

October 31, 2019

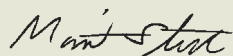
Dear Shareholders:

I am pleased to report the third quarter of 2019 financial results for First Sound Bank ("the Bank"). During the third quarter of 2019 we continued to execute our new strategic direction of growing our earning assets and replacing our non-core loans and deposits with relationship-based assets. In addition to our existing sales team, during Q3 we hired Douang Nonthaveth as VP Relationship Manager, an experienced banker who will materially strengthen our commercial banking team. We are booking new loans at a rate far greater than the bank's recent past, and we are focusing heavily on SBA loans which are very profitable earning assets. In addition, we entered the residential mortgage business for the first time in our bank's history, which will diversify our asset portfolio and broaden our customer relationships. Our pipeline of new business is strong.

- Core banking revenue for the Bank, defined as net interest income plus non-interest income, was \$3.3 million for YTD 9/30/2019, an 11% decrease from the prior year 2018 period, primarily reflecting the continued run-off of our equipment finance portfolio. However the mix of our revenues was actually improved from last year; income from continuing operations, i.e. backing out the EFA revenue which is non-recurring, was actually up 2% from last year. This is an important milestone for our bank, indicating that we are finally adding new earning assets at a rate exceeding the run-off of our equipment finance portfolio. Operating expenses for the 9 month period ending 9/30/2019 were \$3.3 million, a 7% decrease from the same period last year; however this trend reversed during Q3 because of the new key employees we have hired to drive revenue growth. It is our expectation that the resulting revenue from new business generation will far exceed the additional cost of these new employees. For the 9 months ended 9/30/2019 the bank recorded a modest profit YTD of \$65,000. Comparisons to the same period last year are less than meaningful because the numbers in both years are skewed by numerous non-recurring items as we continue to restructure both the balance sheet and the business model of the bank.
- The overall balance sheet of the Bank declined by 16% from 9/30/2018 to 9/30/2019. This was primarily intentional, as we continue to reduce our volatile deposits and equipment finance loans and replace them with core deposits and loans. Our equipment finance portfolio continues to run off at the rate of about \$4 million per quarter; offsetting this, I am very pleased to report that during Q3 we booked \$10.1 million of new core relationship loans, a post-recession high for our bank. At quarter end 9/30/2019, the Bank's ratio of capital to assets was very strong at 12.6%.

Thank you for your continued support of our bank. Please contact me at any time if you have questions, concerns, business referrals, or ideas.

Sincerely,

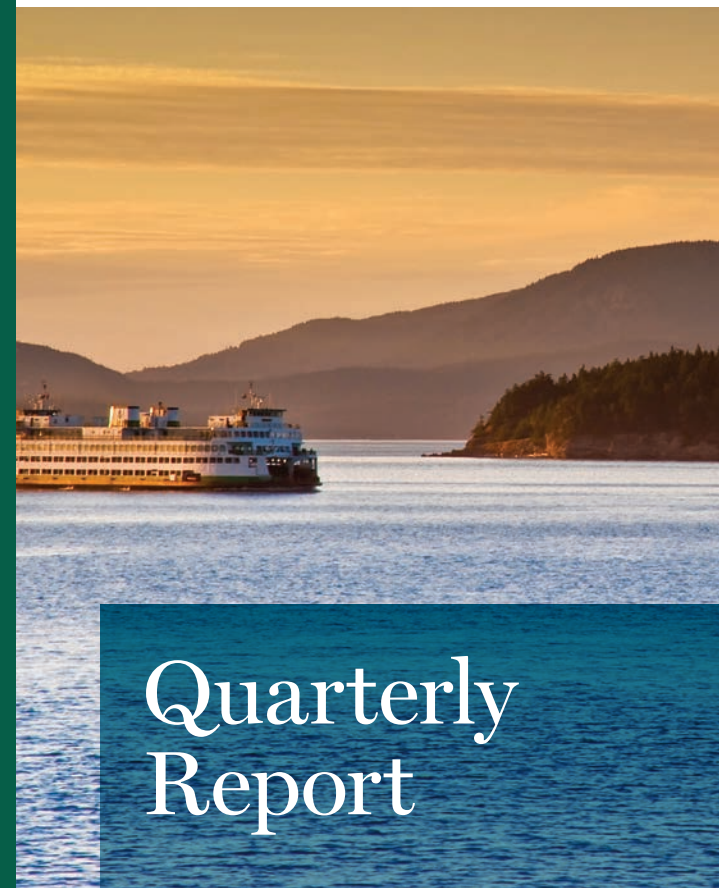


Marty Steele
President & Chief Executive Officer



www.firstsoundbank.com

925 Fourth Ave.
Suite 2350
Seattle, WA 98104
main 206.515.2004
fax 206.515.2005



Quarterly Report

September 2019

Statement of Condition

(In 000's) Unaudited

	As of September 30,	
	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 2,020	\$ 983
Fed Funds and Interest-bearing Deposits	18,172	30,668
Investment Securities	3,369	1,810
Loans on Accrual	84,576	95,584
Loans on Nonaccrual	1,893	1,824
Total Loans, Gross	86,469	97,408
Allowance for Loan Losses	(1,461)	(1,393)
Total Loans, Net	85,008	96,015
Premises and Equipment	178	141
Other Real Estate Owned	1,769	1,769
Other Assets	823	1,1010
Total Assets	\$111,339	\$132,396
LIABILITIES		
Noninterest-bearing Deposits	\$ 31,133	\$ 29,925
Interest-bearing Deposits	66,130	88,509
Other Liabilities	417	506
Total Liabilities	97,680	118,940
SHAREHOLDERS' EQUITY		
Common Stock and Related Surplus	59,814	59,943
Accumulated Deficit	(46,155)	(46,487)
Total Shareholders' Equity	13,659	13,456
Total Liabilities and Equity	\$111,339	\$132,396

Statement of Operations

(In 000's) Unaudited

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
INTEREST INCOME				
Loans	\$ 827	\$ 888	\$2,548	\$2,762
Equipment Finance	156	297	517	1,042
Fed Funds and Interest-bearing Deposits	72	109	259	219
Investment Securities	29	14	63	31
Total Interest Income	1,084	1,308	3,441	4,054
INTEREST EXPENSE				
Deposits/Borrowings	138	210	446	669
Net Interest Income Before Provision	946	1,098	2,995	3,385
PROVISION FOR LOAN LOSSES				
Net Interest Income After Provision	946	1,098	2,995	3,385
NON INTEREST INCOME				
	202	83	325	365
NON INTEREST EXPENSE				
Salaries and Benefits	589	516	1,569	1,700
Occupancy Expenses	177	185	549	576
Other Expenses	350	382	1,137	1,238
Total Noninterest Expense	1,116	1,083	3,255	3,514
INCOME TAXES				
	—	—	—	—
NET INCOME	\$ 32	\$ 98	\$ 65	\$ 236