

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First Sound Bank

Point of Contact:	Don L. Hirtzel	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	137	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	7,400,000	FDIC Certificate Number: (For Depository Institutions)	57799
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 23, 2008	City:	Seattle
Date Repaid ¹ :	NA	State:	Washington

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

0

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

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Increase securities purchased (ABS, MBS, etc.).

Empty response box for 'Increase securities purchased (ABS, MBS, etc.).'

Make other investments.

Empty response box for 'Make other investments.'

Increase reserves for non-performing assets.

0
Empty response box for 'Increase reserves for non-performing assets.'

Reduce borrowings.

0
Empty response box for 'Reduce borrowings.'

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Increase charge-offs.

0

Empty response box for 'Increase charge-offs.'

Purchase another financial institution or purchase assets from another financial institution.

Empty response box for 'Purchase another financial institution or purchase assets from another financial institution.'

Held as non-leveraged increase to total capital.

0

Empty response box for 'Held as non-leveraged increase to total capital.'

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Our ability to serve our small business clients was able to be preserved in the metro Seattle market. Many of the small to medium sized businesses are under served locally and community banking services are essential to their future success. CPP plus additional private capital has allowed First Sound Bank to continue to serve clients and to weather a severe economic downturn that has impacted many of our clients. While we had to shrink our balance sheet to assure our capital levels were preserved we continued to provide funding to qualified customers.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

We were able to preserve our business model focusing on commercial and industrial lending, providing small ticket leasing services to small business customers and to provide asset based lending also to assist small business. CPP funding along with additional private local capital allowed us to fill this market need. We also continued our focus on providing cash management products and services to meet the high level of customer service that we expect to provide for our clients.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

It has allowed us to position for growth given an expectation the economy will improve both locally and on a national level.