

LETTER FROM THE PRESIDENT

Seattle Bank's 2007-2008 fiscal year was a transition year for us in many ways, as we entered a drastically different economy, welcomed a new leadership team and continued our evolution into a full-service bank serving businesses and consumers.

A long time provider of residential and commercial construction financing, Seattle Bank has been working hard over the last year to move from a savings bank with limited product offerings to a more full-service financial institution with the full array of offerings for consumers and small- and mid-sized businesses. This strategy was initiated well before the economic jolts that hit our nation this past summer, yet confirmed the necessity of these steps to diversify.

I joined the then-named Seattle Savings Bank in April 2008 to lead this transition and develop the management team and infrastructure to become a full-service financial institution. Supported by a local history dating back to 1944 and operating the highly successful Seattle Mortgage Company, Seattle Bank is well positioned to expand its presence in the local banking market.

As part of the transition to full-service banking, we changed the company's name to Seattle Bank and will develop this identity as the umbrella brand for Seattle Financial Group's broad array of financial offerings including insurance, escrow, mortgage, and more. We

plan to open our first full-service banking centers in Spring 2009.

We are moving ahead with these plans very cognizant of the economic challenges facing us as a financial institution. Like many other banks, we anticipate a challenging year ahead of us, an increase in our non-performing assets and the challenge of marketing a new brand and products in this economic climate.

Seattle Mortgage Company brightens the outlook for us as it has performed extremely well despite the turbulence in the mortgage market. With a business rooted in traditional products such as FHA-insured and conforming mortgages, Seattle Mortgage has thrived as the exotic financing products of recent years have disappeared. We've seen our branch network expand and our loan originations volume grow, which is indeed encouraging in this difficult climate.

Looking ahead, we will be aggressive in managing our loan portfolio and diligent in working with our board to preserve our financial strength and maintain the confidence and trust of the community we have served for more than 65 years. We thank you for your support and patronage of Seattle Bank and the Seattle Financial Group family of companies.

Ellen M. Sas
PRESIDENT AND CEO



Independent. Local. Entrepreneurial.

SeattleBank

DECEMBER 31, 2008
FINANCIAL REPORT

ABOUT SEATTLE BANK

Seattle Bank is independent, local and entrepreneurial, just like the people and businesses we serve. We offer the convenience of a full array of personal and business banking solutions, plus more, including commercial loan brokerage, reverse mortgages, insurance and escrow services through our affiliated companies. To learn more visit www.seattlebank.com or www.seattlefinancialgroup.com.

Seattle Bank has Banking Centers in these communities:

- Queen Anne (Seattle)
- Bellevue
- Southcenter (Seattle)
- Tacoma
- Wallingford (Seattle)

Corporate Office
190 Queen Anne Avenue N.
Suite 100
Seattle, WA 98109
1.888.500.BANK (2265)
www.seattlebank.com
www.seattlefinancialgroup.com



Independent. Local. Entrepreneurial.

Member
FDIC



SeattleBank CONSOLIDATED STATEMENT OF FINANCIAL CONDITION



Independent. Local. Entrepreneurial.

	12/31/08	6/30/08
ASSETS	(000's)	(000's)
Cash	\$ 6,420	\$ 19,203
Fed Funds sold	250	6,300
Securities available-for-sale	4,911	13,082
Federal Home Loan Bank stock	4,951	8,437
Mortgage loans held-for-sale	42,527	36,880
Loans receivable, net	574,462	530,998
Accounts receivable and other assets	25,461	36,956
Furniture and equipment, net	813	1,373
Other real estate owned	5,426	1,738
Mortgage servicing rights, net	205	325
Total assets	\$ 665,426	\$ 654,688
LIABILITIES & STOCKHOLDER EQUITY	(000's)	(000's)
Customer deposits	557,478	402,394
Federal Home Loan Bank borrowings	35,130	157,874
Income taxes payable	21	2,069
Accounts payable and other liabilities	8,077	8,362
Total liabilities	600,706	570,699
Stockholder equity	64,720	83,989
Total liabilities and stockholder equity	\$ 665,426	\$ 654,688
REGULATORY CAPITAL		
	SEATTLE BANK	REQUIRED RATIO
	Amount Ratio	Amount Ratio
	(000's)	(000's)
12/31/08		
Total risk-based capital (to risk weighted assets)	72,041 12.36%	46,638 8.00%
Tier 1 risk-based capital (to risk weighted assets)	64,654 11.09%	23,319 4.00%
Tier 1 leverage capital (to average assets)	64,654 9.79%	26,404 4.00%
6/30/08		
Total risk-based capital (to risk weighted assets)	\$91,399 15.47%	\$47,253 8.00%
Tier 1 risk-based capital (to risk weighted assets)	83,996 14.22%	23,627 4.00%
Tier 1 leverage capital (to average assets)	83,996 13.48%	24,932 4.00%

EXECUTIVE OFFICERS

Ellen Sas, Director,
President and Chief Executive Officer
John Grogan, Executive Vice President
and Chief Credit Officer
John D. Marshall, Executive Vice
President and Chief Financial Officer
Cliff Ridgway, Senior Vice President/
Community Banking
Donald Roberts, Senior Vice President/
Bank Operations

BOARD OF DIRECTORS

Robert E. Story, Chairman
B. Bryan Cartwright
Michael D. Dwyer
Lindsey L. Echelbarger
Mark T. Schuur
Larry W. Sisson
Robert E. Story, Jr.
Randall L. Weber
Ellen Sas

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION