



LETTER TO SHAREHOLDERS

Friday, October 19, 2007

Dear Shareholders,

It's with a great deal of pride and satisfaction that we present you with our financial results for the third quarter ending on September 30, 2007. Over this quarter, Puget Sound Bank continued its impressive growth and set record highs in loans, deposits and total assets. We would also like to announce record profits in the third quarter of 2007 of \$184,772 compared to a loss of (\$93,982) in the third quarter of 2006.

Naturally, we are extremely pleased with the level of our ongoing success. We truly believe that it validates our business model of commitment to superior customer service, hiring experienced professionals and our consultative approach to clients.

Puget Sound Bank finished the third quarter of 2007 with significant increases in deposits, loans and total assets over the third quarter of 2006:

- **Loans grew 56% (\$30.9 million) from \$55.4 million to 86.3 million.**
- **Deposits grew 31% (\$20.3 million) from \$65.0 million to \$85.3 million.**
- **Total Assets grew 24% (\$20.2 million) from \$85.3 million to \$105.5 million**

These numbers clearly point out that we are moving in the right direction. We have also enclosed the unaudited financial statements, which show quarterly and year-to-date results. We hope you will take the time to read through these documents. We currently have nearly \$106 million in total assets, which is a truly remarkable number considering we are just moving into our third year of existence. That steady growth and rapid ascendancy to profitability make Puget Sound Bank a member of an elite group of start-up banks nationwide.

We want to remind you that Puget Sound Bank does not provide residential mortgage loans and has not done so in the past. This puts us in direct contrast to the many banks that are currently struggling with their sub-prime residential mortgage portfolios.

Our model is to assist small and mid-size business clients with their financial needs; provide financing for commercial real estate projects, and assist individuals who are seeking a higher level of service with their financial needs.

Puget Sound Bank Stock

We began trading on the Over-the-Counter Bulletin Board (OTCBB) under the symbol of PUGB.OB last May. DA Davidson is our primary market maker in Washington. Wright, Adams, Ragen is our primary market marker in Oregon. To trade and purchase shares, you can contact them at the addresses below. They would welcome the opportunity to set up an account with you:

John Bender

Vice President and Branch Manager
DA Davidson
800 Bellevue Way NE
Bellevue, WA 98004
425-467-2222
jbender@dadco.com

Joey Warmenhoven

Manager
McAdams, Wright, & Ragen
1211 SW 5th Avenue
Portland, OR 97204
503 422 4043
jwarmenhoven@mwrinc.com

Supporting the Bank through Referrals and Deposits

I would like to ask each of our shareholders and ambassadors to continue to support Puget Sound Bank with your referrals and deposits. We pride ourselves on customer service and we believe we have the finest staff in the industry. Our team has come to work at Puget Sound Bank because they want to be able to provide banking services the way they should be provided: with superior customer service by experienced relationship managers with a partnership approach to the clients.

Naturally, referrals from our current customers and shareholders are a vital part in growing our business. You know first hand what our capabilities are. We would appreciate you spreading the word about Puget Sound Bank.

At the same time, deposits are the fuel that enables us to grow our loans, enhance the bottom line and increase the value of your investment. If you are not already a customer, I'd like you to give us a call. LoAnn Dinh, 425-637-3911, loann dinh@pugetsoundbank.com; DeAnna Floyd, 425-637-3910, deanna floyd@pugetsoundbank.com; and Mary Francis, 425-637-3902 are ready to assist you.

Puget Sound Bank continues to offer its thanks to all shareholders for your support and trust. As always, we are available to you if you have any additional questions.

Sincerely,

Jim Mitchell
President and Chief Executive Officer
Puget Sound Bank