



Contact: Jim Mitchell, President & CEO
(425) 455-2400

NEWS RELEASE

Puget Sound Bank Posts Record Net Income for 2009 Fueled by Solid Credit Quality and Robust Deposit Growth

BELLEVUE, WA — January 20, 2010 — Puget Sound Bank (OTCBB: PUGB), today reported record net income for the year 2009 highlighted by continued strong capital ratios, solid credit quality and excellent core deposit growth. Puget Sound Bank earned \$418,107 in 2009, compared to \$415,855 a year ago. For the fourth quarter ended December 31, 2009, net income was \$361,152, compared to \$102,798 in the fourth quarter a year ago.

“The underlying earnings power of our franchise is demonstrated in our financial results this year,” said Jim Mitchell, President and Chief Executive Officer. “The strong balance sheet, solid credit quality and robust growth in deposits contributed to a solid profit for the year, despite the economic turmoil in our market.”

“One of the common measures used to evaluate the operating strength of a bank is the core operating income measured by pre-tax, pre-provision earnings,” said Phil Mitterling, Chief Financial Officer. “We excelled in 2009, with core operating income increasing 62% to \$1.3 million from \$824,252 in 2008.”

Fourth quarter 2009 Highlights (December 31, 2009 compared to December 31, 2008)

- Capital ratios remained well above the regulatory requirements for well-capitalized institutions, with Total Capital to risk-adjusted assets of 18.10% compared to 13.79% a year ago. To be considered “well-capitalized” a bank must have over 10% Total Risk-based Capital.
- Asset quality continues to be substantially above average, with zero nonperforming loans and no past due loans.
- Robust local deposit growth generating an impressive 22% increase in total deposits to \$171 million from \$140 million.
- Total assets increased 19% year-over-year to \$197 million, compared to \$166 million.
- Total loans grew 2%, or \$3 million, to \$134 million from \$131 million.

Asset Quality

“Our asset quality has remained substantially above average considering these difficult market conditions, and we have no nonperforming loans on our books,” said Mitchell. “Commercial and industrial loans (C&Is), including owner-occupied commercial real estate, represent 62% of our loan portfolio compared to 59% in the previous year, providing us with a secure, well-diversified loan portfolio going forward.”

Puget Sound Bank had zero nonperforming assets (NPAs) at the end of the year, including no non-accruals and no past due loans. The ratio of NPAs to total assets is 0.00% compared to 1.82% in the immediate prior quarter and 0.00% a year ago. NPA consists of nonaccrual

loans, accruing loans 90 days or more past due, restructured loans and other real estate owned (OREO).

In 2009, the Bank booked \$916,000 in provision for loan losses to build reserves, more than double the provision in 2008. The allowance for loan losses at the end of December totaled \$2.5 million, or 1.86% of total loans, compared to \$1.8 million, or 1.34% of total loans at the end of 2008. Net charge-offs for the fourth quarter and the year were \$188,000 as the result of one property, which was in the nonperforming loan category. This property was sold in fourth quarter.

Review of Operations

Revenue, consisting of net interest income and noninterest income, was \$1.7 million in the fourth quarter of 2009, compared to \$1.6 million for the third quarter and \$1.3 million in the fourth quarter of 2008. For the full year, revenue was \$6.2 million compared to \$5.2 million in 2008. As a result of higher average loan balances and a higher net interest margin, net interest income increased 23% to \$1.6 million in the fourth quarter of 2009 from \$1.3 million in the like quarter a year ago. Year-to-date, net interest income increased 17% to \$5.9 million from \$5.1 million a year ago.

Puget Sound Bank's net interest margin was 3.55% for the fourth quarter, compared with 3.19% for the fourth quarter a year ago. The net interest margin increased despite an increase in cash and investment securities which grew to 34% of earning assets, up from 22% of earning assets a year ago. "We continue to maintain high levels of liquidity, both on and off balance sheet until there is a clear indication that the local economy and real estate markets have stabilized," Mitchell added.

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 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 8th 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
Fourth Quarter and YE 2009 Results
 (Unaudited)

| | Quarterly | | | 2009 YTD | 2008 YTD |
|--|-----------------|-----------------|-----------------|-------------|-------------|
| | 2009 4th Qtr | 2009 3rd Qtr | 2008 4th Qtr | | |
| (\$ in thousands except per share data) | | | | | |
| EARNINGS | | | | | |
| Net interest income | \$ 1,576 | 1,539 | 1,284 | 5,928 | 5,086 |
| Provision for loan losses | \$ 100 | (17) | 33 | 916 | 408 |
| NonInterest income | \$ 81 | 90 | 37 | 310 | 51 |
| NonInterest expense | \$ 1,196 | 1,214 | 1,186 | 4,904 | 4,393 |
| Pre-tax, pre-provision net income | \$ 461 | 415 | 136 | 1,334 | 824 |
| Net income (loss) | \$ 361 | 432 | 103 | 418 | 416 |
| Preferred dividends | \$ 73 | 73 | 0 | 249 | 0 |
| Net income available to common shareholders | \$ 289 | 359 | 103 | 169 | 416 |
| ¹ Earnings (loss) per share | \$ 0.13 | 0.16 | 0.05 | 0.07 | 0.19 |
| Average shares outstanding | 2,265 | 2,264 | 2,248 | 2,261 | 2,237 |
| PERFORMANCE RATIOS | | | | | |
| Return on average assets | 0.78% | 0.97% | 0.25% | 0.24% | 0.30% |
| ¹ Return on average common equity | 5.47% | 6.94% | 1.97% | 0.81% | 2.04% |
| Net interest margin | 3.55% | 3.61% | 3.19% | 3.54% | 3.79% |
| Efficiency ratio | 72.2% | 74.5% | 89.7% | 78.6% | 84.2% |
| CAPITAL | | | | | |
| Tier 1 leverage ratio | 13.70% | 14.10% | 12.64% | | |
| Tier 1 risk-based capital ratio | 16.84% | 16.07% | 12.70% | | |
| Total risk based capital ratio | 18.10% | 17.32% | 13.79% | | |
| Tangible Common Equity Ratio | 10.70% | 11.50% | 12.60% | | |
| ASSET QUALITY | | | | | |
| Net loan charge-offs (recoveries) | \$ 188 | 0 | 0 | | |
| Allowance for loan losses | \$ 2,488 | 2,573 | 1,756 | | |
| Allowance for losses to total loans | 1.86% | 1.84% | 1.34% | | |
| Nonperforming loans | \$ 0 | 3,300 | 0 | | |
| Other real estate owned | \$ 0 | 0 | 0 | | |
| Nonperforming assets to total assets | 0.00% | 1.82% | 0.00% | | |
| END OF PERIOD BALANCES | | | | | |
| (\$ in millions) | | | | | |
| Total Loans | \$ 134 | 139 | 131 | | |
| Total Assets | \$ 197 | 181 | 166 | | |
| Deposits | \$ 171 | 155 | 140 | | |
| Shareholders' equity | \$ 21.1 | 20.8 | 20.9 | | |
| Tangible book value per share | 9.29 | 9.17 | 9.30 | | |

¹Includes preferred stock dividends and warrants expense not included in net income.

Note: Transmitted on GlobeNewswire on January 20, 2010 at ____ p.m. Pacific Daylight Time.