders' equity	62,521	61,541	61,329	59,092	57,217	5,304	9%
Total Liabilities & Shareholders' Equity	\$ 604,889	\$ 591,352	\$ 610,507	\$ 631,207	\$ 585,440	\$ 19,449	3%
Book Value per Common Share	\$ 29.86	\$ 29.39	\$ 29.29	\$ 28.20	\$ 27.58	\$ 2.28	8%
Total Common Shares Outstanding	2,093,754	2,093,754	2,093,754	2,095,602	2,074,540	19,214	1%
Capital Ratios							
Tier 1 Leverage ratio	10.56%	10.26%	9.83%	9.70%	9.56%	1.00%	10%
Tier 1 RBC ratio	15.35%	14.74%	14.89%	15.21%	15.53%	-0.18%	-1%
Common Equity Tier 1 RBC ratio	15.35%	14.74%	14.89%	15.21%	15.53%	-0.18%	-1%
Total Risk-Based Capital (RBC) ratio	16.61%	16.00%	16.14%	16.47%	16.79%	-0.18%	-1%
Other Ratios							
Non-interest bearing to Total Deposits	36.90%	46.40%	46.43%	44.13%	41.01%	-4.11%	-10%
Loan to Deposit ratio	96.07%	99.92%	95.49%	86.53%	92.66%	3.41%	4%
Allowance for Loan Losses to Total Loans	1.40%	1.22%	1.38%	1.45%	1.47%	-0.07%	-5%
Allowance for Loan Losses to Total Loans excluding PPP loans	1.40%	1.23%	1.41%	1.49%	1.57%	-0.17%	-11%
ALLL to Nonperforming Loans	166.55%	145.23%	160.90%	157.56%	155.99%	10.56%	7%
Nonperforming Assets to Total Assets	0.71%	0.74%	0.73%	0.72%	0.78%	-0.07%	-9%

Bank of San Francisco
Statement of Income (Unaudited)

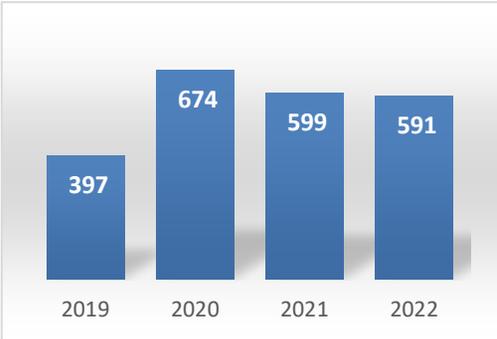
(\$000, except share and per share amounts)

	Three Months Ended					Year Over Year Change	
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	\$	%
Interest on loans, including fees	\$ 6,020	\$ 6,183	\$ 5,739	\$ 5,603	\$ 5,578	\$ 442	8%
Interest on deposits in banks	660	582	591	231	33	627	1900%
Other interest income	55	55	45	43	43	12	28%
Total interest income	6,735	6,820	6,375	5,877	5,654	1,081	19%
Deposits interest expense	1,434	829	471	320	217	1,217	561%
Other interest expense	4	1	-	-	-	4	n/m
Total interest expense	1,438	830	471	320	217	1,221	563%
Net interest income	5,297	5,990	5,904	5,557	5,437	(140)	-3%
Provision for loan losses	-	3,123	-	-	-	-	n/m
Net interest income after provision	5,297	2,867	5,904	5,557	5,437	(140)	-3%
Service charges on deposits	78	86	87	88	75	3	4%
Gains on sale of loans	-	-	147	-	124	(124)	-100%
Other non-interest income	100	(3)	22	2	36	64	178%
Total non-interest income	178	83	256	90	235	(57)	-24%
Salaries and employee benefits expense	2,112	1,533	2,126	2,159	1,981	131	7%
Occupancy	210	203	291	219	219	(9)	-4%
Information Technology and Equipment	286	286	245	243	225	61	27%
Other operating expense	508	755	538	567	544	(36)	-7%
Total non-interest expense	3,116	2,777	3,200	3,188	2,969	147	5%
Income before income taxes	2,359	173	2,960	2,459	2,703	(344)	-13%
Income tax expense	699	29	876	728	800	(101)	-13%
Net income	\$ 1,660	\$ 144	\$ 2,084	\$ 1,731	\$ 1,903	\$ (243)	-13%
Basic Earnings per Share	\$ 0.79	\$ 0.07	\$ 1.02	\$ 0.85	\$ 0.93	\$ (0.14)	-15%
Average Shares Outstanding	2,093,754	2,052,707	2,041,263	2,040,623	2,040,623	53,131	3%
Diluted Earnings per Share	\$ 0.79	\$ 0.07	\$ 1.02	\$ 0.85	\$ 0.93	\$ (0.14)	-15%
Average Shares Outstanding	2,106,386	2,062,424	2,050,472	2,042,939	2,048,805	57,581	3%
Annualized Performance Ratios							
Return on Average Assets	1.14%	0.10%	1.34%	1.14%	1.28%	-0.14%	-11%
Return on Average Common Equity	10.77%	0.94%	13.84%	11.91%	13.54%	-2.77%	-20%
Net Interest Margin	3.72%	4.10%	3.86%	3.77%	3.80%	-0.08%	-2%
Cost of Funds	1.12%	0.62%	0.34%	0.22%	0.16%	0.96%	600%
Efficiency Ratio	56.91%	45.73%	51.95%	56.45%	52.34%	4.57%	9%

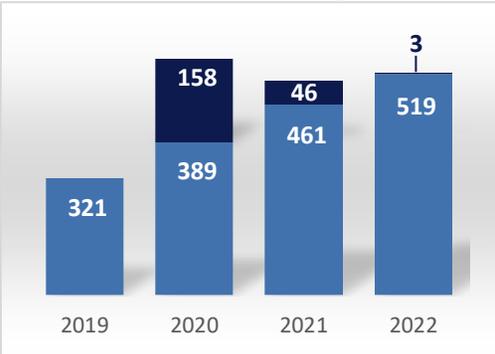
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FINANCIAL HIGHLIGHTS

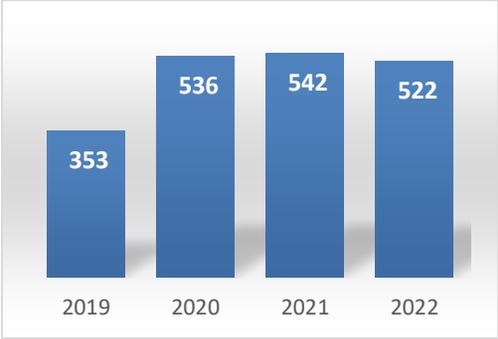
Total Assets (\$ Millions)
As of December 31,



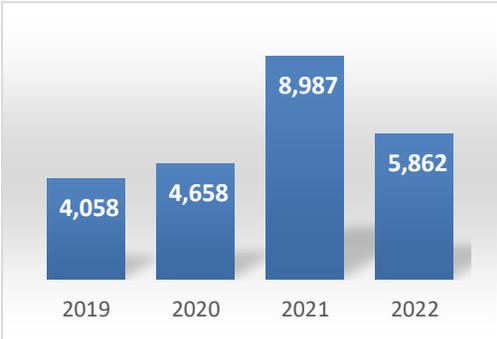
Total Loans (\$ Millions)
As of December 31,



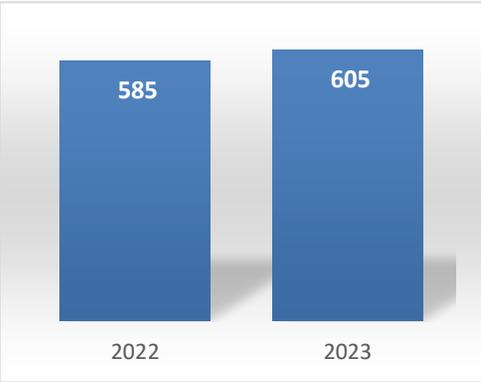
Total Deposits (\$ Millions)
As of December 31,



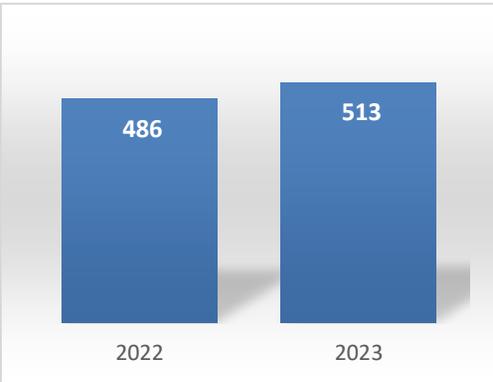
Net Income (\$ Thousands)
Year Ended December 31,



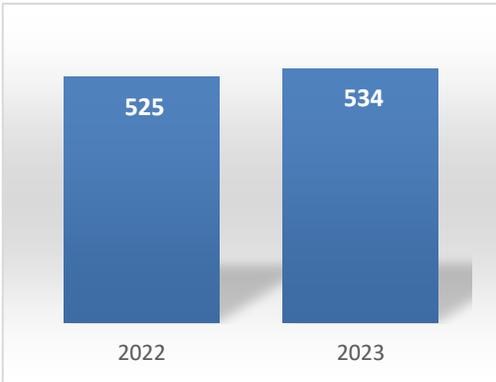
Total Assets (\$ Millions)
As of March 31,



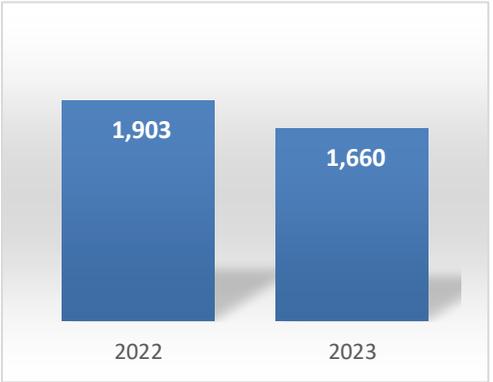
Total Loans (\$ Millions)
As of March 31,



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

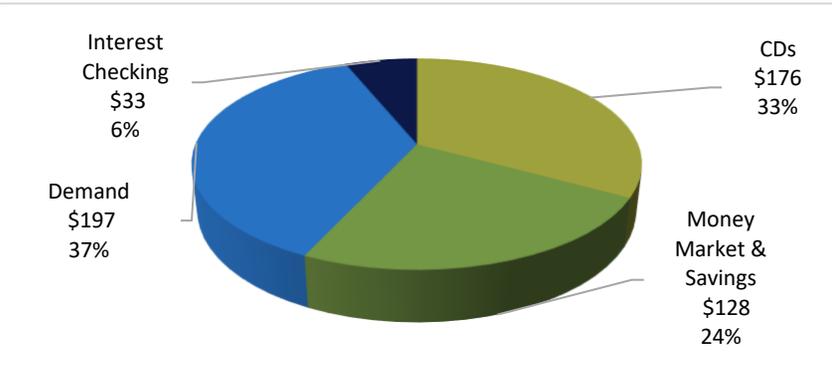


Net Income (\$ Thousands)
Three Months Ended March 31,



■ = PPP Loans

Deposit Composition (\$ Millions)
As of March 31, 2023



Loan Composition (\$ Millions)
As of March 31, 2023

