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## **NEWS RELEASE**

### **Puget Sound Bank Reports Profitable First Quarter 2010 With Healthy Deposit Growth and Solid Credit Quality**

**BELLEVUE, WA — April 21, 2010 — Puget Sound Bank (OTCBB: PUGB)**, today reported that solid credit quality, core deposit growth and strong capital ratios contributed to first quarter 2010 profitability. Puget Sound Bank earned \$290,009 in the first quarter of 2010 compared to \$6,413 in the first quarter a year ago. Core operating income increased 56% to \$395,109 from \$254,013 in the same quarter a year ago.

“We posted another strong quarterly profit while building capital and adding to reserves for any potential loan losses,” said Jim Mitchell, President and Chief Executive Officer. “Our ongoing deposit growth contributed to a higher net interest margin, and our credit quality continues to be one of the best in the state.” Puget Sound Bank has no traditional brokered deposits, as its deposits are entirely from its customer base.

#### **First quarter 2010 Highlights** (March 31, 2010 compared to March 31, 2009)

- Capital ratios remained well above the regulatory requirements for well-capitalized institutions, with Total Capital to risk-adjusted assets of 16.96% compared to 16.71% a year ago. To be considered “well-capitalized” a bank must have over 10% Total Risk-based Capital.
- Credit quality remains appreciably above average, with zero nonperforming loans and no past due loans.
- Local deposit growth generated an impressive 32% increase in total deposits to \$187 million from \$142 million.
- Total assets increased 27% year-over-year to \$213.9 million, compared to \$168.5 million.
- Total loans grew 1% to \$140.4 million from \$138.7 million.
- Tangible book value per share grew 2% to \$9.41 from the prior year.

“Despite the headwinds that continue to linger in the economy, the solid performance at Puget Sound Bank demonstrates that our focus on providing superior products and financial services to small businesses and their owners is working,” continued Mitchell. “We are seeing our customer base expand with what appears to be a flight to quality independent community banks. By all accounts, our customer satisfaction is at an all time high illustrating our ongoing commitment to delivering the best possible customer experience.

#### **Asset Quality and Balance Sheet Growth**

Puget Sound Bank’s total assets at March 31, 2010, were \$213.9 million, up from \$197.2 million at December 31, 2009 and increased 27%, or \$45.4 million, from \$168.5 million a year ago.

“Asset quality continues to stand out against our peers. We still have no nonperforming loans on our books, including no non-accruals and no past due loans,” said Mitchell. The ratio of NPAs to total assets is 0.00%, the same as it was a year ago. Nonperforming assets (NPAs) consists of nonaccrual loans, accruing loans 90 days or more past due, restructured loans and other real estate owned (OREO).

“We are maintaining a well-diversified loan portfolio with commercial and industrial (C&I) loans representing 42% of the loan portfolio and the related owner-occupied commercial real estate (CRE) at 20%, with commercial real estate at 30%, and personal and other loans representing 8%,” continued Mitchell. “In the same quarter a year ago, C&I loans represented 36% of the loan portfolio, owner-occupied CRE 22%, with CRE at 31%, and personal and other loans representing 11%.”

The allowance for loan losses was \$2.6 million, or 1.85% of total loans at the end of the first quarter of 2010, compared to \$2 million, or 1.44% of total loans a year ago. There were no net charge-offs in the quarter.

### **Review of Operations**

Strengthened by an increase in average loan balances and a high net interest margin, revenue was \$1.7 million in the first quarter of 2010, compared to \$1.5 million in the first quarter of 2009. Revenue consists of net interest income and noninterest income. Net interest income, before the provision for loan losses, increased 21% to \$1.6 million in the first quarter of 2010 from \$1.3 million in the year ago quarter.

Puget Sound Bank's net interest margin was 3.43% for the first quarter, compared with 3.37% for the first quarter a year ago. Cash and investment securities were up 12% from the immediate prior quarter and grew 158% from the year ago quarter allowing the bank to maintain high levels of liquidity.

The efficiency ratio during the first quarter of 2010 improved to 76.8% compared to 83.6% a year earlier. The efficiency ratio measures overhead costs as a percentage of total revenues.

### **Puget Sound Bank Stock**

Puget Sound Bank stock is traded on the over-the-counter bulletin board under the symbol PUGB.

### **About Puget Sound Bank**

Puget Sound Bank is a locally-owned and operated commercial bank proudly serving the greater Puget Sound region. Based out of Bellevue, Washington, the bank was founded to meet the specialized needs of small and medium-sized businesses, commercial real estate projects, professionals and individuals seeking a higher level of service in the Puget Sound region. Staffed by the most experienced, customer-oriented banking professionals in the region, Puget Sound Bank offers a full range of competitive financial products with superior customer service and a consultative/partnership approach to its clients. Puget Sound Bank provides online banking at [www.pugetsoundbank.com](http://www.pugetsoundbank.com) and has access to a large branch network in the state of Washington. The bank can also provide remote capture technology which allows its clients to make deposits from their offices. Puget Sound Bank is located at 10500 NE 8<sup>th</sup> Street, Suite 1800, Bellevue, Washington. For more information, please call 425-455-2400.

**Safe Harbor Statement.** This news release contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from the results expressed in forward-looking statements. Factors that might cause such a difference include changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking regulation; changes in tax laws; changes in prices; levies and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in the national and local economy; and other factors, including risk factors, referred to from time to time in filings made by Puget Sound Bank with the Securities and Exchange Commission. Puget Sound Bank undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

**Puget Sound Bank**  
**First Quarter 2010**  
 (Unaudited)

	Quarterly			2010 YTD	2009 YTD
	2010 1st Qtr	2009 4th Qtr	2009 1st Qtr		
(\$ in thousands except per share data)					
<b>EARNINGS</b>					
Net interest income	\$ 1,613	1,576	1,335	1,613	1,335
Provision for loan losses	\$ 105	100	248	105	248
NonInterest income	\$ 87	81	213	87	213
NonInterest expense	\$ 1,305	1,196	1,295	1,305	1,295
Pre-tax, pre-provision net income	\$ 395	461	254	395	254
Net income (loss)	\$ 290	361	6	290	6
Preferred dividends	\$ 73	73	31	73	31
Net income available to common shareholders	\$ 217	289	(25)	217	(25)
<sup>1</sup> Earnings (loss) per share	\$ 0.10	0.13	(0.01)	0.10	(0.01)
Average shares outstanding	2,275	2,265	2,253	2,275	2,253
<b>PERFORMANCE RATIOS</b>					
Return on average assets	0.58%	0.78%	0.02%	0.58%	0.02%
<sup>1</sup> Return on average common equity	4.07%	5.47%	-0.47%	4.07%	-0.47%
Net interest margin	3.43%	3.55%	3.37%	3.43%	3.37%
Efficiency ratio	76.8%	72.2%	83.6%	76.8%	83.6%
<b>CAPITAL</b>					
Tier 1 leverage ratio	12.91%	13.70%	15.30%		
Tier 1 risk-based capital ratio	15.70%	16.84%	15.47%		
Total risk-based capital ratio	16.96%	18.10%	16.71%		
Tangible Common Equity Ratio	10.02%	10.68%	12.35%		
<b>ASSET QUALITY</b>					
Net loan charge-offs (recoveries)	\$ 0	188	0		
Allowance for loan losses	\$ 2,593	2,488	2,004		
Allowance for losses to total loans	1.85%	1.86%	1.44%		
Nonperforming loans	\$ 0	0	0		
Other real estate owned	\$ 0	0	0		
Nonperforming assets to total assets	0.00%	0.00%	0.00%		
<b>END OF PERIOD BALANCES</b>					
(\$ in millions)					
Total Loans	\$ 140	134	139		
Total Assets	\$ 214	197	168		
Deposits	\$ 187	171	142		
Shareholders' equity	\$ 21.4	21.1	20.8		
Tangible book value per share	9.41	9.29	9.23		

<sup>1</sup>Includes preferred stock dividends and warrants expense not included in net income.

Note: Transmitted on GlobeNewswire on April 21, 2010 at 1:00 p.m. Pacific Daylight Time.