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The IR Group

Savi Financial Corporation Earns \$964,000 in First Quarter 2022; Non-PPP Loans Grow 19% and Deposits Increase 16% Year-Over-Year

Mount Vernon, WA – April 28, 2022 – Savi Financial Corporation, Inc. (OTC Pink: SVVB), the bank holding company for SaviBank, today reported net income for the first quarter of 2022 was \$964,000, or \$0.22 per diluted share, compared to the record quarterly results of \$986,000, or \$0.23 per diluted share, in the first quarter of 2021. Strong core loan and deposit growth, together with interest and fee income from the Small Business Administration (SBA) 7a program, contributed to profitability for the quarter.

“Our solid operating performance this quarter was highlighted by strong revenue growth, SBA premium income, steady loan originations and core deposit growth,” said Michal D. Cann, Chairman and President of Savi Financial Corporation. “As we continue to wind down from the unprecedented events of the pandemic, we have shifted our efforts towards pursuing organic growth opportunities within our markets. Northwest Washington continues to be one of the most vibrant regions of the country, with a solid employment base and a booming housing market, and we are well positioned to take advantage of new opportunities as we continue to grow the Company.”

“Over the last two years, we were active participants in the SBA Paycheck Protection Program (“PPP”), and generated over \$94.4 million in PPP loans over the course of the two rounds of the program,” said Andrew Hunter, President and CEO of SaviBank. “As of March 31, 2022, we had received forgiveness from the SBA for \$93.8 million in PPP loans. Approximately \$107,500 of income recorded during the first quarter was related to recognizing origination fees for PPP loan payoffs, compared to \$400,000 of income during the preceding quarter, and \$446,000 of income during the first quarter a year ago.”

“Loan production continues to be solid. Net loan growth, excluding PPP loans, increased \$56.3 million, or 18.6% year-over-year, and the loan pipeline remains strong,” said Hunter.

“The contraction in our net interest margin (NIM) during the quarter was largely due to lower PPP loan origination fees compared to the preceding quarter,” said Rob Woods, Chief Financial Officer of SaviBank. “However, we anticipate net interest margin improvement with the expected increases in interest rates in 2022, while our yield on earning assets continues to help keep our NIM above industry averages.” The Company’s NIM was 3.63% in the first quarter of 2022, compared to 3.84% in the preceding quarter, and 4.09% in the first quarter a year ago. The NIM remains higher than their peer average of 3.22% posted by the 161 banks that comprised the Dow Jones U.S. Microcap Bank Index at December 31, 2021. The cost of funds for the first quarter improved to 17 basis points, compared to 46 basis points in the first quarter of 2021, and 21 basis points in the prior quarter.

First Quarter 2022 Highlights:

- Net income was \$964,000 in the first quarter of 2022, compared to \$986,000 in the first quarter of 2021, and \$322,000 in the fourth quarter of 2021.
- Earnings per share were \$0.22 in the first quarter, compared to \$0.23 in the first quarter a year ago, and \$0.07 in the preceding quarter.
- Net interest income was \$4.00 million in the first quarter of 2022, compared to \$4.05 million in the first quarter a year ago, and \$4.19 million in the fourth quarter of 2021. The decrease in net interest income reflected lower interest and fees on PPP loans compared to the prior quarter and the year ago quarter, due to slowing PPP loan forgiveness as the program nears its conclusion.
- Total revenue, consisting of net interest income and non-interest income, increased 23% to \$6.07 million in the first quarter of 2022, compared to \$4.92 million in the first quarter a year ago and increased 5% compared to \$5.78 million in the preceding quarter.
- Non-interest expense was \$4.87 million in the first quarter compared to \$3.53 million in the first quarter a year ago and \$4.90 million in the preceding quarter. Noninterest expense for the preceding quarter included a \$164,000 prepayment penalty for a paydown on FHLB borrowings.
- Average first quarter 2022 total loans decreased 1% to \$354.5 million, compared to \$356.3 million in the first quarter a year ago, and increased 4% from \$340.3 million in the fourth quarter of 2021. Total loans at March 31, 2022, decreased 1% to \$364.6 million from \$368.5 million a year ago and increased 4% compared to \$352.2 million at December 31, 2021. Due to PPP loan forgiveness, the PPP loan portfolio totaled \$587,300 at March 31, 2022, compared to \$66.6 million a year ago and \$5.2 million at December 31, 2021.
- SBA and USDA loan production for the twelve months ended March 31, 2022, totaled 27 loans for \$32.7 million, compared to production of 18 loans for \$26.5 million in the year-ago period.
- Average first quarter 2022 total deposits grew 24% to \$440.5 million, from \$353.9 million in the first quarter a year ago, and increased 3% from \$425.9 million in the fourth quarter of 2021. Total deposits grew 16% to \$448.3 million, at March 31, 2022, from \$385.8 million a year ago, and increased 4% from \$432.7 million at December 31, 2021.
- Due to the improvement in economic conditions, along with the overall quality of the loan portfolio, the Company recorded no provision for loan losses in the first quarter of 2022. This compared to a \$140,000 provision for loan losses in the first quarter of 2021, and a \$491,000 provision in the fourth quarter of 2021.
- Allowance for loan losses, as a percentage of total loans, was 1.16% at March 31, 2022, compared to 1.03% at March 31, 2021, and 1.20% at December 31, 2021.
- Nonperforming loans, as a percentage of total loans, was 0.40% at March 31, 2022, compared to 0.75% at March 31, 2021, and 0.40% at December 31, 2021.
- Nonperforming assets, as a percentage of total assets, was 0.47% at March 31, 2022, compared to 0.71% a year ago and 0.49% three months earlier.
- Net charge-offs were \$1,000 in the first quarter of 2022, compared to net recoveries of \$37,000 in the first quarter of 2021, and net charge-offs of \$242,000 in the fourth quarter of 2021.
- SaviBank capital levels remained above the threshold for well-capitalized institutions with a tier-1 leverage ratio of 7.97% at March 31, 2022.

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.

“This successful capital raise is giving us an opportunity to build out our business plan and is an affirmation of the tremendous opportunities in our market,” said Cann. “In 2021, 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 the new location and formed our mortgage lending division. These initiatives are providing revenue generation and contributing to the bottom line. We will continue to search for potential strategic opportunities to expand our Company franchise.”

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 \$550,000, up 13.27% in March 2022, compared to a year ago, and there was a 0.88 month supply of homes on the market. For Island County, the average house sold for \$610,000, up 27.22% from a year ago and supply totaled 0.57 months. For Whatcom County, the average home sold for \$620,000, up 25.95% from a year ago and supply totaled 0.79 months. For San Juan County, the average home sold for \$898,000, up 79.05% from a year ago and supply totaled 3.25 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. Call us or stop by one of our branches and we’ll show you how to bank Savi. 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 First 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				
	March 31, 2022	December 31, 2021	Var %	March 31, 2021	Var %
SUMMARY OF OPERATIONS					
Interest income	\$ 4,305	\$ 4,474	(4)%	\$ 4,536	(5)%
Interest expense	(307)	(289)	6	(490)	(37)
Net interest income	3,998	4,185	(4)	4,046	(1)
Provision for loan losses	—	(491)	(100)	(140)	(100)%
NII after loss provision	3,998	3,694	8	3,906	2
Non-interest income	2,068	1,590	30	870	138
Non-interest expense	(4,873)	(4,902)	(1)	(3,530)	38
Income before tax	1,193	382	212	1,246	(4)
Federal income tax expense	229	60	282	260	(12)
Net income	\$ 964	\$ 322	199%	\$ 986	(2)%
PER COMMON SHARE DATA					
Number of shares outstanding (000s)	3,439	3,439	-%	3,434	0%
Earnings per share, diluted	\$ 0.22	\$ 0.07	202	\$ 0.23	(2)
Market value	10.78	10.70	1	11.00	(2)
Book value	10.86	10.94	(1)	10.25	6
Market value to book value	99.23%	97.77%	1	107.36%	(8)
BALANCE SHEET DATA					
Assets	\$ 511,578	\$ 479,564	7%	\$ 449,740	14%
Investments securities	48,489	34,267	42	11,066	338
Total loans	364,634	352,231	4	368,501	(1)
Total deposits	448,251	432,743	4	385,807	16
Borrowings	24,500	7,500	227	27,500	(11)
Shareholders' equity	37,361	37,638	(1)	35,183	6
AVERAGE BALANCE SHEET DATA					
Average assets	\$ 495,571	\$ 477,939	4%	\$ 429,560	15%
Average total loans	354,454	340,313	4	356,300	(1)
Average total deposits	440,497	425,905	3	353,867	24
Average shareholders' equity	37,500	37,624	(0)	34,708	8
ASSET QUALITY RATIOS					
Net (charge-offs) recoveries	\$ (1)	\$ (242)	N/M	\$ 37	(103)%
Net (charge-offs) recoveries to average loans	(0.00)%	(0.07)%	N/M	0.04%	(103)
Non-performing loans as a % of loans	0.40	0.40	0	0.75	(47)
Non-performing assets as a % of assets	0.47	0.49	(5)	0.71	(34)
Allowance for loan losses as a % of total loans	1.16	1.20	(3)	1.03	13
Allowance for loan losses as a % of non-performing loans	289.54	300.50	(4)	137.08	111
FINANCIAL RATIOS\STATISTICS					
Return on average equity	10.28%	3.42%	200%	11.36%	(10)%
Return on average assets	0.78	0.27	189	0.92	(15)
Net interest margin	3.63	3.84	(5)	4.09	(11)
Efficiency ratio	78.58	81.57	(4)	70.25	12
Average number of employees (FTE)	132	128	3	110	20
CAPITAL RATIOS					
Tier 1 leverage ratio -- Bank	7.97	7.91	1%	8.47	(6)%
Common equity tier 1 ratio -- Bank	9.64	10.05	(4)%	11.09	(13)%
Tier 1 risk-based capital ratio -- Bank	9.64	10.05	(4)%	11.09	(13)%
Total risk-based capital ratio --Bank	10.72	11.21	(4)%	12.30	(13)%

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