



**For Immediate Release**

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**First Sound Bank Reports 2009 Results**

**SEATTLE**, January 29, 2010 – First Sound Bank (OTCBB: FSWA) today announced a \$6.5 million loss for the quarter ended December 31, 2009 and a \$17.0 million loss for the year ended December 31, 2009. Results for the fourth quarter reflect continued real estate and lease-related loan losses. On December 31, 2009, the provision for loan losses totaled \$13.0 million held in reserve for potential future losses; the bank feels such losses will diminish significantly in 2010.

First Sound Bank's tier 1 capital stood at 3.58 percent at year-end, down from 6.27 percent on September 30, 2009. Total risk-based capital at year-end was 5.41 percent, down from 8.11 percent at the end of the prior quarter. The bank anticipates raising additional capital in the second quarter of 2010 after the litigation with Larasco, Inc., discussed below, has been resolved.

First Sound's net interest margin for quarter-end was 5.07 percent, up from 4.53 percent in the prior quarter, and reflects the contributions of the bank's asset-based lending and leasing portfolios, as well as the additional yields from the liquidation of a real estate project.

Total assets ended the year at \$198.6 million, down from \$259.0 million on

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December 31, 2008. Loans at year-end were \$175.6 million, with approximately one-third of total loans in each of the primary categories of assets: real estate, leasing and commercial and industrial loans. Assets were down from the prior year-end due to efforts by management to improve its capital ratios. Deposits – 20 percent of which were held in non-interest bearing checking accounts – ended the year at \$182.2 million, down from \$204.2 million on December 31, 2008.

At year-end, non-performing loans represented 23 percent of average assets, or \$45.5 million, and were a reflection of the deteriorating real estate environment – particularly in construction and land development. Past-due loans in the bank portfolio were nominal, and management is optimistic that credit quality will improve. Past-dues in the leasing portfolio continue to be greater than expected, but improvement is anticipated as the economy recovers.

First Sound Bank continues to be involved in the litigation against Larasco, Inc., the successor of Puget Sound Leasing Co., Inc. and its former owners. The bank's complaint alleges that defendants violated federal and state securities laws by misrepresenting the extent to which leases were delinquent, and that they failed to disclose accounting irregularities that inflated Larasco, Inc.'s prior performance. The court granted a motion by First Sound Bank for a writ of attachment and authorized the bank to attach more than \$3.6 million worth of the defendant's assets. Since the Larasco, Inc. transaction closed on March 1, 2008, total losses in the Leasing Division have exceeded \$24.1 million, with \$6.0 million in lease credit losses realized in 2009. This matter is presently scheduled to go to trial in Seattle Federal District Court on May 5<sup>th</sup>, 2010.

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***Certain statements in this press release, including statements regarding the anticipated development and expansion of First Sound Bank's business, and the intent, belief or current expectations of the company, its directors or its officers, are***

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***“forward-looking” statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements.***

### **About First Sound Bank**

Seattle-based First Sound Bank offers customized banking for small- to medium-sized businesses, organizations, not-for-profits and professionals in the Puget Sound region. Founded by a team of veteran local banking executives, it is committed to delivering personalized service, convenient access and competitive rates to support the needs of the business community. The bank offers online banking at [www.firstsoundbank.com](http://www.firstsoundbank.com) plus an expansive banking network in the western U.S., as well as ATM banking throughout the country and abroad. On March 1, 2008, First Sound Bank purchased a majority of the assets of Puget Sound Leasing Company, Inc. – a small ticket, business-to-business leasing company and established Puget Sound Leasing as a division of First Sound Bank.

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