

July 20, 2017

Dear First Sound Shareholders,

The 2nd Quarter showed continued improvement, as the Bank had net income of \$413,000 versus \$73,000 in the 2nd Quarter of 2016. For the six-months period ended June 30, 2017, the Bank had \$431,000 in net income versus \$180,000 for a comparable period in 2016. In addition, due to a growth in the loan portfolio, the Bank has added \$206,000 to the loan loss reserve versus a \$160,000 reverse provision (or credit) for a comparable period in 2016, a swing of \$366,000. Our pipeline of loan prospects in process continues to grow each month and our balance sheet remains asset sensitive, positioned to benefit from anticipated rate increases by the Federal Reserve should they materialize.

Details for the six months ended June 30, 2017 compared with the prior year can be found in the Statements of Condition & Operations included in this report. Some items of note are:

- Loans on accrual were up 11% net of pay-downs.
- Loans on non-accrual have dropped dramatically over the past few years and declined further by 91% to just \$24,000.
- Other Real Estate Owned is down 12%.
- Deposits increased by 8%.
- Total assets grew by 8% over the prior year.

The private banking initiative launched in April is off to a good start and shows promise for continued growth. We are especially excited by the increased success we are seeing in new business development and hope that our shareholders will be alert for possible referral opportunities.

Sincerely,



Patrick M. Fahey
Executive Chairman



Jon C. Shelton
President & Chief Executive Officer

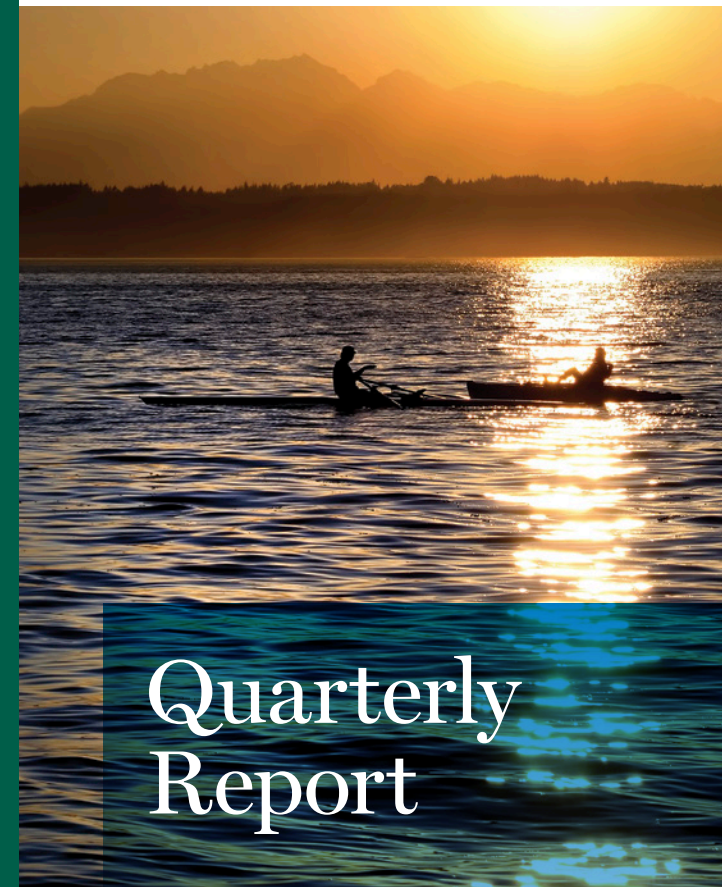


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Experienced. Innovative. Sound.



Quarterly Report

June 2017

Statement of Condition

(In 000's) Unaudited

	As of June 30,	
	2017	2016
ASSETS		
Cash & Due From Banks	\$ 1,258	\$ 859
Fed Funds & Int Bearing Dep	18,564	19,187
Investment Securities	723	865
Loans on Accrual	120,263	108,666
Loans on Non Accrual	24	294
Total Loans	120,287	108,960
Less Allowance for Loan Losses	(1,345)	(1,238)
Net Loans	118,942	107,722
Bank Premises & Equipment	171	63
Other Real Estate Owned	2,385	2,725
Other Assets	1,167	1,540
TOTAL ASSETS	\$ 143,210	\$ 132,961
LIABILITIES & SHAREHOLDERS' EQUITY		
Liabilities		
Non IB Demand Deposits	\$ 35,896	\$ 35,221
Interest Bearing Deposits	94,251	85,227
Other Liabilities	803	684
Total Liabilities	130,950	121,132
Shareholders' Equity		
Common Stock & Related Surplus	60,257	60,203
Accumulated Surplus (Deficit)	(47,997)	(48,374)
Total Shareholders' Equity	12,260	11,829
TOTAL LIABILITIES & EQUITY	\$ 143,210	\$ 132,961

Statement of Operations

(In 000's) Unaudited

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
INTEREST INCOME				
Loans	\$ 946	\$ 791	\$ 1,799	\$ 1,593
Equipment Finance	438	425	913	873
Fed Funds & Int Bearing Dep	38	16	56	30
Investment Securities	6	5	9	19
Total Interest Income	1,428	1,237	2,777	2,515
INTEREST EXPENSE				
Deposits/Borrowings	199	140	373	269
NET INTEREST INCOME	1,229	1,097	2,404	2,246
Less Provision for Loan Losses	60	—	206	(160)
Net Interest Income After Provision for Loan Losses	1,169	1,097	2,198	2,406
NON INTEREST INCOME	611	264	948	455
NON INTEREST EXPENSE				
Salaries & Benefits	641	514	1,259	1,201
Occupancy & Equipment	271	307	551	535
Other Expenses	456	467	904	945
Total Noninterest Expense	1,368	1,288	2,714	2,681
INCOME TAXES	—	—	—	—
NET INCOME	\$ 413	\$ 73	\$ 431	\$ 180