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NEWS RELEASE

Puget Sound Bank Posts Record Profits; Earnings More Than Triple in 3Q09

BELLEVUE, WA — October 30, 2009 — Puget Sound Bank (OTCBB: PUGB), today reported record third quarter earnings highlighted by solid credit quality, good top line growth, continued strong capital ratios and core deposit growth. For the quarter ended September 30, 2009, net income was \$432,000 compared to \$127,000 for the third quarter of 2008.

“After significantly building reserves for loan losses in the second quarter, we maintained the reserves at the same level in third quarter,” said Jim Mitchell, President and Chief Executive Officer. The loan loss provision year-to-date was \$816,000, more than double the \$375,000 provision recorded in the first nine months of 2008. Puget Sound Bank’s allowance for loan losses stands at \$2.6 million or 1.85% of total loans, and its nonperforming assets totaled \$3.3 million or 1.82% of total assets.

Year-to-date, net income was \$57,000, compared to net income of \$313,000, in the first nine months of 2008. The decrease in net income is attributable to the increase in loan loss provision compared to a year ago.

Income available to common shareholders was additionally impacted by dividends on preferred shares paid to the U.S. Treasury totaling \$73,000 in the third quarter and \$176,000, in the first nine months of 2009, compared to no preferred dividends in the respective periods in 2008.

Third Quarter 2009 Highlights (September 30, 2009 compared to September 30, 2008)

- Capital ratios continue to exceed regulatory requirements for well-capitalized institutions by regulatory standards with Total Risk-based Capital Ratio of 17.3%. To be considered “well-capitalized” a bank must have over 10% Total Risk-based Capital.
- Organic, local deposit growth generated a 17% increase in total deposits to \$155 million from \$133 million.
- Total loans grew 9%, or \$11 million, to \$139 million from \$128 million.
- Total assets increased 18% year-over-year to \$181 million, compared to \$154 million.
- Credit quality continues to be solid with only one loan in the nonperforming category and no real estate owned (OREO). In the third quarter there were no additions to nonaccrual loans, no charge-offs and no past due loans.
- Successfully completed the bank’s regularly scheduled state Regulatory exam at the end of October, 2009.

Total deposits grew 17%, year-over-year, with no brokered certificates of deposits, no public funding and in addition, no borrowings. “Our funding continues to be locally grown and built on solid relationships within our community,” Mitchell noted.

Asset Quality

“Our credit quality continues to be above average, with only one loan that is nonperforming,” said Phil Mitterling, EVP and Chief Financial Officer. “Overall, our loan portfolio remains well diversified with only 12% in construction and development projects and 21% in non-owner occupied commercial real estate. The remaining 67% is in loans to businesses and their related owner-occupied commercial real estate, and private banking loans.”

Puget Sound Bank’s nonperforming assets remained unchanged since the end of June at \$3.3 million. A year ago the bank had no nonperforming loans. As a result of increased assets, the ratio of nonperforming assets (NPAs) to total assets was 1.82% at September 30, compared to 1.87% at June 30, 2009 and 0% a year ago. The allowance for loan losses at the end of September remained relatively unchanged from the immediate prior quarter at \$2.6 million, or 1.85% of total loans, compared to \$1.7 million, or 1.35% of total loans at the end of September 2008. Puget Sound Bank has had no charge-offs since the Bank’s inception.

Review of Operations

Reflecting its loan growth, net interest income increased 19% to \$1.5 million in the third quarter of 2009 from \$1.3 million in the third quarter a year ago. Year-to-date, net interest income increased 14% to \$4.4 million from \$3.8 million a year ago.

Puget Sound Bank’s net interest margin was 3.61% for the third quarter, compared with 3.65% for the previous quarter, and 3.72% for the third quarter a year ago. The net interest margin fell as cash and investment securities grew to 26% of earning assets, up from 18% of earning assets a year ago. “We are maintaining high levels of liquidity, both on and off balance sheet until there is a clear indication that the local economy and real estate markets are rebounding,” 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
Third Quarter 2009 Results
(Unaudited)

	Quarterly			2009 YTD	2008 YTD
	2009 3rd Qtr	2009 2nd Qtr	2008 3rd Qtr		
(\$ in thousands except per share data)					
EARNINGS					
Net interest income	\$ 1,539	1,477	1,298	4,352	3,801
Provision for loan losses	\$ (17)	585	102	816	375
Noninterest income	\$ 90	(74)	33	229	95
Noninterest expense	\$ 1,214	1,199	1,102	3,708	3,208
Net income (loss)	\$ 432	(381)	127	57	313
¹ Net income (loss) to common	\$ 359	(454)	127	(119)	313
¹ Earnings (loss) per share	\$ 0.16	(0.20)	0.06	(0.05)	0.14
Average shares outstanding	2,264	2,262	2,234	2,260	2,233
PERFORMANCE RATIOS					
Return on average assets	0.97%	-0.89%	0.36%	0.04%	0.32%
¹ Return on average common equity	6.94%	-8.65%	2.51%	-0.76%	2.07%
Net interest margin	3.61%	3.65%	3.72%	3.54%	3.99%
² Efficiency ratio	74.5%	85.5%	82.8%	80.9%	83.0%
CAPITAL					
Tier 1 leverage ratio	14.10%	14.39%	14.35%		
Tier 1 risk-based capital ratio	16.07%	15.48%	13.43%		
Total risked based capital ratio	17.32%	16.74%	14.57%		
ASSET QUALITY					
Net loan charge-offs (recoveries)	\$ 0	0	0		
Allowance for loan losses	\$ 2,573	2,589	1,723		
Allowance for losses to total loans	1.85%	1.85%	1.35%		
Nonperforming loans	\$ 3,300	3,300	0		
Other real estate owned	\$ 0	0	0		
Nonperforming assets to total assets	1.82%	1.87%	0.00%		
END OF PERIOD BALANCES					
(\$ in millions)					
Total Loans	\$ 139	140	128		
Total Assets	\$ 181	177	154		
Deposits	\$ 155	151	133		
Common shareholders' equity	\$ 20.8	20.4	20.4		
Tangible book value per share	9.17	9.00	9.11		

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

²The efficiency ratio is calculated by dividing total noninterest expense by total revenue, so a lower number is generally better.

Note: Transmitted on GlobeNewswire on October 30, 2009 at 3:14 p.m. Pacific Daylight Time.