

# PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

1ST QUARTER, 2007

Sharing in our success

*In This Issue*

## 1st Quarter Blooms Into a Solid 2007



Dear Shareholders,

I hope this letter finds you savoring the warmer, sunnier days, budding trees, and blooming flowers that herald the end of winter. Spring's promise is warmer days to come. Perhaps you've even enjoyed a warm afternoon in your garden, planting spring flowers and vegetables to enjoy now or on a summer day. As we share the news of our first quarter 2007, I am pleased to provide you with a few savory highlights for the past three months along with some tidbits for the year to come.

You'll see by the enclosed financial statements that Prime Pacific Financial Services ended the 1st quarter on a positive note, with assets of \$131.2 million. This is an increase of 51.1% over the same period ending March '06. Our loans increased from \$70.7 to \$107.5 million, an increase of 52%. Deposits were \$118.3 million compared to \$74 million, an increase of 59.8%. Your Shareholder Equity grew from \$9.9 million to \$11.5 million, an increase of 15%. Our Operating Income grew from \$437 thousand to \$572 thousand, an increase of 30.9% while Net Income (after tax) was \$387 thousand compared to \$291 thousand reported in March '06, an increase of 33%! Earnings Per Share grew from \$.25 to \$.31 an increase of 24%. Just like a well-prepared garden, these numbers provide the foundation for a promising 2007.

Our excellent results happen because of the dedicated people who make up our team. In this issue, I am pleased to introduce Julie Largent, who joins us in Customer Service at our Kenmore branch and Leigh Anne Hardy, a new Loan Assistant at our Lynnwood branch. I hope you enjoy their stories. Please see pages 2 and 4.

We also hope to see you at our Annual Shareholder's Meeting on May 15. We're looking forward to visiting with you and sharing our news. This year we will be featuring a group of great kids from one of our local elementary schools who will put on a performance you won't want to miss. We hope to see you there.

And, once again, thank you for remembering your bank when talking with friends, neighbors, clients, and vendors. Your continued support is appreciated as we continue to grow, and we thank you for SHARING IN OUR SUCCESS.

Here's to warm, spring days, and a tasty treat or two from a kitchen garden.

Sincerely,  
*Glenn Deutsch*  
Glenn Deutsch  
President/CEO  
Prime Pacific Financial Services  
glennnd@primepacificbank.com

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*Mark Your Calendar!*  
to Attend our  
**Annual Shareholder  
Meeting, May 15**

### *Board of Directors*

Diana L. Clay  
Chairman

Norman P. Goodwin, DDS  
Vice Chairman

John R. Pfeifer, OD  
Secretary

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# People You Can Bank On



**Julie Largent,  
Customer Service  
Representative,  
Plans Weddings in  
Spare Time**

**J**ulie Largent, Customer Service Representative/Teller, leads a busy life. In addition to her full time job at Prime Pacific Bank, Julie is also a certified Wedding Coordinator and Planner and she volunteers at her church. "I enjoy working with couples who are getting married," she explains. "I usually coordinate at least two weddings a year."

In addition, Julie, who counts her relationships with God, family, and friends as what matter most, also enjoys volun-

teering in the Children's Department of her church, New Life Bible Church in Kenmore.

So what does she do to relax? "I really enjoy working in my garden," she says.

Julie started working for Prime Pacific Bank in November of last year, at our Kenmore Branch. She handles a wide range of customer service related duties including reviewing accounts, filing, and overseeing branch inventory.

Describing herself as "friendly, professional, helpful, and honest," Julie says these traits and her patience are what people would notice most about her. It's no surprise then that "the people I work with and the customers I help," are what Julie likes most about working at Prime Pacific Bank.

In fact, Julie says she decided to work for Prime Pacific Bank because "I felt that Prime Pacific Bank puts the interests of its customers first. A community bank really knows its customers. It has a great balance of professionalism and friendliness. They show they care about their customers, as well as their employees and their families."

Besides skills in customer service, Julie also brings sales and organizational skills to her job, as well as knowledge of business and personal banking, opening accounts, and in lending originating, processing, and closing. During her career Julie has been recognized for her lending skills as a top producer, and she has received multiple certificates for her sales ability.

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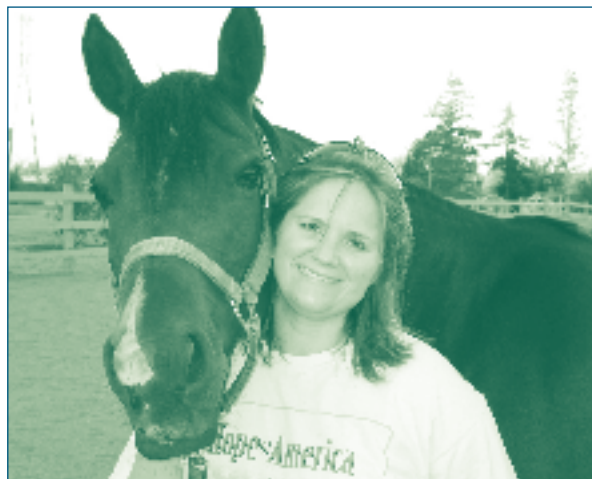
## **Leigh Anne Hardy, Loan Assistant, Loves Animals, Including her Horse and Two Dogs**

**L**eigh Anne Hardy, Loan Assistant, came to work for Prime Pacific Bank in Lynnwood, in a "round-about" way this February. "I am a part time Canine Water Therapist at Splash Dog which is owned by Sally's (Sally Dickerson, Administrative Assistant) sister, Melissa," Leigh Anne explains. Melissa knew I was looking for a nice place to work full-time while I stay on as a therapist. She gave my resume to Sally and the rest is history.

Leigh Anne has twelve years banking experience, including experience in mortgages and banking software. She has worked as a software support analyst and Marketing Manager. She says she decided to work for a community bank because "I feel customers receive better service. There is more of a family-oriented feeling at a community bank rather

than a 'just a number' feeling."

In addition to the friendly atmosphere at Prime Pacific Bank, Leigh Anne likes



"the people and the fact that it is a small bank where there is an emphasis on work/life balance." Leigh Anne adds that the people that work at Prime Pacific Bank are what really make the difference.

Another aspect Leigh Anne enjoys about working for the bank is that there

is no "typical" day. "Everyday is different –which I like," she says. "My day can consist of creating and generating reports, reviewing files, preparing documentation, answering phones, updating accounts."

Leigh Anne was born in Seattle and raised in Edmonds, where she currently lives with her sister, Kelley, and their three dogs, Jadzia, Toby and Ruby. "Toby and Ruby are my dogs," she says. "I also have a horse, Bay Marie, who I board about ten minutes from home in Brier."

Leigh Anne graduated from Edmonds High School and then graduated and received a certification in large and small animal massage from Ashmead College. Her community activities include being involved in Back Country Horsemen. "When I am not here (at Prime Pacific Bank) I am either working at Splash Dog or with my dogs or with my horse. I am also an artist so when I do have some time I enjoy

*continued on page 4 –*

Sharing in our success

# financial statement

**Financial Statement: Prime Pacific Financial Services, Inc.**
**Consolidated Report of Condition**
**For The Quarter Ended: March 31, 2007 and 2006**  
**(000 omitted)**
*un audited*

<b>Assets</b>	<b>3/31/07</b>	<b>3/31/06</b>
Cash & NIB Due from Banks	\$ 1,840	\$ 2,250
Interest Bearing Deposits At Other Financial Institutions	8,871	6,722
<b>Loans (Net of Allowance for credit losses)</b>	<b>107,501</b>	<b>70,741</b>
Investments	5,789	3,861
Federal Funds Sold	2,158	0
Premises & Equipment	3,101	1,766
Bank Owned Life Insurance	1,096	1,056
Other Assets	834	451
<b>Total Assets</b>	<b>131,190</b>	<b>86,847</b>
<b>Liabilities</b>		
Demand Deposits	10,092	8,013
Time and Savings Deposits	108,224	66,024
<b>Total Deposits</b>	<b>118,316</b>	<b>74,037</b>
Short-Term Borrowings	0	1,777
Long-Term Borrowings	440	460
Other Liabilities	973	606
<b>Total Liabilities</b>	<b>119,729</b>	<b>76,880</b>
<b>Capital</b>		
Common Stock(no par value) authorized 5,000,000 shares Outstanding shares 2007- 1,229,302; 2006-1,183,838	8,938	8,332
Undivided Profits	2,141	1,381
Unrealized Gain/(Loss) Securities	-5	-37
Net Profit or (Loss)	387	291
<b>Total Shareholder's Equity</b>	<b>11,461</b>	<b>9,967</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$ 131,190</b>	<b>\$86,847</b>

**Consolidated Report of Income**
**For The Quarter Ended: March 31, 2007 and 2006**  
**(000 omitted)**
*un audited*

<b>Interest Income On</b>	<b>3/31/07</b>	<b>3/31/06</b>
Loans	\$ 2,645	\$ 1,709
Securities	63	29
Fed Funds & Dep In Banks	130	76
<b>Total Interest Income</b>	<b>2,838</b>	<b>1,814</b>
<b>Interest Expense</b>		
Deposits	1266	611
Short-Term Borrowings	0	0
Long-Term Borrowings	5	9
<b>Total Interest Expense</b>	<b>1271</b>	<b>620</b>
Gross Interest Income	1,567	1,194
Provision For Credit Losses	136	45
<b>Net Interest Income</b>	<b>1,431</b>	<b>1,149</b>
<b>Total Non-Interest Income</b>	<b>48</b>	<b>45</b>
<b>Total Non-Interest Expense</b>	<b>907</b>	<b>757</b>
<b>Operating Income</b>	<b>572</b>	<b>437</b>
Tax Expense	185	146
<b>Net Income (Loss)</b>	<b>\$ 387</b>	<b>\$ 291</b>
Earning Per Share	\$ .31	\$ .25

**Prime Pacific  
Bank Services**

 Cash Management System  
for Internet bill paying

 Variety of Business  
and Personal Checking  
Accounts

Overdraft protection

VISA check cards

Check Imaging

 Competitive rates  
on Savings & Money  
Market Accounts

Certificates of Deposit

Business &amp; Personal Loans

Lines of Credit

 Merchant Credit Card  
processing with direct  
deposit for businesses

Safe Deposit boxes

Travelers' checks

 Courier Service for  
business customers

SBA Lending

**Forward-looking statements**

This newsletter may contain forward-looking statements within the meaning of the securities laws. If and when used in the text herein, the words "anticipate," "believe," "estimate," "expect," "intend" and words of similar import identify certain of such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by any forward-looking statements made.

**Check online for back issues on  
important topics such as:**

 New check imaging  
for easier record keeping

– November, 2002

 Three Legged Stool, describes  
the relationship between a bank's  
assets, liabilities and capital.

– September, 2001



## Help Wanted

Prime Pacific Bank is growing. We will be adding lenders, customer service people, loan officers, and other support staff to our team. If you or someone you know would like to join a team of quality people who are passionate about community banking, please call 425-712-9898. Equal Opportunity Employer.



## Special Reminder

Want to know how to check your PPFS stock price? Visit the OTC Bulletin Board at <http://www.otcbb.com>. In the top left hand corner (see screen shot above) enter the stock symbol: "PPFS." This takes you to a page where you can see the current stock price and check other information.

### Julie – continued

After graduating High School in Minnesota, Julie continued her education at Shoreline Community College and received an Associate of Arts Degree with an emphasis in Elementary Education. She started her banking career as a Customer Service Representative (Teller) in 1997. Julie took classes to become a Personal Financial Representative (PFR). As a PFR her titles included Customer Service Representative, Personal Lending Specialist, Mortgage Officer, Business Specialist and Business Lending Specialist. She also opened personal and business accounts.

For vacation, Julie says she enjoyed Hawaii. "My husband and I went to Hawaii and loved the warm weather and beaches and the relaxed atmosphere," she states. Visiting Japan is the

most interesting thing Julie says she's ever done.

Julie was born in Detroit Lakes, Minnesota and raised in Cambridge, Minnesota. She moved to the North Seattle area in 1985 with her family and now lives in Kenmore with her husband, Dustin Largent and their dog Pookie, a Golden Retriever and Golden Chow Mix. Dustin is a Pastor for New Life Bible Church in Kenmore, and he also works as a Real Estate Agent for Brier Realty.

Some of Julie's goals and hopes for the future include starting a business in Wedding Coordinating ("some day") and helping her husband with Real Estate. She and her husband's immediate plans include starting a church.

Her favorite food is ice cream.



### Leigh Anne – continued

working on something creative," she says.

When she is not working Leigh Anne enjoys spending time with her animals, "either at home, the beach or on the trails." Her immediate plans for the future include "continuing to work at Prime Pacific Bank, take my horse on more trail rides, and possibly train for an endurance race with her."

One of the most interesting things

Leigh Anne has ever done? "I went to school for Broadcasting which allowed me to contract as a voice over person for Muzak when they were in Seattle. I also ran a marathon in Hawaii and have shown my horse in English and Western."

When asked what she cares most about, Leigh Anne says: "You can probably tell my animals mean a lot to me."



## stay informed

**Send us Your E-Mail Address** To keep you abreast of the latest information and developments at Prime Pacific in the timeliest manner, we'd like to send you banking news updates via e-mail. For news delivered "hot off the press" to your desktop, please e-mail your name and e-mail address to [info@primepacificbank.com](mailto:info@primepacificbank.com). Or, fill in the form below and bring it to Prime Pacific's Lynnwood or Kenmore branch. *This information will be kept strictly confidential.*

Shareholder Name: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Shareholder Name: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_