

Q2 2021 Financial Summary



Dear Seattle Bank Clients and Community Members:

Second quarter 2021 ushered in a return-to-office and a cautious optimism about our community's rebound from the pandemic. While news of the delta variant is capturing headlines as I write this, we remain hopeful about the recovery and are moving forward serving our clients and community.

Capital

As of June 30, 2021, Seattle Bank had total equity capital of \$81.3 million. Our leverage ratio is 11.08%, over twice the minimum regulatory requirement of 5%, and remaining significantly above the regulatory criteria for being "well capitalized." Seattle Bank has a BauerFinancial 5-Star Rating, the highest afforded and a reflection of our strong risk oversight and consistent quality financial management.

Assets

The Bank's overall asset size declined year-over-year, from \$747.5 million to \$691.8 million at second-quarter end. Loan balances were also down slightly year-over-year, ending at \$612.9 million compared to \$623.5 million at the same time in 2020. 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.

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 \$34.2 million or 4.95% of assets. However, the majority of these NPAs are government-insured reverse mortgage loans. Our uninsured NPAs were \$8.3 million or 1.20% of assets, with no nonperforming loans in our commercial, commercial real estate, consumer, or forward mortgage portfolios. Uninsured loans past-due more than 30 days totaled \$19 thousand or 0.03% of total assets for the same period.

Deposits

Total deposits are down to \$556.8 million from \$606.2 million at second-quarter end 2020, in line with the decrease in assets for the period. Importantly, we are seeing improved cost of funds as both our interest-bearing deposits reprice and we increase non-interest-bearing deposits through growth in balances from current and new commercial banking customers.

Liquidity

As of June 30, 2021, we had cash, cash equivalents and investments of \$67.9 million. This is an increase from last year's second-quarter end cash balance of \$27.8 million. The larger cash holding reflect proceeds from a securities transaction in 2020. We also have access to significant additional funding through the Federal Home Loan Bank of Des Moines, the Federal Reserve Bank, and other sources.

We are excited to share that Seattle Bank is now one of the first banks and credit unions in the nation to offer "Early Pay," which grants clients access to eligible direct deposit payments up to two days prior to the scheduled payment date. This feature is offered at no additional cost and is one of many new product features coming forth to better serve our clients.

On behalf of the Seattle Bank team, thank you for your continuing support. As always, please contact me at jblizzard@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)

June 30 2021

Assets

Cash and due from banks	\$ 67,950,995
Securities available-for-sale, at fair value	2,712,882
Federal Home Loan Bank stock	2,845,100
Loans receivable	612,934,447
Allowance for loan losses	(7,093,583)
Net loans	<u>605,840,864</u>
Deferred tax asset	3,734,660
Other real estate owned, net	4,254,022
Accrued interest receivable	2,135,462
Furniture, equipment, and leasehold improvements, net	657,784
Other assets	<u>1,642,431</u>
Total Assets	<u>691,774,200</u>

Liabilities and Stockholders' Equity

Demand Accounts	\$ 152,044,068
Savings and Money Market Deposits	127,330,681
Retail CDs	234,076,727
Brokered Deposits	25,000,000
Listing Service CDs	18,358,600
Total customer deposits	<u>556,810,076</u>
Borrowings	50,000,000
Accounts payable	2,258,499
Accrued interest payable	519,029
Other liabilities	870,264
Total liabilities	<u>610,457,868</u>
Stockholders' Equity	
Common stock, no par value, - 100,000,000 shares authorized, 7,187,927 and 7,237,509 issued and outstanding at June, 2021 and 2020, respectively	93,916,103
Accumulated other comprehensive income, net	(25,178)
Accumulated deficit	<u>(12,574,593)</u>
Total stockholders' equity	<u>81,316,332</u>
Total Liabilities and Stockholders' Equity	<u>\$ 691,774,200</u>

