

PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

OCTOBER, 2005

Sharing in our success

Customer Appreciation BBQ Spices Up Close of 3rd Quarter. Results Continue to Sizzle



Dear Shareholders,

Welcome to this "hot 'n spicy" edition of Primed to Grow. As the summer days acquiesced to autumn, we continued our 10th anniversary celebrations with a Customer Appreciation BBQ on September 10, which was attended by over 125 people. Everyone who stopped by enjoyed a delicious BBQ lunch cooked on site, by Armadillo Barbecue, using their own barbecue "ribolator." (Their special hot sauce really got the smoke coming out of your

ears and the BBQ and fellowship warmed up an otherwise cloudy day.) We'd like to thank those of you who attended. We enjoyed seeing you and catching up on your news. (For photos from the BBQ see page 2.) I would like to extend a special "thank you" to Sally Dickerson and the rest of our staff for a job well done in making the BBQ a great success.

In this issue, I am also pleased to report on our "hot 'n spicy" third quarter results. As you can see by reviewing the financial statement on page 3, we continue to produce strong numbers. Prime Pacific Bank, your holding company's largest asset, ended this quarter with assets of \$80.5 million. This is an increase of 32.6% over the same period ending September '04. Our loans have increased from \$49.6 to \$65.0 million, an increase of 31.1%. Deposits were \$70.7 million compared to \$51.8 million, an increase of 36.5%. Your Shareholder Equity grew from \$8.6 million to \$9.2 million an increase of 7.0%. Our Operating Income grew from \$553 thousand to \$789 thousand, an increase of 42.7% while Net Income (after tax) was \$509 thousand compared to \$446 thousand reported in September '04 an increase of 14%! With these numbers, we're on track to continue our strong performance throughout the remainder of the year.

Also, another hot topic continues to be "phishing (pronounced fishing) and spoofing." As we've talked about in previous issues, the number and sophistication of phishing and spoofing scams sent out to consumers is continuing to increase dramatically. In this issue, I have included an article on Safe Computing, to help you be more aware of this continuing problem and how you can protect yourself. Please see page 2.

And as always, our success would not be possible without the fine and dedicated people who make up our team. In this issue I'd like to introduce Liz Norsby, AVP and Operations Officer, who joined us in May 2005. Liz is featured on page 4.

As we look toward the last quarter of the year, 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. Enjoy the bright autumn days!

Sincerely,

Glenn Deutsch

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

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Verla Snow won a new BBQ at the Customer Appreciation BBQ.

STORY PAGE 2.



Board of Directors

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Customer Appreciation BBQ Spices Up a Cool Autumn Day at Lynnwood Branch

We continued our 10th anniversary celebrations with a customer appreciation BBQ on September 10. Over 125 people stopped by to enjoy a delicious BBQ lunch cooked on site, by Armadillo Barbecue, using their own barbecue "ribolator."



ABOVE: ANNEN MARTIN (RIGHT) CHATS WITH SALLY DICKERSON WHILE SHE RUSTLES UP SOME VITTLES.

RIGHT: CHUCK DODD IS WITH SHAREHOLDER AND CUSTOMER RALPH PONSONBY.



THE FRIENDLY ARMADILLO BBQ STAFF SERVED UP MANY TASTY DISHES.



GLENN DEUTSCH AND HARRY TRUITT GREET CUSTOMERS AT THE BBQ.

How to Practice Safe Computing

The number and sophistication of phishing and spoofing scams sent out to consumers is continuing to increase dramatically. While online banking is widely considered to be as safe as or safer than in-branch or ATM banking, as a general rule you should be careful about giving out your personal financial information over the Internet. Remember, no reputable financial institution will ever request your personal information via e-mail.

Here is a list of recommendations to follow in order to avoid becoming a victim of scams:

1. Be suspicious of any e-mail with urgent requests for personal financial information.

Phishers have been known to include upsetting or enticing (but false) statements in their e-mails to get people to react immediately. More recently, some phishers have toned down their language, as e-mail recipients have become more aware of the use of this tactic. Either way, the e-mail typically asks for information such as user names, passwords, credit card numbers, Social Security numbers, etc.

2. Be careful of e-mails that are not personalized and/or may contain spelling errors and/or awkward syntax and phrasing.

Many phishing e-mails are sent in great bulk and, therefore, are not personalized. If you are suspicious of an e-mail

claiming to be from your institution that is not personalized, call your institution before responding. Many also are being sent from other countries from individuals for whom English is a foreign language, thus resulting in misspelled words and awkward syntax and phrasing.

3. Be careful of personalized e-mails that ask for personal financial information.

Be suspicious of any e-mail that contains some personal financial information, such as a bank account number and asks for other information, such as a PIN. Your bank will never ask for or send you personal financial information by e-mail.

4. Do not use links in an e-mail to get to any Web page.

Instead, call the bank on the telephone

continued on page 4 –

Sharing in our success

financial statement

Financial Statement: Prime Pacific Financial Services, Inc.
Consolidated Report of Condition
For The Nine Month Period Ending: September 30, 2005 and 2004
(000 omitted)
un audited

	9/30/05	9/30/04
Assets		
Cash & NIB Due from Banks	1,746	800
Interest Bearing Deposits At Other Financial Institutions	7,459	3,070
Loans (Net of Allowance for credit losses)	64,005	48,872
Investments	3,893	3,734
Federal Funds Sold	630	3,250
Premises & Equipment	1,657	1,011
Other Assets	1,595	454
Total Assets	80,985	61,191
Liabilities		
Demand Deposits	7,908	6,399
Time and Savings Deposits	62,666	45,272
Total Deposits	70,574	51,671
Other Borrowings	460	489
Other Liabilities	574	283
Total Liabilities	71,608	52,443
Capital		
Common Stock	8,264	7,907
Undivided Profits	634	406
Unrealized Gain/(Loss) Securities	(30)	(13)
Net Profit or (Loss)	509	448
Total Shareholder's Equity	9,377	8,748
Total Liabilities & Shareholder's Equity	80,985	61,191

Consolidated Report of Income
For The Nine Month Period Ending: September 30, 2005 and 2004
(000 omitted)
un audited

	9/30/05	9/30/04
Interest Income		
Interest and Fees On Loans	3,863	2,894
Interest On Investments	197	133
Total Interest Income	4,060	3,027
Interest Expense		
Interest On Deposit Accounts	1,084	615
Interest On Borrowed Funds	32	32
Total Interest Expense	1,116	647
Net Interest Income	2,944	2,380
Provision For Credit Losses	275	236
Net Interest Income	2,669	2,144
Total Non-Interest Income	126	135
Total Non-Interest Expense	2,005	1,724
Operating Income	790	555
Tax Expense	280	107
Net Income (Loss)	510	448

Prime Pacific Bank Services

We're pleased to announce that our web site is online, including a Cash Management (e-com) 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



Safe Computing, continued –

to confirm the address, or log onto the Web site directly by typing in the Web address in your browser.

5. Do not complete forms in e-mail messages that ask for personal financial information.

Your financial institution would never ask you to complete such a form within an e-mail message.

6. Only communicate information, such as credit card numbers or account information, via a secure Web site or the telephone.

When submitting financial information to a Web site, look for the padlock or key icon at the bottom of your browser, and make sure the Internet address begins with "https." A secure Web server designation can be found by checking the beginning of the Web address in your browser's address bar — the address should begin "https://..." rather than just "http://..." While you can not be completely sure that a Web site is secure when its address starts with "https," you can be sure the Web site is not secure when it does not start with "https."

7. Regularly log on to your online accounts and check your bank, credit and debit card statements to ensure that all transactions are legitimate.

One of the real advantages of banking online is being able to regularly review your account for unauthorized or unusual activity. If anything is suspicious, contact your bank and all card issuers immediately.

8. Ensure that your browser is up to date and security patches applied.

Always visit your browser's home page to download the latest security updates even if they don't alert you to do so.

9. Use online statements to reduce the volume of paper mailed.

Paper today is the cause of more actual instances of identity fraud than are electronic thefts.



People You Can Bank On



**Liz Norsby
Appointed AVP/
Operations Officer**

If patience is a virtue, then Liz Norsby is a diamond in her new post at Prime Pacific Bank. Patience is a coveted asset when working with people, especially in a customer-focused environment such as community banking. And Liz says patience is her most noticeable trait.

Liz joined Prime Pacific Bank as Assistant Vice President/ Operations Officer at our Lynnwood branch in May, when Sally Dickerson assumed new duties as Administrative Officer. In her new post, Liz oversees operations at both the Lynnwood and Kenmore branches and she plays an instrumental role in the future growth of the bank.

"Customer service has always been a priority for me and working for a smaller community bank allows me the opportunity to really get to know our customers and to serve them to the best of my ability," states Liz.

In addition to patience, Liz's strong organizational, analytical and decision making abilities suit her perfectly in her new position. Liz also brings bank oper-

ations knowledge accumulated over twenty-six years in banking, where she has held various operations, management, and customer service positions.

When it comes to her career, "a sense of accomplishment, making a difference every single day," and truly "helping customers" are important. These are also some of the reasons Liz enjoys working at Prime Pacific Bank.

"Prime Pacific Bank appealed to me primarily for the opportunity to be able to play an active role in implementing new products and streamlining processes to grow our business," Liz says. "It's truly an exciting position to be in to be on the ground floor so to speak."

When asked what she likes most about community banks, Liz states: "At community banks employees are empowered to make a difference in many areas. Positions include a wide variety of job duties and responsibilities and employees are not limited to the just a few tasks day in and day out."

Liz was born and raised in Marysville, WA, where she currently resides with her daughter, Julie, and their dog, "Bear". She enjoys spending time with her family and fiancé; going on day trips, gardening, reading, and cross-stitching. Warm and sunny destinations, preferably near water, where she can relax, are a vacation treat.



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: _____