

LETTER FROM THE PRESIDENT



Seattle Savings Bank and its affiliate companies in the Seattle Financial Group (SFG) reported another strong period of financial performance for the 2006-2007 fiscal year. Our results reflect both the continued favorable economy of the Puget Sound region and the impact of the sale of our highly successful reverse mortgage division to Bank of America.

Bank of America acquired the reverse mortgage division in June 2007. The effect of this transaction is reflected on the balance sheet as "Assets/Liabilities from discontinued operations."

Seattle Savings Bank ended the year with \$891.0 million in assets, an increase from \$534.6 million at fiscal year-end 2006. This increase reflects the rapid growth in the reverse mortgage portfolio during the year.

We continue to enjoy a favorable economy here in the Puget Sound region, although the market has cooled in the second half of 2007 to a more sustainable level. We anticipate slower volumes in all loan categories, particularly residential construction loans, for 2007-2008. Asset quality remains strong.

The growth, and then sale, of our reverse mortgage business demanded significant resources and management time in recent years. We are now directing that energy into the development of Seattle Savings Bank and the launch of business banking services in 2008. We are excited about this next evolution in our company and the opportunity to serve our clients through new services.

Seattle Savings Bank was recognized as the top performing non-S corporation bank in our asset category for 2006 by the American Bankers Association Banking Journal. We share this honor with our affiliated companies — Seattle Capital, Seattle Escrow, Seattle Insurance Group and Seattle Mortgage — all of which contribute to our success.

As Seattle Savings Bank continues to diversify, it is important to know that we stay true to our roots as a highly respected real estate lender. A reflection of our company's commitment to the mortgage industry, I was recently elected vice chairman of the national Mortgage Bankers Association.

We appreciate your business and trust and look forward to our continuing partnership in the year ahead.

Sincerely,

Robert E. Story, Jr.
President
Seattle Financial Group

EXECUTIVE OFFICERS

Robert E. Story, Jr., Director, Interim President

Gary Carlson, Senior Vice President and Chief Lending Officer

John D. Marshall, Senior Vice President and Chief Financial Officer

Cliff Ridgway, Senior Vice President/Commercial Banking Division

Donald Roberts, Vice President/Bank Operations

BOARD OF DIRECTORS

Robert E. Story, Chairman

B. Bryan Cartwright

Michael D. Dwyer

Lindsey L. Echelbarger

Roger M. Johnson

Mark T. Schuur

Larry W. Sisson

David C. Smith

Robert E. Story, Jr.

Randall L. Weber

ABOUT SEATTLE FINANCIAL GROUP

Family-owned and operated, Seattle Financial Group is a diversified financial services company with interests in banking, mortgage lending, insurance, escrow and real estate investment. First established as Seattle Mortgage Company in 1944, the company is one of the oldest independent mortgage banking firms in the Northwest. Seattle Financial Group has more than 300 employees, primarily in the greater Puget Sound area, and operates under the brand names Seattle Capital, Seattle Escrow, Seattle Insurance Group, Seattle Mortgage Company and Seattle Savings Bank. Visit www.seattlefinancialgroup.com to learn more.

SEATTLE SAVINGS BANK

JUNE 30, 2007
FINANCIAL REPORT



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1.888.500.BANK (2265)
www.seattlesavingsbank.com



Seattle Savings Bank delivers tailored financial solutions. We offer the service and flexibility of a small bank and product selection and convenience of a large lender. We can serve nearly all of your banking needs and, through our affiliated companies, provide related services such as personal insurance and residential and commercial mortgages.

Seattle Savings Bank has retail branches or loan production offices in these communities:

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

Corporate Office
190 Queen Anne Avenue N., Suite 100
Seattle, WA 98109
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www.seattlefinancialgroup.com

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	6/30/07		6/30/06	
ASSETS (Dollars in Thousands)				
Cash	\$	137,104	\$	5,638
Securities available-for-sale		23,283		27,497
Federal Home Loan Bank stock		4,951		4,033
Mortgage loans held-for-sale		49,398		25,375
Loans receivable, net		282,927		231,731
Accounts receivable and other assets		15,125		9,168
Furniture and equipment, net		1,083		1,373
Mortgage servicing rights, net		500		747
Assets from discontinued operations		376,676		229,042
Total assets	\$	891,047	\$	534,604
LIABILITIES & STOCKHOLDER EQUITY (Dollars in Thousands)				
Customer deposits		287,566		247,988
Federal Home Loan Bank borrowings		31,345		35,854
Income taxes payable		3,627		3,517
Accounts payable and other liabilities		24,618		4,200
Liabilities from discontinued operations		389,873		201,601
Total liabilities		737,029		493,160
Stockholder equity		154,018		41,444
Total liabilities and stockholder equity	\$	891,047	\$	534,604
RATIOS (Dollars in Thousands)				
	SEATTLE SAVINGS BANK		REQUIRED RATIO	
	Amount	Ratio	Amount	Ratio
6/30/07				
Total risk-based capital (to risk weighted assets)	156,624	30.92%	40,528	8.00%
Tier 1 risk-based capital (to risk weighted assets)	152,674	30.14%	20,264	4.00%
Tier 1 leverage capital (to average assets)	152,674	22.97%	26,582	4.00%
6/30/06				
Total risk-based capital (to risk weighted assets)	\$39,214	11.62%	\$27,006	8.00%
Tier 1 risk-based capital (to risk weighted assets)	36,355	10.77%	13,503	4.00%
Tier 1 leverage capital (to average assets)	36,355	8.30%	17,522	4.00%

Deposits are federally insured up to \$100,000 by FDIC.

