

April 26, 2019

Dear Shareholders:

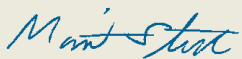
I am pleased to report the first quarter of 2019 financial results for First Sound Bank ("the Bank"). The end of first quarter 2019 marked the beginning of a new chapter for our Bank; we added three new key executives: Debby McDaniel as EVP & CFO, Dave Huguenin as SVP of Business Development, and myself as President & CEO. Debby and Dave were trusted colleagues of mine at The Bank of Washington and they will be invaluable employees here at First Sound Bank. At the present time we also have offers out to two proven commercial bankers and we are hopeful they will join the Bank in early second quarter. With these personnel additions, the Bank's management team and Board are purposely shifting our strategic focus away from balance sheet stabilization and asset recovery, and toward a robust sales culture to grow the bank in an effort to increase our profitability and shareholder value.

- Core banking revenue for the Bank, defined as net interest income plus non-interest income, was \$1.1 million for the first three months of 2019, a 19% decrease from the prior year 2018 period, primarily due to the continued run-off of our equipment finance portfolio and lack of other loan growth. Offsetting this was a 22% decrease in operating expenses from 2018 to 2019, resulting in a 63% increase in our net profit for the first quarter of 2019 compared to the prior year. Even with the increase, this level of profitability is not acceptable and our intention is to change these metrics as soon as possible in the coming quarters of 2019 and beyond by materially growing our revenue.
- The overall balance sheet of the Bank declined by 22% from 3/31/2018 to 3/31/2019. This was primarily intentional, as we continue to reduce our reliance on volatile deposits and gradually replace them with core deposits, and run off our equipment finance loans and gradually replace them with core relationship loans. That said, it is our intention going forward to grow the core loans and deposits at a faster pace compared to our recent past, thereby growing the balance sheet. At quarter end 3/31/2019, the Bank's ratio of capital to assets was very strong at 12.5%.

You are all cordially invited to our Annual Shareholder Meeting to be held on Wednesday June 19, 2019 at 2:00 PM in the Main Lobby Conference Room of our building here at 925 Fourth Avenue in downtown Seattle. I am hopeful that many of you will attend. In the meantime, proxy materials for the election of directors and other business matters will be distributed to you all in the coming weeks.

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

Sincerely,



Marty Steele, President & CEO

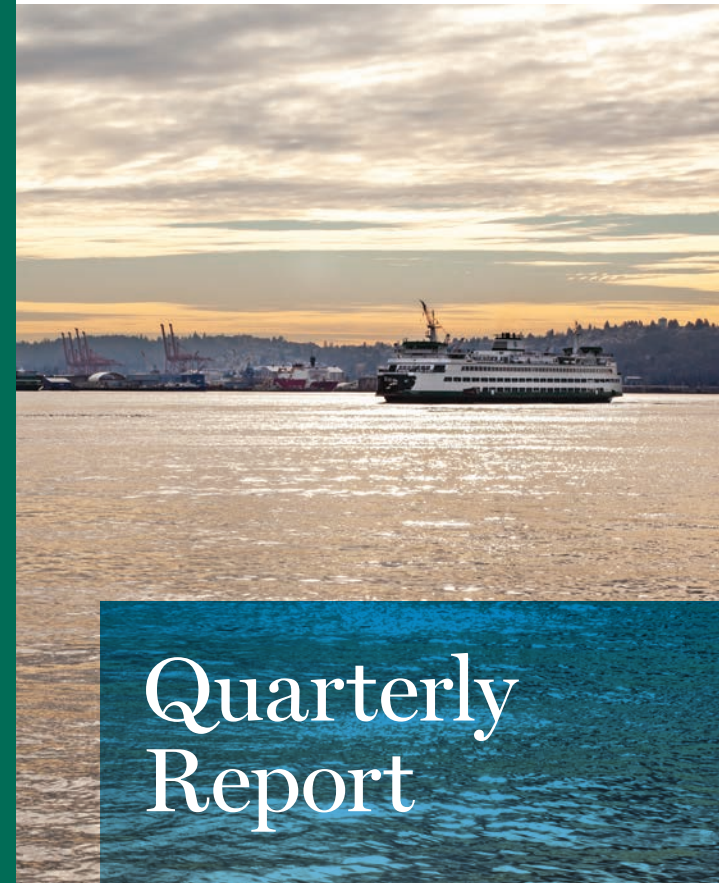


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Experienced. Innovative. Sound.



Quarterly Report

March 2019

Statement of Condition

(In 000's) Unaudited

	As of March 31,	
	2019	2018
ASSETS		
Cash & Due From Banks	\$ 1,544	\$ 890
Fed Funds & Int Bearing Dep	11,623	15,976
Investment Securities	2,496	1,214
Loans on Accrual	89,599	113,117
Loans on Non Accrual	2,034	5,534
Total Loans	91,633	118,651
Less Allowance for Loan Losses	(1,472)	(1,345)
Net Loans	90,161	117,306
Bank Premises & Equipment	185	148
Other Real Estate Owned	1,769	1,912
Other Assets	920	1,245
TOTAL ASSETS	\$ 108,698	\$ 138,691
LIABILITIES & SHAREHOLDERS' EQUITY		
Liabilities		
Non IB Demand Deposits	\$ 30,570	\$ 30,323
Interest Bearing Deposits	64,084	89,574
Other Liabilities	403	5,540
Total Liabilities	95,057	125,437
Shareholders' Equity		
Common Stock & Related Surplus	61,330	61,318
Accumulated Surplus (Deficit)	(47,689)	(48,064)
Total Shareholders' Equity	13,641	13,254
TOTAL LIABILITIES & EQUITY	\$ 108,698	\$ 138,691

Statement of Operations

(In 000's) Unaudited

	For the Quarter Ended March 31,	
	2019	2018
INTEREST INCOME		
Loans	\$ 771	\$ 977
Equipment Financing	304	399
Fed Funds & Int Bearing Dep	114	50
Investment Securities	12	6
Total Interest Income	\$ 1,201	\$ 1,432
INTEREST EXPENSE		
Deposits/Borrowings	175	232
NET INTEREST INCOME	1,026	1,200
Less Provision for Loan Losses	—	—
Net Interest Income After Provision for Loan Losses	1,026	1,200
NON INTEREST INCOME	57	141
NON INTEREST EXPENSE		
Salaries & Benefits	478	638
Occupancy & Equipment	252	224
Other Expenses	273	430
Total Noninterest Expense	1,003	1,292
Income Taxes	—	—
NET INCOME (LOSS)	\$ 80	\$ 49