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The IR Group

Savi Financial Corporation Earns \$572,000 in Second Quarter 2022; Highlighted by Strong Loan Growth and Net Interest Margin Expansion

Mount Vernon, WA – August 1, 2022 – Savi Financial Corporation, Inc. (OTC Pink: SVVB), the bank holding company for SaviBank, today reported net income for the second quarter of 2022 was \$572,000, or \$0.13 per diluted share, compared to \$964,000, or \$0.22 per diluted share in the preceding quarter, and record quarterly results of \$1.24 million, or \$0.28 per diluted share, in the second quarter of 2021. Strong loan and deposit growth and net interest margin expansion contributed to profitability for the quarter. In the first six months of 2022, net income was \$1.54 million, or \$0.35 per diluted share, compared to \$2.23 million, or \$0.51 per diluted share, in the first six months of 2021.

Earnings for the second quarter of 2022 were impacted by a \$79,000 provision for loan losses as a result of quarterly loan growth. This compared to no provision expense recorded during the preceding quarter and a \$38,000 provision for loan losses in the second quarter a year ago. Also impacting second quarter results was a \$165,000 write down on the sale of a property that SaviBank had held in OREO since 2013, and lower income from the Mortgage division due to rising interest rates.

“The highlights of the second quarter included substantial growth in the loan portfolio, increases to our core deposit base, and expansion of our net interest margin,” said Michal D. Cann, Chairman and President of Savi Financial Corporation. “We continue to look for new strategies to continue to grow the Company, both through organic growth and with new business partners. We are located in some of the most vibrant Northwest Washington markets, and with our strong core operations and ample capital base, we are well positioned to take advantage of new opportunities.”

“Loan production was stronger than anticipated during the second quarter, with net loan growth increasing \$32.1 million, or 9% during the quarter, and growing \$59.7 million, or 18% compared to a year ago,” said Andrew Hunter, President and CEO of SaviBank. “Additionally, our loan pipeline remains strong, and we remain optimistic for loan growth in the short term.”

“Over the last two years, we generated over \$94.4 million in SBA Paycheck Protection Program (“PPP”) loans, helping our business customers in our communities,” continued Hunter. “Due to PPP loan payoffs and forgiveness, we no longer had a material amount of PPP loans on our balance sheet at quarter end, resulting in no income related to recognizing origination fees for PPP loan payoffs during the second quarter of 2022. This compared to \$107,500 of income related to PPP loan payoffs during the preceding quarter, and \$820,000 of income during the second quarter a year ago.”

“Our net interest margin improved 27 basis points during the quarter, compared to the prior quarter, largely due to interest rate increases and the shifting of lower yielding assets into higher yielding loans,” said Rob Woods, Chief Financial Officer of SaviBank. “We anticipate additional net interest margin improvement over the next few quarters, as our variable loans adjust rates quarterly.” SaviBank’s NIM was 3.90% in the second quarter of 2022, compared to 3.63% in the preceding quarter, and 4.01% in the second quarter a year ago. The NIM remains higher than the peer average of 3.17% posted by the 155 banks that comprised the Dow Jones U.S. Microcap Bank Index at March 31, 2022.

“We continued to see good growth in deposits during the quarter, even while allowing higher cost CDs to run off. While deposit costs have remained steady, we expect to be more competitive on deposit pricing in future quarters,” said Woods. The cost of funds for the second quarter remained steady at 16 basis points, compared to 36 basis points in the second quarter of 2021, and 18 basis points in the prior quarter.

Second Quarter 2022 Highlights:

- Net income was \$572,000 in the second quarter of 2022, compared to \$1.24 million in the second quarter of 2021, and \$964,000 in the first quarter of 2022.
- Earnings per share were \$0.13 in the second quarter, compared to \$0.28 in the second quarter a year ago, and \$0.22 in the preceding quarter.
- Net interest income was \$4.26 million in the second quarter of 2022, compared to \$4.31 million in the second quarter a year ago, and \$4.00 million in the first quarter of 2022.
- Total revenue, consisting of net interest income and non-interest income, increased 9% to \$6.07 million in the second quarter of 2022, compared to \$5.58 million in the second quarter a year ago and was unchanged compared to the preceding quarter.
- Non-interest expense was \$5.28 million in the second quarter compared to \$3.97 million in the second quarter a year ago and \$4.87 million in the preceding quarter.
- Average second quarter 2022 total loans increased 9% to \$382.5 million, compared to \$352.1 million in the second quarter a year ago, and increased 8% from \$354.5 million in the first quarter of 2022. Total loans at June 30, 2022, increased 18% to \$396.7 million from \$337.0 million a year ago and increased 9% compared to \$364.6 million at March 31, 2022.
- SBA and USDA loan production for the twelve months ended June 30, 2022, totaled 30 loans for \$42.6 million, compared to production of 19 loans for \$25.2 million in the year-ago period.
- Average second quarter 2022 total deposits grew 18% to \$451.4 million, from \$381.2 million in the second quarter a year ago, and increased 2% from \$440.5 million in the first quarter of 2022. Total deposits grew 13% to \$454.6 million, at June 30, 2022, from \$403.5 million a year ago, and increased 1% from \$448.3 million at March 31, 2022.
- Due to strong loan production, the Company recorded a \$79,000 provision for loan losses in the second quarter of 2022. This compared to a \$38,000 provision for loan losses in the second quarter of 2021, and no provision in the first quarter of 2022.
- Allowance for loan losses, as a percentage of total loans, was 1.08% at June 30, 2022, compared to 1.13% at June 30, 2021, and 1.16% at March 31, 2022.
- Nonperforming loans, as a percentage of total loans, was 0.42% at June 30, 2022, compared to 0.82% at June 30, 2021, and 0.40% at March 31, 2022.
- Nonperforming assets, as a percentage of total assets, was 0.45% at June 30, 2022, compared to 0.66% a year ago and 0.47% three months earlier.
- Net charge-offs were \$35,000 in the second quarter of 2022, compared to net recoveries of \$22,000 in the second quarter of 2021, and net recoveries of \$1,000 in the first quarter of 2022.

- SaviBank capital levels remained above the threshold for well-capitalized institutions with a tier-1 leverage ratio of 8.00% at June 30, 2022.

“Over the past few years, we have been actively growing Savi Financial Corporation and expanding our presence in and around the Northwest Washington communities we serve,” said Cann. “Last year we expanded into the Friday Harbor market, completed the Freeland branch purchase on Whidbey Island from Coastal Community Bank, relocated from our existing Freeland branch to a new location, and formed our mortgage lending division. We will continue to search for opportunities to expand our franchise, for the benefit of our customers, shareholders and communities.”

Recent Events

On May 26, 2022, the Company announced plans to form a new state-chartered commercial bank headquartered in Bellingham, Washington. The transaction involves the formation of Orca Bank by applying for a de novo bank charter, with Savi Financial acquiring Orca Bank as a wholly owned subsidiary. The application is pending approval with the Federal Deposit Insurance Corporation (“FDIC”). For more details on the application visit the FDIC website at www.FDIC.gov.

On March 7, 2022, the Company completed the issuance of \$17 million in 10-year fixed-to-floating rate subordinated notes due in 2032 in a private placement transaction to certain institutional accredited investors and qualified buyers. The notes will initially bear interest at 4.25% per annum through March 31, 2027, at which point interest will accrue at a floating rate payable quarterly.

About Northwest Washington

SaviBank currently operates six branches in Skagit County, two branches in Island County, and one branch in Whatcom County. In addition, the Company has a loan production team located in San Juan County. The Skagit, Whatcom, Island and San Juan counties region stretches north from the greater Seattle/Everett/Bellevue metropolis to the Canadian border.

The housing market in Skagit, Island, Whatcom and San Juan counties remains healthy. According to the Northwest Multiple Listing Service, the average home in Skagit County sold for \$558,000, up 7.8% in June 2022, compared to a year ago, and there was a 1.64 month supply of homes on the market. For Island County, the average house sold for \$560,000, up 6.2% from a year ago and supply totaled 1.46 months. For Whatcom County, the average home sold for \$610,000, up 19.6% from a year ago and supply totaled 1.72 months. For San Juan County, the average home sold for \$940,000, up 7.4% from a year ago and supply totaled 4.44 months.

Skagit’s population is projected to grow 5.74% from 2022 through 2027, and median household income is projected to increase by 11.63% during the same time frame. Whatcom County’s population is projected to grow 6.20% from 2022 through 2027, and median household income is projected to increase by 17.13%. Island County’s population is projected to grow 11.53% from 2022 through 2027, and median household income is projected to increase by 13.08%. San Juan County’s population is projected to grow 5.53% from 2022 through 2027, and median household income is projected to increase by 9.39%.

Sources:

<http://www.northwestmls.com/library/CorporateContent/statistics/Recaps.pdf>

<https://www.capitaliq.spglobal.com/>

About Savi Financial Corporation Inc. and SaviBank –

Savi Financial Corporation is the bank holding company which owns SaviBank. The Bank began operations April 11, 2005, and has 9 branch locations in Anacortes, Burlington, Bellingham, Concrete, Mount Vernon (2), Oak Harbor, Freeland and Sedro-Woolley, Washington, and a loan production office in Friday Harbor. The Bank provides loan and deposit services to customers who are predominantly small and middle-market businesses and individuals in and around Skagit, Island, Whatcom and San Juan counties. As a locally-owned community bank, we believe that when everyone becomes Savi about their finances, our entire community benefits. For additional information about SaviBank, visit; www.SaviBank.com.

Forward Looking Statement

This release may contain “forward-looking statements” that are subject to risks and uncertainties. Readers should not place undue reliance on forward-looking statements, which reflect management’s views only as of the date hereof. All statements, other than statements of historical fact, regarding our financial position, business strategy and management’s plans and objectives for future operations are forward-looking statements. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” and “intend” and words or phrases of similar meaning, as they relate to SaviBank or management, are intended to help identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe that management’s expectations as reflected in forward-looking statements are reasonable, we cannot assure readers that those expectations will prove to be correct. Forward-looking statements are subject to various risks and uncertainties that may cause our actual results to differ materially and adversely from our expectations as indicated in the forward-looking statements. These risks and uncertainties include our ability to maintain or expand our market share or net interest margins, and to implement our marketing and growth strategies. Further, actual results may be affected by our ability to compete on price and other factors with other financial institutions; customer acceptance of new products and services; the regulatory environment in which we operate; and general trends in the local, regional and national banking industry and economy, as those factors relate to our cost of funds and return on assets. In addition, there are risks inherent in the banking industry relating to collectability of loans and changes in interest rates. Many of these risks, as well as other risks may have a material adverse impact on our operations and business.

Savi Financial Corporation Reports Second Quarter 2022 Results

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SELECTED FINANCIAL DATA

(In thousands of dollars, except for ratios and per share amounts)

Unaudited

	Three Months Ended					Six Months Ended		
	June 30, 2022	June 30, 2021	Var %	March 31, 2022	Var %	June 30, 2022	June 30, 2021	Var %
SUMMARY OF OPERATIONS								
Interest income	\$ 4,648	\$ 4,722	-2%	\$ 4,305	8%	\$ 8,953	\$ 9,258	-3%
Interest expense	(389)	(411)	(5)	(307)	27	(696)	(901)	(23)
Net interest income	4,259	4,311	(1)	3,998	7	8,257	8,357	(1)
Provision for loan losses	(79)	(38)	108	—	—	(79)	(178)	(56)
NII after loss provision	4,180	4,273	(2)	3,998	5	8,178	8,179	(0)
Non-interest income	1,809	1,266	43	2,068	(13)	3,877	2,136	82
Non-interest expense	(5,275)	(3,966)	33	(4,873)	8	(10,148)	(7,496)	35
Income before tax	714	1,573	(55)	1,193	(40)	1,907	2,819	(32)
Federal income tax expense	142	330	(57)	229	(38)	371	590	(37)
Net income	\$ 572	\$ 1,243	(54)%	\$ 964	(41)%	\$ 1,536	\$ 2,229	(31)%
PER COMMON SHARE DATA								
Number of shares outstanding (000s)	3,440	3,438	0%	3,439	0.03%	3,440	3,438	0.06%
Earnings per share, diluted	\$ 0.13	\$ 0.28	(54)	\$ 0.22	(41)	\$ 0.35	\$ 0.51	(31)
Market value	10.00	11.10	(10)	10.78	(7)	10.00	11.10	(10)
Book value	10.76	10.63	1	10.86	(1)	10.76	10.63	1
Market value to book value	92.92%	104.42%	(11)	99.23%	(6)	92.92%	104.42%	(11)
BALANCE SHEET DATA								
Assets	\$ 518,034	\$ 469,036	10%	\$ 511,578	1%	\$ 518,034	\$ 469,036	10%
Investments securities	54,730	14,614	275	48,489	13	54,730	14,614	275
Total loans	396,748	337,045	18	364,634	9	396,748	337,045	18
Total deposits	454,621	403,518	13	448,251	1	454,621	403,518	13
Borrowings	24,500	27,500	(11)	24,500	-	24,500	27,500	(11)
Shareholders' equity	37,020	36,547	1	37,361	(1)	37,020	36,547	1
AVERAGE BALANCE SHEET DATA								
Average assets	\$ 514,806	\$ 459,388	12%	\$ 495,571	4%	\$ 498,799	\$ 439,208	14%
Average total loans	382,522	352,096	9	354,454	8	368,565	353,266	4
Average total deposits	451,436	381,163	18	440,497	2	443,682	376,222	18
Average shareholders' equity	37,191	35,865	4	37,500	(1)	37,329	35,390	5
ASSET QUALITY RATIOS								
Net (charge-offs) recoveries	\$ (35)	\$ 22	N/M	\$ 1	N/M	\$ (34)	\$ 59	N/M
Net (charge-offs) recoveries to average loans	(0.04)%	0.02%	N/M	0.00%	N/M	(0.02)%	0.03%	N/M
Non-performing loans as a % of loans	0.42	0.82	(49)	0.40	5	0.70	0.82	(15)
Non-performing assets as a % of assets	0.45	0.66	(32)	0.47	(5)	0.60	0.66	(9)
Allowance for loan losses as a % of total loans	1.08	1.13	(5)	1.16	(7)	0.96	1.13	(15)
Allowance for loan losses as a % of non-performing loans	257.02	137.67	87	289.54	(11)	257.02	137.67	87
FINANCIAL RATIOS\STATISTICS								
Return on average equity	6.15%	13.86%	(56)%	10.28%	(40)%	8.23%	12.60%	(35)%
Return on average assets	0.44	1.08	(59)	0.78	(43)	0.62	1.02	(39)
Net interest margin	3.90	4.01	(3)	3.63	7	3.80	4.08	(7)
Efficiency ratio	81.59	69.00	18	78.58	4	80.11	69.58	15
Average number of employees (FTE)	138	115	20	132	5	137	112	22
CAPITAL RATIOS								
Tier 1 leverage ratio -- Bank	8.00	7.93	1%	7.97	0%	8.00	7.93	1%
Common equity tier 1 ratio -- Bank	9.06	10.59	(14)	9.64	(6)	9.06	10.59	(14)
Tier 1 risk-based capital ratio -- Bank	9.06	10.59	(14)	9.64	(6)	9.06	10.59	(14)
Total risk-based capital ratio --Bank	10.08	11.73	(14)	10.72	(6)	10.08	11.73	(14)

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