

July 31, 2019

Dear Shareholders:

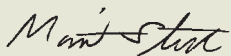
I am pleased to report the second quarter of 2019 financial results for First Sound Bank ("the Bank"). During the second quarter 2019 we continued to execute our new strategic direction for the Bank: hiring key employees in an effort to grow our earning assets, and running off our non-core loans and deposits in an effort to replace them with relationship-based loans and deposits. We hired Steven Evans as our new SVP & Manager of Commercial Banking and Mason Azose as Portfolio Manager; these two individuals add much needed depth to our loan and deposit production team. As of today's date we now have a substantial pipeline of new business which we are hoping will meaningfully increase our earning assets and profitability as we move into Q3 of 2019 and beyond.

- Core banking revenue for the Bank, defined as net interest income plus non-interest income, was \$1.2 million for the second quarter 2019, a 15% decrease from the prior year 2018 period, reflecting the continued run-off of our equipment finance portfolio. However the mix of our revenues was actually improved from last year; recurring revenue from core loans, investments, and deposit fees increased 5% in Q2 2019 compared to 2018, while Q2 2018's revenue was skewed by non-recurring revenue from equipment finance and one-time gains from sales of loans and an OREO property. We incurred a small loss in Q2 of \$47,000 primarily due to two items: a) we incurred a one-time charge-off of \$39,000 on a loan that was purchased by the Bank's previous management team several years ago; this loan is now fully paid off, and b) we incurred the personnel and on-boarding expense of the new commercial banking team members but their new loan and deposit production had yet to manifest during Q2; we expect that very soon this trend will reverse as we bring in new business.
- The overall balance sheet of the Bank declined by 16% from 6/30/2018 to 6/30/2019. 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. At quarter end 6/30/2019, the Bank's ratio of capital to assets was very strong at 12.1%.

On May 15 we successfully executed a 1 for 100 reverse split of the Bank's stock (ticker symbol FSWA). This reverse split has significantly increased the ability of our shareholders to buy and sell their shares on the OTC market through registered broker dealers. If any of you have questions about the stock split or how to trade FSWA shares, please call me directly at 206-550-0718 or 206-436-2001.

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



First Sound Bank

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First Sound Bank



Quarterly Report

June 2019

Statement of Condition

(In 000's) Unaudited

	As of June 30,	
	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 1,069	\$ 1,562
Fed Funds and Interest Bearing Deposits	19,246	19,223
Investment Securities	3,912	1,836
Loans on Accrual	85,444	105,653
Loans on Non Accrual	1,990	5,394
Total Loans, Gross	87,434	111,047
Allowance for Loan Losses	(1,454)	(1,372)
Total Loans, Net	85,980	109,675
Premises and Equipment	190	144
Other Real Estate Owned	1,769	1,769
Other Assets	873	1,058
Total Assets	\$113,039	\$135,267
LIABILITIES		
Noninterest-bearing Deposits	\$ 31,022	\$ 32,287
Interest-bearing Deposits	68,048	89,103
Other Liabilities	340	525
Total Liabilities	99,410	121,915
SHAREHOLDERS' EQUITY		
Common Stock and Related Surplus	61,399	61,327
Accumulated Deficit	(47,770)	(47,975)
Total Shareholders' Equity	13,629	13,352
Total Liabilities and Equity	\$113,039	\$135,267

Statement of Operations

(In 000's) Unaudited

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
INTEREST INCOME				
Loans	\$ 950	\$ 896	\$1,721	\$1,873
Equipment Finance	111	345	415	744
Fed Funds and Interest-bearing Deposits	73	67	187	117
Investment Securities	22	4	34	10
Total Interest Income	1,156	1,312	2,357	2,744
INTEREST EXPENSE				
Deposits/Borrowings	133	225	308	457
Net Interest Income Before Provision	1,023	1,087	2,049	2,287
PROVISION FOR LOAN LOSSES				
Net Interest Income After Provision	1,023	1,087	2,049	2,287
NON INTEREST INCOME				
Net Interest Income After Provision	66	126	123	267
NON INTEREST EXPENSE				
Salaries and Benefits	502	546	980	1,184
Occupancy Expenses	120	167	372	391
Other Expenses	514	411	787	841
Total Noninterest Expense	1,136	1,124	2,139	2,416
INCOME TAXES				
Net Interest Income After Provision	—	—	—	—
NET INCOME	\$ (47)	\$ 89	\$ 33	\$ 138