

Q1 2022 Financial Summary



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

March 31, 2022

Dear Seattle Bank Clients and Community Members:

2022 is off to a strong start for Seattle Bank, with very positive financial results, a recently completed move to our new office on Floor 29 of Rainier Square, and structural changes that position us for further growth. The first quarter of the year has set an ambitious pace of activity that we intend to match as the year moves forward.

Capital

As of March 31, 2022, Seattle Bank had total equity capital of \$89.2 million on an asset base of \$709.5 million. Our leverage ratio measured 12.83%, over twice the minimum regulatory requirement of 5%, and remaining significantly above the regulatory criteria for being “well capitalized.”

Assets

Our overall asset size remained steady year-over-year, from \$708.3 million at first quarter-end 2021 to \$709.5 million in 2022. Loan growth for the quarter was 21% annualized, which also reflects the paydown of \$9 million in federal Paycheck Protection Program (PPP) loans. We anticipate loan growth will be strong this year, with a combination of growing boutique bank loan demand across private/commercial/real estate categories, new partnership banking endeavors, and select loan purchases.

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 first quarter-end 2022, NPAs were \$19.6 million or 2.77% of assets. However, the vast majority of these NPAs are government-insured reverse mortgage loans. Our uninsured NPAs were \$6.5 million or 0.92% of assets, with no nonperforming loans in our commercial, commercial real estate, or forward mortgage portfolios. Uninsured loans past-due more than 30 days totaled \$800,000 or 0.12% of total assets for the same period.

Deposits

Total deposits were \$549.2 million at first quarter-end 2022, down from \$575.4 million at the same time in 2021. In the second half of 2021, we experienced significant, short-term deposit growth with key commercial clients. With these deposits declining in 2022 and our desire to minimize the use of brokered deposits, in early May we launched a certificate of deposit (CD) campaign to raise longer-term funds in the retail market. Our pricing is highly competitive and with the recent increase in interest rates, this is a good test of investors' appetites for longer-term deposits.

In May, we finalized the formation of a bank holding company, Seattle Bancshares, Inc. There are many short- and long-term benefits to this structural change as we move forward with our strategies for greater growth and profitability.

On behalf of the Seattle Bank team, thank you for your continuing support. Please know that our team is always available to assist you by phone, video conference or in person at our new office. I welcome your comments or questions at jblizzard@seattlebank.com or 206.568.7805.

John Blizzard
President & CEO

Assets

Cash and due from banks	\$ 29,936,597
Securities, at fair value	32,852,699
Federal Home Loan Bank stock	3,656,400
Loans receivable	630,999,874
Allowance for loan losses	(9,204,626)
Net loans	<u>621,795,248</u>
Deferred tax asset	1,998,968
Other real estate owned, net	6,755,128
Accrued interest receivable	2,285,489
Furniture, equipment, and leasehold improvements, net	3,771,101
Other assets	<u>6,452,079</u>
Total Assets	<u>\$ 709,503,709</u>

Liabilities and Stockholders' Equity

Demand Accounts	\$ 210,242,065
Savings and Money Market Deposits	110,263,833
Retail CDs	186,548,373
Brokered Deposits	25,000,000
Listing Service CDs	17,117,600
Total customer deposits	<u>549,171,871</u>
Borrowings	68,000,000
Accounts payable	2,206,202
Accrued interest payable	328,143
Other liabilities	562,140
Total liabilities	<u>620,268,356</u>
Stockholders' Equity	
Common stock, no par value, - 100,000,000 shares authorized, 7,449,125 and 7,230,427 issued and outstanding at March 31, 2022 and 2021, respectively	95,525,718
Accumulated other comprehensive income, net	(1,173,972)
Accumulated deficit	(5,116,393)
Total stockholders' equity	<u>89,235,353</u>
Total Liabilities and Stockholders' Equity	<u>\$ 709,503,709</u>

