



FOR IMMEDIATE RELEASE

Bank of San Francisco Reports Third-Quarter 2023 Results

SAN FRANCISCO, CA—(10/31/2023)—Bank of San Francisco (OTCQX: BSFO), a forward-thinking community bank serving Bay Area businesses, nonprofits and individuals, announced unaudited results for the third quarter ended September 30, 2023. Net income for the quarter was \$1,851 thousand, up \$42 thousand compared to the preceding quarter, and down 11% from \$2,084 thousand achieved in the third quarter of 2022. Diluted earnings per share for the quarter were \$0.89, up \$0.02 compared to the preceding quarter, and down 13% from \$1.02 diluted earnings per share achieved in the third quarter of 2022.

Wendy Ross, President, noted, “Notwithstanding the continued challenging economy and margin pressure caused by the high interest rate environment, we remain pleased with our operating performance, as well as our strong liquidity and capital positions. We appreciate our team’s hard work, disciplined approach to pricing and credit, and focus on expense control as we navigate the current environment.”

Third-quarter 2023 results compared to third-quarter 2022:

- Net income was \$1,851 thousand, a decrease of \$233 thousand, or 11%. The decrease was primarily from the combination of a \$283 thousand decrease in net interest income and a \$147 thousand decrease in gain on Small Business Administration (SBA) loan sales, with no sales occurring in the third quarter of 2023. These revenue decreases were partially offset by a \$54 thousand decrease in operating expenses.
- Net interest income was \$5,621 thousand, a decrease of \$283 thousand, or 5%. The decline was the result of increased interest expense of \$1,579 thousand, which was partially offset by a \$582 thousand increase in loan interest and fee income and a \$696 thousand increase in interest earned on deposits in banks.
- Cost of funds was 1.53%, an increase of 1.19%.
- Net interest margin decreased to 3.72%, from 3.86%.
- Operating expenses were \$3,146 thousand, a decrease of \$54 thousand, or 2%. The decrease was primarily the result of decreased salary and benefit expenses, reflecting lower incentive compensation due to the current economic environment.
- The efficiency ratio was 54%, up from 52%.
- Diluted earnings per common share were \$0.89, down \$0.13, or 13%.

- Total loans, net of deferred fees, were \$505 million, decreasing by \$12 million, or 2%, with Paycheck Protection Program (PPP) loans decreasing by \$9 million, and non-PPP loans decreasing by \$3 million, or 1%.
- Total deposits were \$536 million, decreasing by \$5 million, or 1%. Brokered deposits increased by \$36 million, with relationship deposits decreasing by \$41 million, or 8%.
- Insured relationship deposits and collateralized deposits were 49% of total deposits. In addition to on-balance-sheet liquidity of \$100 million, the Bank had available borrowings of \$187 million for a liquidity capacity of \$287 million, compared to \$213 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 \$31.61, up from \$29.29 per share.

Third-quarter 2023 results compared to second-quarter 2023:

- Net income was \$1,851 thousand, an increase of \$42 thousand. The primary reason for the increase was a \$309 thousand increase in net interest income, partially offset by a \$299 thousand decrease in gain on SBA loan sales, with no sales occurring in the third quarter of 2023.
- Net interest income was \$5,621 thousand, a \$309 thousand increase. Interest expense increased by \$116 thousand, primarily from the increased industry pressure on deposit rates. Interest income on deposits in banks increased by \$429 thousand.
- Cost of funds increased to 1.53%, from 1.44%.
- Net interest margin increased to 3.72%, from 3.62%.
- Operating expenses were \$3,146 thousand, a \$20 thousand decrease, primarily from decreased salary and benefit expenses.
- The efficiency ratio was 54%, down from 55%.
- Diluted earnings per common share were \$0.89, up \$0.02.
- Total loans, net of deferred fees, were \$505 million, a decrease of \$5 million. Residential loans declined by \$2 million, and commercial loans decreased by \$3 million from various loan pay downs.
- Total deposits were \$536 million, a decrease of \$4 million. Brokered deposits decreased by \$10 million, and relationship deposits increased by \$6 million, or 1%.
- Book value per share increased to \$31.61, up from \$30.66 per share.

Asset quality:

- The Allowance for Credit Losses was 1.42% as of September 30, 2023, increasing by 0.01% from June 30, 2023.
- As of September 30, 2023, the Bank had nine non-accrual loans totaling \$4.0 million, or 0.80% of the loan portfolio, down from \$4.1 million as of June 30, 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 \$10.7 million, or 2.01%, of the total loan portfolio as of September 30, 2023, up 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 16.60%, and a Total Risk-Based Capital Ratio of 17.86% as of September 30, 2023.

Ed Obuchowski, CEO, noted, “Despite keen pressure on deposit pricing, we were pleased that our relationship deposits increased during the third quarter and that we were able to reduce our brokered deposits. Our Bank team is focused on taking extraordinarily great care of our existing clients, closely managing our loan portfolio and bringing in solid new depository and commercial relationships.”

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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	
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	\$	%
Assets							
Cash and due from banks	\$ 6,107	\$ 8,397	\$ 6,826	\$ 5,588	\$ 8,921	\$ (2,814)	-32%
Interest bearing deposits in banks	93,850	86,036	77,073	54,451	76,851	16,999	22%
Total cash and cash equivalents	99,957	94,433	83,899	60,039	85,772	14,185	17%
Loans, net of deferred costs/fees	504,703	510,339	513,375	521,847	517,137	(12,434)	-2%
Allowance for credit losses	(7,188)	(7,188)	(7,188)	(6,382)	(7,160)	(28)	0%
Loans, net of allowance of credit losses	497,515	503,151	506,187	515,465	509,977	(12,462)	-2%
Premises and equipment, net	1,662	1,714	1,685	1,411	1,074	588	55%
Accrued interest receivable & other assets	13,056	13,101	13,118	14,437	13,684	(628)	-5%
Total Assets	\$ 612,190	\$ 612,399	\$ 604,889	\$ 591,352	\$ 610,507	\$ 1,683	0%
Liabilities							
Non-interest bearing deposits	\$ 221,621	\$ 206,720	\$ 197,164	\$ 242,363	\$ 251,413	\$ (29,792)	-12%
Interest bearing deposits	314,827	333,077	337,200	279,924	290,133	24,694	9%
Total deposits	536,448	539,797	534,364	522,287	541,546	(5,098)	-1%
Accrued interest payable and other liabilities	9,099	7,920	8,004	7,524	7,632	1,467	19%
Total Liabilities	545,547	547,717	542,368	529,811	549,178	(3,631)	-1%
Shareholders' equity							
Common stock	28,047	27,938	27,821	27,704	27,636	411	1%
Retained earnings	38,596	36,744	34,700	33,837	33,693	4,903	15%
Total shareholders' equity	66,643	64,682	62,521	61,541	61,329	5,314	9%
Total Liabilities & Shareholders' Equity	\$ 612,190	\$ 612,399	\$ 604,889	\$ 591,352	\$ 610,507	\$ 1,683	0%
Book Value per Common Share	\$ 31.61	\$ 30.66	\$ 29.86	\$ 29.39	\$ 29.29	\$ 2.32	8%
Total Common Shares Outstanding	2,108,162	2,109,869	2,093,754	2,093,754	2,093,754	14,408	1%
Capital Ratios							
Tier 1 Leverage ratio	10.78%	10.78%	10.56%	10.26%	9.83%	0.95%	10%
Tier 1 RBC ratio	16.60%	15.84%	15.35%	14.74%	14.89%	1.71%	12%
Common Equity Tier 1 RBC ratio	16.60%	15.84%	15.35%	14.74%	14.89%	1.71%	12%
Total Risk-Based Capital (RBC) ratio	17.86%	17.10%	16.61%	16.00%	16.14%	1.72%	11%
Other Ratios							
Non-interest bearing to Total Deposits	41.31%	38.30%	36.90%	46.40%	46.43%	-5.12%	-11%
Loan to Deposit ratio	94.08%	94.54%	96.07%	99.92%	95.49%	-1.41%	-1%
Allowance for Credit Losses to Total Loans	1.42%	1.41%	1.40%	1.22%	1.38%	0.04%	3%
Allowance for Credit Losses to Total Loans excluding PPP loans	1.43%	1.41%	1.40%	1.23%	1.41%	0.02%	1%
ALLL to Nonperforming Loans	181.09%	174.95%	166.55%	145.23%	160.90%	20.19%	13%
Nonperforming Assets to Total Assets	0.65%	0.67%	0.71%	0.74%	0.73%	-0.08%	-11%

Bank of San Francisco
Statement of Income (Unaudited)

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

	Three Months Ended				Year Over Year Change		
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	\$	%
Interest on loans, including fees	\$ 6,321	\$ 6,334	\$ 6,020	\$ 6,183	\$ 5,739	\$ 582	10%
Interest on deposits in banks	1,287	858	660	582	591	696	118%
Other interest income	63	54	55	55	45	18	40%
Total interest income	7,671	7,246	6,735	6,820	6,375	1,296	20%
Deposits interest expense	2,050	1,934	1,434	829	471	1,579	335%
Other interest expense	-	-	4	1	-	-	n/m
Total interest expense	2,050	1,934	1,438	830	471	1,579	335%
Net interest income	5,621	5,312	5,297	5,990	5,904	(283)	-5%
Provision for credit losses	-	-	-	3,123	-	-	n/m
Net interest income after provision	5,621	5,312	5,297	2,867	5,904	(283)	-5%
Service charges on deposits	96	89	78	86	87	9	10%
Gains on sale of loans	-	299	-	-	147	(147)	-100%
Other non-interest income	60	35	100	(3)	22	38	173%
Total non-interest income	156	423	178	83	256	(100)	-39%
Salaries and employee benefits expense	2,031	2,090	2,112	1,533	2,126	(95)	-4%
Occupancy	236	213	210	203	291	(55)	-19%
Information Technology and Equipment	282	268	286	286	245	37	15%
Other operating expense	597	595	508	755	538	59	11%
Total non-interest expense	3,146	3,166	3,116	2,777	3,200	(54)	-2%
Income before income taxes	2,631	2,569	2,359	173	2,960	(329)	-11%
Income tax expense	780	760	699	29	876	(96)	-11%
Net income	\$ 1,851	\$ 1,809	\$ 1,660	\$ 144	\$ 2,084	\$ (233)	-11%
Basic Earnings per Share	\$ 0.89	\$ 0.88	\$ 0.79	\$ 0.07	\$ 1.02	\$ (0.13)	-13%
Average Shares Outstanding	2,075,107	2,061,964	2,055,637	2,052,707	2,041,263	33,844	2%
Diluted Earnings per Share	\$ 0.89	\$ 0.87	\$ 0.79	\$ 0.07	\$ 1.02	\$ (0.13)	-13%
Average Shares Outstanding	2,075,107	2,074,970	2,068,169	2,062,424	2,050,472	24,635	1%
Annualized Performance Ratios							
Return on Average Assets	1.20%	1.21%	1.14%	0.10%	1.34%	-0.14%	-11%
Return on Average Common Equity	11.28%	11.38%	10.77%	0.94%	13.84%	-2.56%	-19%
Net Interest Margin	3.72%	3.62%	3.72%	4.10%	3.86%	-0.14%	-4%
Cost of Funds	1.53%	1.44%	1.12%	0.62%	0.34%	1.19%	351%
Efficiency Ratio	54.46%	55.20%	56.91%	45.73%	51.95%	2.51%	5%

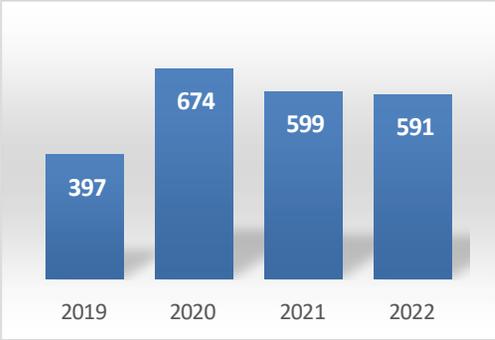
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Bank of San Francisco
Statement of Income (Unaudited)
(\$000, except share and per share amounts)

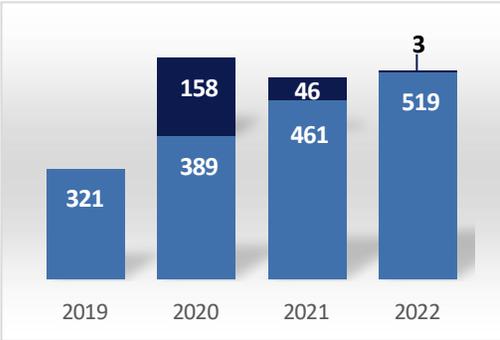
	Nine Months Ended		Year Over Year Change	
	9/30/2023	9/30/2022	\$	%
Interest on loans, including fees	\$ 18,675	\$ 16,920	\$ 1,755	10%
Interest on deposits in banks	2,805	855	1,950	228%
Other interest income	172	131	41	31%
Total interest income	<u>21,652</u>	<u>17,906</u>	<u>3,746</u>	<u>21%</u>
Deposits interest expense	5,418	1,008	4,410	438%
Other interest expense	4	-	4	n/m
Total interest expense	<u>5,422</u>	<u>1,008</u>	<u>4,414</u>	<u>438%</u>
Net interest income	<u>16,230</u>	<u>16,898</u>	<u>(668)</u>	<u>-4%</u>
Provision for credit losses	-	-	-	-
Net interest income after provision	<u>16,230</u>	<u>16,898</u>	<u>(668)</u>	<u>-4%</u>
Service charges on deposits	263	250	13	5%
Gains on sale of loans	299	271	28	10%
Other non-interest income	195	60	135	225%
Total non-interest income	<u>757</u>	<u>581</u>	<u>176</u>	<u>30%</u>
Salaries and employee benefits expense	6,233	6,266	(33)	-1%
Occupancy	659	729	(70)	-10%
Information Technology and Equipment	836	713	123	17%
Other operating expense	1,700	1,649	51	3%
Total non-interest expense	<u>9,428</u>	<u>9,357</u>	<u>71</u>	<u>1%</u>
Income before income taxes	<u>7,559</u>	<u>8,122</u>	<u>(563)</u>	<u>-7%</u>
Income tax expense	2,239	2,404	(165)	-7%
Net income	<u>\$ 5,320</u>	<u>\$ 5,718</u>	<u>\$ (398)</u>	<u>-7%</u>
Basic Earnings per Share	\$ 2.57	\$ 2.80	\$ (0.23)	-8%
Average Shares Outstanding	2,066,719	2,041,263	25,456	1%
Diluted Earnings per Share	\$ 2.57	\$ 2.79	\$ (0.22)	-8%
Average Shares Outstanding	2,073,281	2,050,472	22,809	1%
Annualized Performance Ratios				
Return on Average Assets	1.18%	1.26%	-0.08%	-6%
Return on Average Common Equity	11.01%	13.10%	-2.09%	-16%
Net Interest Margin	3.68%	3.79%	-0.11%	-3%
Cost of Funds	1.35%	0.25%	1.10%	440%
Efficiency Ratio	55.50%	53.53%	1.97%	4%

FINANCIAL HIGHLIGHTS

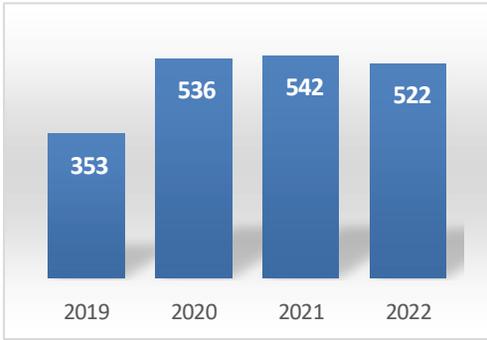
Total Assets (\$ Millions)
As of December 31,



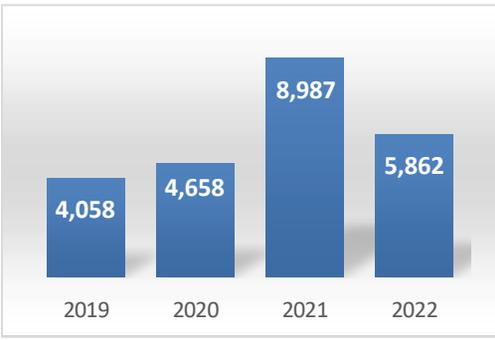
Total Loans (\$ Millions)
As of December 31,



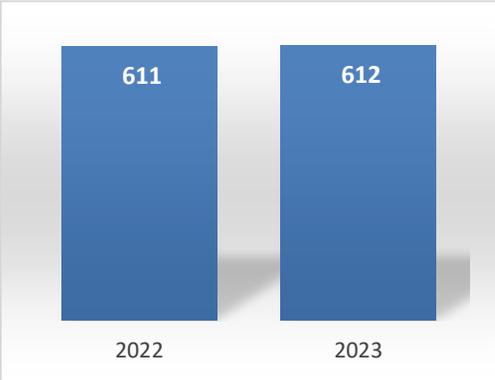
Total Deposits (\$ Millions)
As of December 31,



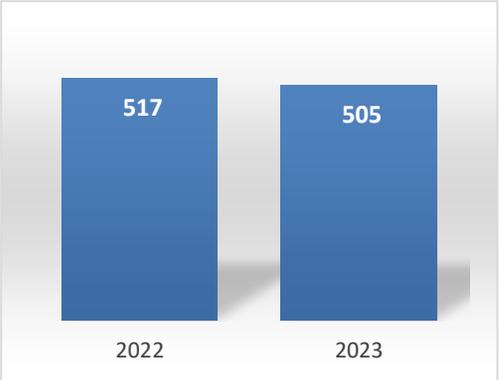
Net Income (\$ Thousands)
Year Ended December 31,



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

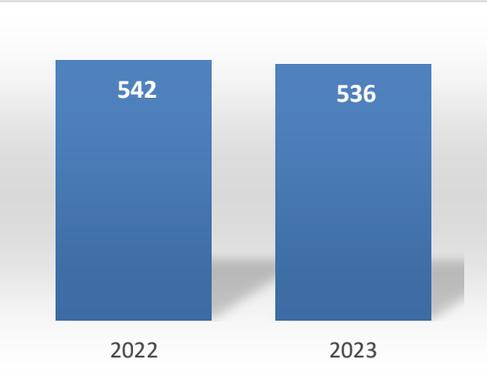


Total Loans (\$ Millions)
As of September 30,

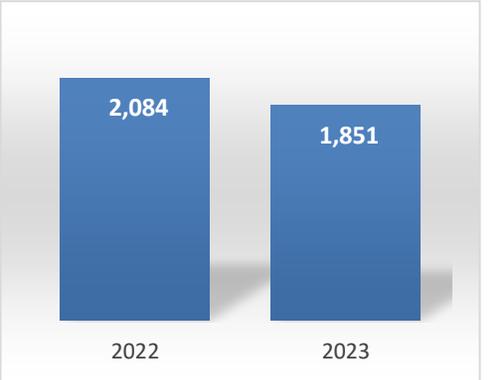


■ = PPP Loans

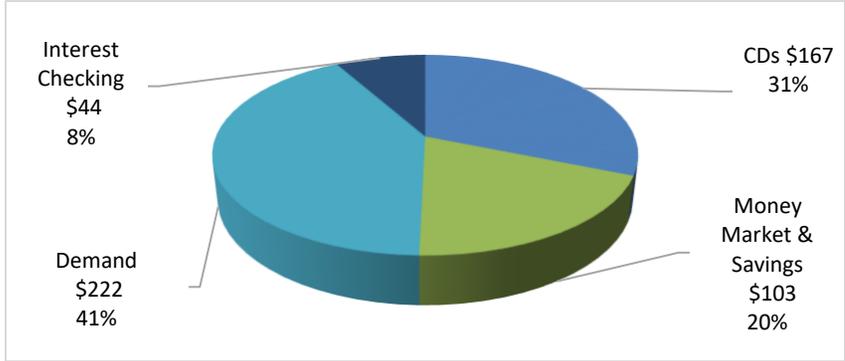
Total Deposits (\$ Millions)
As of September 30,



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



Deposit Composition (\$ Millions) As of September 30, 2023,



Loan Composition (\$ Millions)

