

PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

2ND QUARTER, 2007

Sharing in our success

2nd Quarter Ends on Sunny Note



Dear Shareholders,

Welcome to a bright and sunny second quarter issue of Primed to Grow. As we blaze into summer, here are a few highlights: we continue to move forward on our Mill Creek branch, expected to open first quarter 2008. Our enhanced online banking environment now boasts Multi-Factor Authentication (MFA) to help ensure customer information is secure. For more information log onto our website at www.primepacificbank.com. Please also see the article on page 4, to learn ways you can protect yourself from online threats such as account hijacking.

Thank you to all who attended our annual meeting, held on May 15 at the Lynnwood Convention Center. The entertainment this year was fantastic! Big Blue Ball, a talented group of kids from Sherwood Elementary School in Edmonds, Washington, mesmerized all who attended with their stellar musical entertainment. (For photos see page 2.) Thanks too, to Sally Dickerson and the rest of our staff for making this meeting yet another success.

In addition to enjoying the music and food, we announced that your Board of Directors approved a 4% stock dividend. Don Kiser, our Chief Financial Officer, provided a financial report of Prime Pacific Financial Services and Prime Pacific Bank your holding company's largest asset. Eric Carlsen, our Chief Credit Officer, followed with a review of our loan portfolio, highlighting loan growth.

In this issue, I am also pleased to report on our second quarter results. As you can see by reviewing the financial statement on page 3, we continue to produce strong numbers. Prime Pacific Bank ended this quarter with assets of \$144.5 million. This is an increase of 45.83% over the same period ending June '06. Our loans have increased from \$82.6 to \$119.7 million, an increase of 44.94%. Deposits were \$130.8 million compared to \$85.4 million, an increase of 53.18%. Your Shareholder Equity grew from \$10.3 million to \$11.8 million, an increase of 14.89%. Our Operating Income grew from \$919 thousand to \$1.1 million, an increase of 21.33% while Net Income (after tax) was \$743 thousand compared to \$611 thousand reported in June '06 an increase of 21.6%!

Our success would not be possible without the fine and dedicated people who make up our team, and in this issue we feature Brita Hofto, an accounting assistant, page 4.

As always, we thank you for remembering your Bank when talking with friends, neighbors, clients and vendors. Your ongoing support is appreciated as we continue to grow, and we thank you for SHARING IN OUR SUCCESS. We look forward to seeing you at our third annual Customer Appreciation BBQ on August 17.

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

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3rd Annual Customer
Appreciation BBQ, Friday,
August 17, 2007, 11 - 3 pm



Board of Directors

Diana L. Clay
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Norman P. Goodwin, DDS
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Secretary

David A. Bolin, Jr.

Glenn A. Deutsch

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PPFS shareholders make music at Annual Meeting, held May 15 at the Lynnwood Convention Center.

DIANA CLAY, CHAIRMAN, SPEAKS AS GLENN DEUTSCH, PRESIDENT & CEO, LOOKS ON.



DON KISER, ERIC CARLSEN, AND GLENN DEUTSCH ANSWER QUESTIONS AFTER THEIR PRESENTATIONS.



SHAREHOLDERS ENJOY THE PRESENTATIONS AND THE EVENING'S MUSICAL ENTERTAINMENT.



THE BIG BLUE BALL MARIMBA AND PERCUSSION ENSEMBLE, FROM SHERWOOD ELEMENTARY SCHOOL, EDMONDS WA UNDER THE DIRECTION OF PHIL ONISHI.



Sharing in our success

financial statement

Financial Statement: Prime Pacific Financial Services, Inc.
Consolidated Report of Condition
For The Quarter Ended: June 30, 2007 and 2006
(000 omitted)
un audited

Assets	6/30/07	6/30/06
Cash & NIB Due from Banks	\$ 1,960	\$ 1,946
Interest Bearing Deposits At Other Financial Institutions	8,898	3,973
Loans (Net of Allowance for credit losses)	119,673	82,565
Investments	5,590	3,710
Federal Funds Sold	2,285	3,489
Premises & Equipment	3,079	1,742
Oreo	870	0
Bank Owned Life Insurance	1,107	1,065
Other Assets	224	110
Total Assets	144,505	99,092
Liabilities		
Demand Deposits	10,339	7,402
Time and Savings Deposits	120,473	77,997
Total Deposits	130,812	85,399
Other Borrowings	1,000	2,705
Other Liabilities	878	704
Total Other Liabilities	1,878	3,409
Total Liabilities	132,690	88,808
Capital		
Common Stock (no par stock) authorized 5,000,000 shares; outstanding shares 2007 - 1,283,103; 2006 - 1,219,178	9,754	8,830
Undivided Profits	1,364	880
Unrealized Gain/(Loss) Securities	(23)	(37)
Net Profit or (Loss)	720	611
Total Shareholder's Equity	11,815	10,284
Total Liabilities & Shareholder's Equity	\$144,505	\$99,092

Consolidated Report of Income
For The Quarter Ended: June 30, 2007 and 2006
(000 omitted)
un audited

Interest Income	6/30/07	6/30/06
Loans	\$ 5,477	\$ 3,684
Securities	128	60
Fed Funds & Dep In Banks	258	147
Total Interest Income	5,863	3,891
Interest Expense		
Deposits	2,639	1,338
Short-Term Borrowings	0	18
Long-Term Borrowings	2	17
Total Interest Expense	2,641	1,373
Gross Interest Income	3,222	2,518
Provision For Credit Losses	277	155
Net Interest Income	2,945	2,363
Total Non-Interest Income	96	92
Total Non-Interest Expense	1,926	1,536
Operating Income	1,115	919
Tax Expense	372	308
Net Income (Loss)	\$ 743	\$ 611
Earning Per Share	\$ 0.58	\$ 0.50

**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 & 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



Guarding Against Identity Theft

The Top Two Forms of Account Hijacking via the Internet

The first way to protect yourself against Identity Theft is to understand common ways it can occur. Today we'll discuss Account Hijacking, one of the fastest growing forms of identity theft, which occurs when criminals obtain your personal banking information over the Internet and use it to take over your bank accounts, i.e. hijack your accounts. Often, the account hijacker uses **phishing** or **spyware**.

Hijacking by Phishing deceives customers into providing their user names, passwords, and account numbers via deceptive e-mails, fake (spoofed) Web sites, or both. The classic phishing attack involves a deceptive e-mail that purports to be from a legitimate financial institution. The e-mail typically tells the customer there is a problem with the customer's account, and instructs the recipient to click on the included hyperlink to "fix" the problem. In reality, the spoofed Web site is simply collecting customer user names and passwords in order to hijack accounts.

Hijacking with Spyware works by inserting malicious software, often referred to as "spyware," on a person's personal computer. Spyware can be loaded when a user opens a seemingly innocuous e-mail attachment or clicks on a pop-up advertisement. The spyware collects selected information (e.g., user names, passwords, and account numbers) and forwards that information to the fraudster.

Fortunately, there are steps you can take to protect yourself, including password protection, virus vaccines, firewalls, zapping spyware and more. Next issue, we'll discuss them.

People You Can Bank On



Good Natured Accounting Assistant Enjoys Life

A sense of adventure bubbles through Brita Hofto's good-natured, gracious spirit, and once led her on a trip to a primitive casa on an island in Mexico, where there was no electricity or potable water. Early adventures may also have helped hone her most noticeable traits, which Brita considers "friendliness and a sense of humor."

Brita, our new Accounting Assistant, began working at our Lynnwood branch last December. She gets along well with others and she's always willing to help and to learn new things, qualities that help in her job where, in addition to assisting with the preparation of financial statements and call reports she assists the CFO with other accounting duties, as well as cross-training in other areas of the bank.


Besides her friendly nature and flexibility, Brita is able to positively affect customers through her work, by "keeping accurate records, which is crucial in providing excellent customer service." Her familiarity with financial-related duties and legal/government regulations, combined with experience in customer service are an asset.

Brita says she decided to work for Prime Pacific Bank because "I wanted to return to the private sector after working for the State of Washington for almost thirteen years. One of the things Brita likes most about working here is that "everyone genuinely enjoys their jobs, my co-workers are so pleasant to work with, our customers are nice and known to the staff."

About community banks, Brita says: "people want and need community banks, they don't want to be 'just a number', they want to know who they are giving their business to and they want to contribute to and support their local economy." She says Prime Pacific Bank stands out due to "familiarity with their customers and genuine concern for their financial well-being."

Brita was born and raised in Seattle, and currently lives in Edmonds. Brita's "babies" includes her cats and dogs. "I am also 'auntie' to all my friend's children".

Brita enjoys camping and boating as well as art, horseback riding, and snorkeling. She has several friends who live on the Big Island of Hawaii, making it one of her favorite vacation spots.

Brita earned a Bachelor's Degree in Accounting from Seattle University. Her current goals and hopes for the future include continuing her education in banking, and "enjoying life." 

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. 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: _____