

Q3 2021 Financial Summary



Dear Seattle Bank Clients and Community Members:

In third quarter 2021, Seattle Bank maintained our strong financial performance, supported by the region's continuing economic recovery and our many initiatives to grow the boutique bank, maximize the value of our reverse mortgage portfolio, and capitalize on value-added fintech partnerships.

Strong Capital Levels

As of September 30, 2021, Seattle Bank had total equity capital of \$84.7 million. Our leverage ratio is 11.82%, over twice the minimum regulatory requirement of 5%, and remaining significantly above the regulatory criteria for being "well capitalized."

Assets

The Bank's overall asset size declined year-over-year, from \$730.7 million to \$711.9 million at third quarter-end. Loan balances were also down year-over-year, from \$627.9 million to \$573.7 million in 2021. The year-over-year loan decline reflects the short duration of Payment Protection Program loans, expected runoff of reverse mortgages we acquired from the Department of Housing & Urban Development and slower-than-normal loan demand in key categories. We are beginning to see demand rebound, however, and expect to bring the year to a close with a strong quarter of new loans.

Loan Quality

Our credit quality remains outstanding. Due to the nature of reverse mortgage loan holdings, Seattle Bank typically reports higher-than-average nonperforming assets (NPAs). At second quarter-end, NPAs were \$37.7 million or 5.30% of assets. However, the majority of these NPAs are government-insured reverse mortgage loans. Our uninsured NPAs were \$7.4 million or 1.20% of assets, with no nonperforming loans in our commercial, consumer, or forward mortgage portfolios. Uninsured loans past-due more than 30 days totaled \$200 thousand or 0.03% of total assets for the same period.

Deposits

Total deposits are down to \$574 million from \$599.7 million at second quarter-end 2020, in line with the decrease in assets for the period. Notably, there has been sizable growth in our

demand, savings, and money market deposits from our commercial clients which we have offset with declines in brokered and listing service certificates of deposit. Importantly, we are seeing improved cost of funds as both our interest-bearing deposits repriced and we increase non-interest-bearing deposits through growth in balances from current and new commercial banking customers.

Liquidity

As of September 30, 2021, we had cash, cash equivalents and investments of \$120.3 million. This is an increase from last year's second quarter-end cash and investments balance of \$83.3 million. The balance reflects a \$15.6 million increase in the investment portfolio and the larger cash holding reflects the rapid forgiveness of PPP loans during the quarter. We have access to significant additional funding through the Federal Home Loan Bank of Des Moines, the Federal Reserve Bank, and other sources.

Our balance sheet strength fuels our operating efficiency and profitability. On the measure of total-assets-per-full-time-employee, Seattle Bank's third quarter 2021 result ranks in the top ten percent of banks nationwide. Our net-interest-income-over-average-assets performance places Seattle Bank in the top five percent of banks in the nation for the quarter.

On behalf of the Seattle Bank team, thank you for your continuing support. As always, please contact me at jbizzard@seattlebank.com or 206.568.7805 with your questions or comments.

John Blizzard
President & CEO

Seattle Bank and Subsidiary Consolidated Statements of Financial Condition (Unaudited)

September 30, 2021

Assets

Cash and due from banks	\$ 103,544,694
Securities available-for-sale, at fair value	16,793,871
Federal Home Loan Bank stock	2,841,700
Loans receivable	581,325,513
Allowance for loan losses	(7,593,576)
Net loans	<u>573,731,937</u>
Deferred tax asset	2,959,950
Other real estate owned, net	4,409,864
Accrued interest receivable	1,882,643
Furniture, equipment, and leasehold improvements, net	668,462
Other assets	<u>5,025,636</u>
Total Assets	<u>711,858,757</u>

Liabilities and Stockholders' Equity

Demand Accounts	\$ 190,929,880
Savings and Money Market Deposits	115,681,767
Retail CDs	224,494,142
Brokered Deposits	25,000,000
Listing Service CDs	17,865,600
Total customer deposits	<u>573,971,389</u>
Borrowings	50,000,000
Accounts payable	1,659,746
Accrued interest payable	452,526
Other liabilities	1,105,832
Total liabilities	<u>627,189,493</u>
Stockholders' Equity	
Common stock, no par value, - 100,000,000 shares authorized, 7,250,319 and 7,237,509 issued and outstanding at September, 2021 and 2020, respectively	94,453,926
Accumulated other comprehensive income, net	(31,809)
Accumulated deficit	(9,752,853)
Total stockholders' equity	<u>84,669,264</u>
Total Liabilities and Stockholders' Equity	<u>\$ 711,858,757</u>

