

PRIME PACIFIC FINANCIAL SERVICES, INC.

First Quarter 2009

Dear Shareholders, Customers and Friends,

During these unprecedented times, unprecedented measures are necessary and I felt it was important to address the current state of your investment and to outline some of the issues and accomplishments of the first quarter including opportunities that we see going forward.

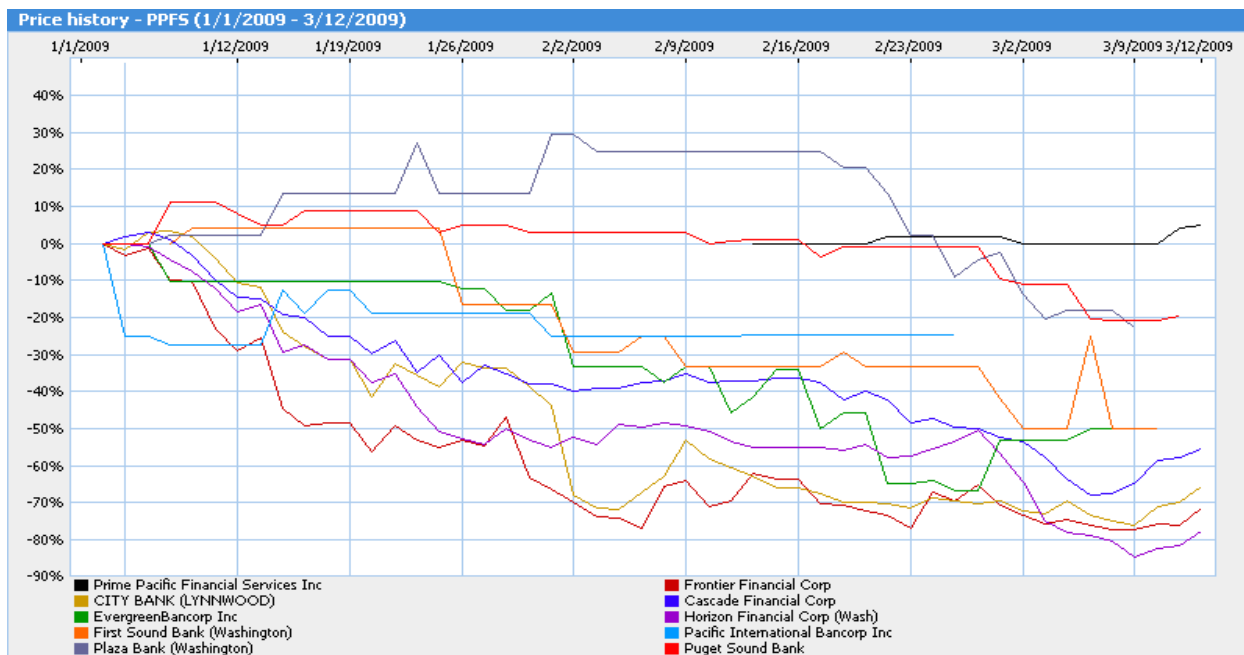
Although profitable, in 2008 we saw a year of a rapidly declining economy nationally; this reached the Puget Sound region mid year and continued through the end of the year and continues into the first quarter of this year.

There was no part of the financial services industry that was immune to this swift downward trend. As we look back we can see that many real estate prices peaked in 2007 and the subsequent decline in housing prices brought disastrous results to the mortgage and credit markets, this in turn led to a capital and funding crisis which continues to have large implications.

Most community bank investors know, owning a community bank stock is not a get rich quick investment but rather a "long term hold". Community banks typically take whatever profit they earn and re-invest those funds back into the bank to help them grow as there will be no growth without capital.

As you have all heard and read, most banks in the country had a severe decline in their stock prices which includes a majority of the publically and quasi public banks in our region. The Northwest was "late to the party" but we are here now and our return to normalcy may take a while. Your investment in Prime Pacific Financial Services, Inc. (as of March 31) was trading at about 50% of our current book value.

The following chart reflects a comparison of stock performance for the first quarter of 2009 for your company vs. other publicly traded financial institutions in our local market area. We understand that there are many more financial institutions in our market, those institutions are not publically traded and therefore the information pertaining to their stock movement and value is not available. Please note that the information was only available to March 12th however a review of the individual companies showed very little movement if any and the chart is reflective of the first quarter results.



Please note that there were no trades for PPFS prior to mid February and that is why there is no line prior to that date and there were no trades for Pacific International since the beginning of March. Most OTCBB banks are thinly traded.

Our financial results for the quarter were disappointing and were reflective of a very turbulent environment.

As the enclosed statement reflects the first quarter 2009 resulted in total assets of \$184.5 million, an increase of 10.2% over the same period ending March '08. Our loans increased from \$141.2 to \$141.5 million, while the reserves increased 54%. Deposits were \$165.4 million compared to \$148.0 million, an increase of 11.7%. Your Shareholder Equity however was reduced to \$12.1 million from \$12.8 million, representing a decrease of 6.0%. Our Operating Income was (\$1.7 million) compared to \$495 thousand. Net Income (after tax) was (\$1.1 million) compared to \$347 thousand reported in March '08. These losses are primarily related to the additional charge we took to our Allowance to the Loan and Lease Loss Reserve however these funds remain on our balance sheet for potential future losses.

I would like to take a moment and explain some of the more obvious questions that you might have given these results.

Our level of non earning loans increased significantly in the first quarter of this year. As these loans became delinquent we attempted to reach alternative repayment options with our customers. On those where it became apparent that there were no viable options we began to take whatever steps were necessary to protect the principal of the loan. As I indicated in past reports we aggressively increased the level of reserves for possible losses following proper accounting and regulatory guidelines.

Let me now address some specifics with regards to our non earning loans. Currently the percentage of these loans represents 9.2% of our total loans outstanding.

As these numbers grew, management increased the level of our reserves to better represent what was transpiring in our economy. Our analysis showed that in the first quarter we would need to increase our reserve level to its current amount to account for “possible” problems. In addition to this additional reserve we have written down, to current collateral values, most all of these loans. The allocation to reserves that we have made this quarter is of course what caused the reported loss.

Now although these numbers are much higher than what we would like to see, as stated above, we have over the past 120 days initiated actions on most all of these loans which would give us the legal ability to liquidate the collateral that we hold on these credits. Although there might be some additional expense associated with the liquidation, we have attempted to estimate those numbers and included them in our write down of the loan. Our issue is of course getting through the legal system in the most expeditious manner as possible which we are attempting to do.

Because of our quick actions in recognizing these issues and acting on them, we currently estimate a substantial number of these problem loans should come off our books in the next few months. We will of course continue to report to you our progress on these loans.

Additionally I would like to report that our staff has a very high level of capabilities with many years of banking and collection experience. In fact four of our team has credit management experience and three are past regulators of which two worked in regulatory liquidation. We have the experience to get done what needs to be done.

We remain diligent and cautiously optimistic as we focus on key priorities such as customer service. We continue to make loans and serve the needs of our community. Capital preservation and liquidity are of the highest concerns for your management team and we are committed to maintaining these levels to provide for a safe and sound bank. Our current risk based capital stands over 12.75% and our balance sheet liquidity over 15%.

Now I would like to take a minute and discuss our latest development; the purchase of our new headquarters and branch location. This opportunity was brought to us by one of our directors who is in the commercial real estate business. We became aware of it in this manner, prior to it being posted for sale. This building (formally housed Pemco Insurance) is located about one and one half miles east of our current location in Lynnwood and came with a tremendous amount of possibilities.

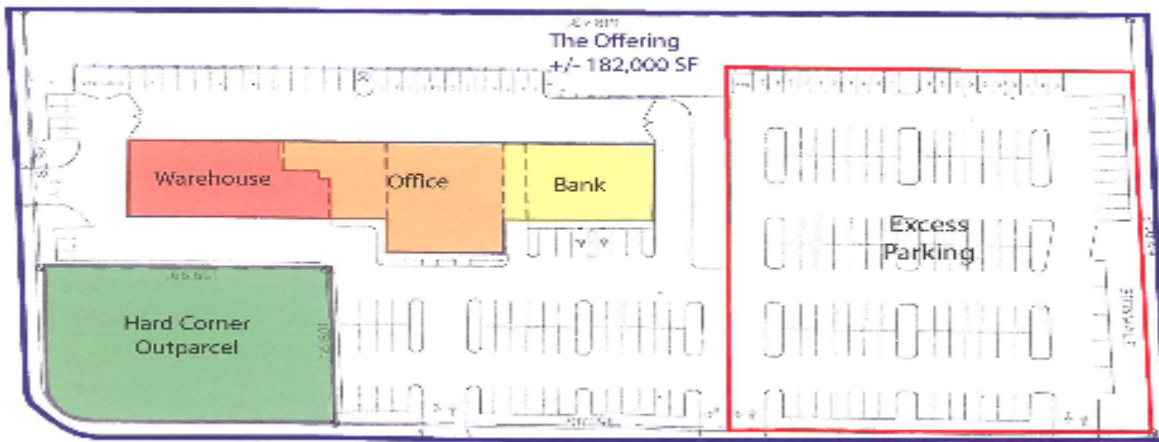
Firstly I would like to talk a little bit about the transaction itself. The price of the building along with the commission that the seller was willing to pay, as well as the terms and conditions were spelled out by the seller in their offering and presented by the sellers agent. After management reviewed the facts and information we decided to bring this opportunity to the board.

A presentation was made to the board and a vote was taken approving the transaction, with the board member who brought us the opportunity abstaining from the vote.

After approval the transaction was given to our legal counsel who took over our representation and completion of the transaction.

Now I am excited to report on the particulars of this purchase. First of all I want to point out that we currently operate out of a leased location with a lease that has approximately 11 years remaining. Although still quite some time, opportunities sometimes do not wait. As I have reported, we have outgrown our current location as employees are pushed to the wall. As our working environment becomes smaller the challenges of not being able to offer great customer service becomes an unacceptable issue.

The property is located on two tax lots totaling approximately 4.2 acres. The building is split into three sections as indicated in the illustration below.
(not to scale)



The space identified as Office will house our new branch as well as our administrative offices. The space is about 11,000 square feet and is about 2000 square feet more than the total space we currently operate from. The space identified as Warehouse will be used for excess storage of files and supplies. Although rather large for storage, we do have the option of renting some of this space as it is easily converted into offices. The space identified as Bank has now been vacated by the previous tenant (another bank that was forced to move) and will be offered for rent with both medical and professional tenants expressing interest.

The area identified as Hard Corner Outparcel is approximately 17,000 sq. ft. and we are seeking a potential ground lease tenant. The area identified as Excess Parking is approximately 1.75 acres, and we anticipate selling off this parcel. We have been contacted by two groups who have expressed an interest.

Upon completion of the sale of this excess land, we should recoup a significant proportion of the purchase price! What this means is that we would end up with approximately 2 ½ acres for approximately \$3.2 million or about \$29.00 per foot for the land. In this market and according to the independent appraisal, this is about the right market price for the land.

So, the bottom line is the land is worth about what we paid for the entire parcel. And what about the 23,000 square foot building? An independent insurance evaluation places the replacement value at about \$3.5 million!

Yes your officers and directors did a great job in procuring this location for the future and the enhancement of your investment.

We, like many other businesses in our state and around the country, continue to look for things to turn around in our economy. Many economists are forecasting a slowing of the downturn in the second half of 2009 while some estimate that this might occur in the first quarter of 2010. Whatever the timing may be, we are committed to continue to earn the confidence and trust that you have shown us in the past as we continue to enhance your value. You can see that we have taken steps to ride out these unprecedented times and in fact have positioned ourselves to take advantage when the turn occurs. As very well known northwest economist Bill Conerly reports; we Americans are very resilient and we will find a way to work ourselves out of these tough economic times and back to prosperity. We echo Bills words.

In closing I would like to invite anyone with questions comments or concerns to either call (425-608-4177) or e-mail me (glenn@primepacificbank.com) to discuss most anything with regards to your investment in Prime Pacific Financial Services. Please don't rely on third party rumors as fact. We have hit a "speed bump" and not a wall.

Once again, thank you for remembering your bank when talking with friends, neighbors, clients and vendors. Your continued support is appreciated as we thank you for SHARING IN OUR SUCCESS. We will continue with Primed to Grow in the second quarter.

We look forward to seeing you at our Annual Shareholder's Meeting on May 12 and invite you to bring the entire family for a special appearance by one of our own; Adam Truitt an award winning accomplished magician.

Sincerely,



Glenn Deutsch

President / CEO

Prime Pacific Financial Services, Inc.

Forward Looking Statement: Statements in this release about future events or performance are forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results of the company to be materially different from any future results expressed or implied by such forward-looking statements. Factors that could affect future results include changes in the financial condition of our borrowers, changes in economic conditions generally, deteriorating asset values caused by changing market conditions, loan losses that exceed our reserve for loan losses, fluctuations in interest rates and the impact any of these factors may have upon clients of the company. Other factors include competition for loans and deposits within the company's trade area, and the impact that may have upon growth or income. Although forward-looking statements help to provide complete information about the company, readers should keep in mind that forward-looking statements may be less reliable than historical information. The company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

Financial Statement

Prime Pacific Financial Services, Inc.

Consolidated Report of Condition

For The Quarter Ending: March 31, 2009 and 2008
(000 omitted)

un audited

Assets	2009	2008
Cash & NIB Due from Banks	\$ 2,437	\$ 2,108
Interest Bearing Deposits At Other Financial Institutions	4,234	5,034
Loans	141,509	141,199
Allowance for Credit losses	3,248	2,106
Net Loans	138,261	139,093
Investments	21,178	8,219
Federal Funds Sold	5,702	6,399
Premises & Equipment	9,419	4,412
Bank Owned Life Insurance	1,185	1,141
Other Assets	2,119	1,062
Total Assets	\$ 184,535	\$ 167,468
Liabilities		
Demand Deposits	\$ 7,173	\$ 8,291
Time and Savings Deposits	158,216	139,730
Total Deposits	165,389	148,021
Other Borrowings- Debentures Payable	6,655	5,155
Other Liabilities	414	1,446
Total Other Liabilities	7,069	6,601
Total Liabilities	172,458	154,622
Capital		
Common Stock (no par stock) authorized 5,000,000 shares; outstanding shares 2009 -1,233,697- 2008- 1,271,400 shares	9,413	9,589
Undivided Profits	3,802	2,896
Unrealized Gain/(Loss) Securities/Derivative Fair Value	5	14
Net Profit or (Loss)	(1,143)	347
Total Shareholder's Equity	12,077	12,846
Total Liabilities & Shareholder's Equity	\$ 184,535	\$ 167,468

Prime Pacific Financial Services, Inc.

Consolidated Report of Income

For The Quarter Ending: March 31, 2009 and 2008
(000 omitted)

un audited

Interest Income	2009	2008
Loans	\$ 2,241	\$ 3,108
Securities	175	85
Fed Funds & Dep in Banks	51	121
Total Interest Income	2,467	3,314
Interest Expense		
Deposits	1,416	1,534
Short-Term Borrowing	8	-
Long-Term Borrowing-Debenture Int	50	80
Total Interest Expense	1,474	1,614
Gross Interest Income	993	1,700
Provision For Credit Losses	1,648	173
Net Interest Income	(655)	1,527
Total Non-Interest Income	68	69
Total Non-Interest Expense	1,163	1,101
Operating Income	(1,750)	495
Tax Expense	(607)	148
Net Income (Loss)	\$ (1,143)	\$ 347