

# Olympic Bancorp

## Statement of Condition

June 30, 2018

To Our Shareholders, Customers, and Employees,

I am pleased to announce that Olympic Bancorp continues to report very strong performance, with year-to-date income of \$6,957,000 in the first half, up \$789,000 or 12.8% from last year. The primary contributors to the increase in income are the growth in loans, up \$69 million or 10.8% from one year ago, and the general rise in interest rates which has allowed our asset yields to increase faster than our deposit costs. This has directly increased Kitsap Bank's net interest income \$1.8 million, or 9.2% over the previous year. Noninterest income increased \$271,000 or 6.5%.

On Saturday, August 4, our employees and their families came together to celebrate Kitsap Bank's birthday at our corporate headquarters in Port Orchard. To recognize the milestone of 110 years, we introduced our new corporate identity to our Bank Family during this great celebration.

Kitsap Bank is uniquely qualified to meet the needs of independent family business owners. Our brand proposition is symbolized by the flag in our logo. It echoes the nautical history of the Greater Puget Sound region we serve, as well as the adventurous spirit of the pioneers who settled here, including the three generations of the Langer family whose bold commitment has kept Kitsap Bank stable and prospering for over a century. Subtly emblazoned with the initials of Kitsap Bank, the flag represents the drive to explore new frontiers and a fearless, trailblazing spirit. The bright color palette underlines our passion and determination to lead the charge!

You can now see the new brand reflected in our statements, online and mobile banking, printed and promotional materials, and ATM and ITS machines. We have also launched a brand new responsive website—giving you greater access to Kitsap Bank on the go.

As we continue our strategic growth and expansion, I am pleased to announce the opening of our South King County Commercial Banking Center in the Maplewood Office Building at 33915 First Way S., Federal Way, WA. The South King commercial lending team joined us one year ago, and have contributed to the bank's impact in this market.

Kitsap Bank continues to maintain a strong balance sheet, and we are well-positioned for future growth. I want to thank our shareholders, customers, and employees who all contribute to the success of our great organization.

Sincerely,



Steve Politakis  
President and Chief Executive Officer

<b>Interest Income:</b>		
Loans	\$ 17,332	\$ 15,339
Federal funds sold and deposits in banks	114	172
Securities available for sale and held to maturity		
Taxable	2,813	2,631
Tax-exempt	1,869	2,132
Other interest income	4	2
<b>Total Interest Income</b>	<b>22,132</b>	<b>20,276</b>
<b>Interest Expense:</b>		
<b>Deposits</b>	<b>311</b>	<b>316</b>
Interest on advances and other borrowed money	22	-
<b>Total interest expense</b>	<b>333</b>	<b>316</b>
<b>Net interest income</b>	<b>21,799</b>	<b>19,960</b>
<b>Provision for credit losses</b>	<b>240</b>	<b>180</b>
<b>Net interest income after provision for credit losses</b>	<b>21,559</b>	<b>19,780</b>
<b>Non-interest Income:</b>		
Service charges on deposit accounts	1,403	1,313
Merchant and interchange income	1,691	1,592
Income from investments in life insurance	366	349
Net gains on the sale of loans	-	29
Net gains from sales of securities available for sale	45	132
Other noninterest income	915	734
<b>Total non-interest income</b>	<b>4,420</b>	<b>4,149</b>
<b>Non-interest Expense:</b>		
Salaries and employee benefits	12,505	11,744
Occupancy and equipment	1,527	1,565
Data Processing expenses	1,730	1,397
Merchant and interchange expenses	440	454
State and local taxes	341	286
Other noninterest expense	2,479	2,315
<b>Total non-interest expense</b>	<b>19,022</b>	<b>17,761</b>
<b>Net Income</b>	<b>\$ 6,957</b>	<b>\$ 6,168</b>

Assets	2018	2017
Cash and due From banks	\$ 25,165	\$ 20,595
Interest bearing deposits in banks	16,979	55,267
<b>Securities available for sale</b>	<b>334,385</b>	<b>373,416</b>
Securities held to maturity	3,226	2,172
Federal Home Loan Bank stock	1,365	1,357
<b>Loans and leases</b>	<b>708,172</b>	<b>639,215</b>
Less: allowance for credit losses	(7,647)	(7,036)
<b>Net loans and leases</b>	<b>700,525</b>	<b>632,179</b>
Premises and fixed assets	19,570	18,054
Other real estate owned	87	571
Goodwill	17,105	17,105
Core deposit intangible	766	970
Accrued interest receivable	3,924	3,795
Bank owned life insurance	23,961	23,265
Trading assets	290	105
Other assets	674	2,078
<b>Total Assets</b>	<b>\$1,148,022</b>	<b>\$1,150,929</b>
Liabilities and Shareholders' Equity		
<b>Deposits</b>		
Non-interest bearing	\$ 343,606	\$ 328,466
Savings and interest bearing demand	586,056	591,012
Time	77,344	91,114
<b>Total deposits</b>	<b>1,007,006</b>	<b>1,010,592</b>
Accrued interest payable	57	47
Trading liabilities	290	105
Other liabilities	17,812	18,529
<b>Total liabilities</b>	<b>1,025,165</b>	<b>1,029,273</b>
<b>Shareholders' Equity</b>		
Common stock	20,132	20,132
Retained earnings	105,335	95,832
Accumulated other comprehensive income	(2,610)	5,692
<b>Total shareholders' equity</b>	<b>122,857</b>	<b>121,656</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,148,022</b>	<b>\$1,150,929</b>