

## Q2 2023 Financial Summary



Note: With the establishment of the bank holding company, this is now Seattle Bancshares, Inc. ("SBI") Financial Summary, reporting on Seattle Bank as a wholly owned subsidiary of the holding company.

Dear Seattle Bank Clients and Community Members:

I'm very pleased to share Seattle Bancshares' financial results for the second quarter of 2023. Following a tumultuous spring in the banking industry, we transitioned to a quieter summer, but have recognized the traditional banking model of relying on low-cost deposits to fund low-rate loans is under pressure. Fortunately, Seattle Bank has been built to be a competitive rate payer on deposits, which has led us to make very different choices about the loans and investments we put on our books. Based on Q2 2023 performance data, Seattle Bank:

- Ranked in the 95th percentile for our net interest rate margin, a key indicator of profitability
- Experienced a 12% annualized increase in total deposits
- Originated \$26 million in new loans through Partner Banking services

We are in a position of strength and are on the offense in all areas of our business as we move forward in 2023.

### Profitability

Seattle Bancshares' Q2 2023 net income was \$2.1 million, down from Q2 2022's net income of \$3.5 million. Seattle Bancshares' Q2 2023 pre-tax, pre-provision income was \$4.4 million, down from Q2 2022's \$5.8 million. Earnings have declined due to aggressive investments in new talent and in building CD Valet. CD Valet covers all 50 states and is now offering lead generation and digital account services to financial institutions. This has resulted in additional staff to ramp up marketing campaigns to consumers and the financial services industry.

### Capital

As of June 30, 2023, Seattle Bank's leverage ratio measured 12.32%, over twice the minimum regulatory requirement of 5% and significantly above the regulatory criteria for being "well capitalized."

### Assets

Seattle Bank's overall asset size has increased by \$34.4 million since year-end 2022. This primarily reflects the continued growth in our customer deposits.

### Deposits

Total deposits were \$662.1 million at second quarter-end 2023, up from \$623.9 million at year-end 2022, for an annualized increase of 12%. As previously noted, the industry turmoil prompted by the takeover of three large banks in the spring has prompted many consumers and businesses to rethink their banking relationships. Seattle Bank has benefited from a "flight to safety," as our strong balance sheet, high level of insured deposits, boutique bank service, and local ownership/management attract people seeking greater security in their banking partners.

Seattle Bank is in a unique position in that we can be on offense across all our business lines. From thoughtfully managing balance sheet composition and interest rate risk position, to creating a tech stack we control, to new innovations like a digital marketplace for CDs, we have taken critical strategic steps to position Seattle Bank to seize the current market dislocations and related opportunities.

If you or your advisors would benefit from a more detailed discussion about Seattle Bank's financial position and performance, we welcome the opportunity to talk with you. Please contact me directly at [jbizzard@seattlebank.com](mailto:jbizzard@seattlebank.com) or 206.568.7805.

  
John Blizzard  
President & CEO

## Seattle Bank and Seattle Bancshares, Inc. Consolidated Statement of Financial Condition (Unaudited)

June 30, 2023

### Assets

Cash and cash equivalents	\$ 77,604,356
Securities, at fair value	28,863,439
Federal Home Loan Bank stock	2,955,200
Loans receivable	694,662,109
Allowance for credit losses	(19,742,414)
Net loans	<u>674,919,695</u>
Accrued interest receivable	2,525,142
Furniture, equipment, and leasehold improvements, net	1,213,861
Other real estate owned	7,105,059
Deferred tax asset, net	5,368,824
Right-of-use assets, net	7,149,642
Other assets	<u>7,643,827</u>
<b>Total Assets</b>	<b><u>\$ 815,349,045</u></b>

### Liabilities And Stockholders' Equity

Demand Accounts	\$ 196,735,615
Savings and Money Market Deposits	67,499,015
Retail CDs	370,348,195
Brokered Deposits	25,000,000
Listing Service CDs	2,483,000
Total customer deposits	<u>662,065,825</u>
Borrowings	50,000,000
Accounts payable	1,713,982
Accrued interest payable	1,836,982
Lease liabilities	6,237,894
Other liabilities	1,883,716
Total liabilities	<u>723,738,399</u>
<b>Stockholders' Equity</b>	
Common stock, \$0.01 par value, 100,000,000 shares authorized, 7,360,188 shares issued and outstanding	96,073,356
Accumulated other comprehensive loss, net	(3,633,879)
Accumulated deficit	(828,831)
Total stockholders' equity	<u>91,610,646</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 815,349,045</u></b>

