

PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

JANUARY, 2004

Sharing in our success

Goals Met! Foundation Set For Fantastic 2004!



Dear Shareholders,

As another year draws to a close, I cannot express in words the feeling of excitement that I feel from our accomplishments in 2003.

This year has been a year of "high's" and future preparation for Prime Pacific Financial Services. We ended the year with \$291,000 in net income (see page 3 for financial details), which is a 40% increase over 2002. Total Equity now stands at \$8.3 million.

Our capital campaign was greatly received and a huge success as Prime Pacific Financial Services raised \$5.1 million in additional capital, hitting our goal! I know there were several people trying to purchase stock after the issue was closed, and we started a waiting list. If you would like to be placed on the list please give either me or Sally Dickerson a call so that we can contact you, on a first come first serve basis, if shares become available.

As we PRIME ourselves for future growth, I am proud to announce the addition of two new lending officers for Prime Pacific Bank, your holding company's largest asset. Dan Givens joined the team in November and Chuck Dodd in December. Both Dan and Chuck come to us with a great deal of experience and they are featured in this issue.

In addition, Prime Pacific Bank has now been released from our Formal Letter of Agreement with our primary regulators (see March Issue). This clears the way for additional growth as we look to the New Year.

2003 has shaped a new foundation for our future and I am looking forward to a fantastic 2004.

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

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Announcement

If you were not able to participate in the stock offering and you are interested in being placed on a list to purchase stock that may become available, please contact either Glenn or Sally.

Board of Directors

Harry E. Truitt Chairman
Diana L. Clay Vice Chairman
John R. Pfeifer, OD Secretary
David A. Bolin, Jr.
Glenn A. Deutsch
Norman P. Goodwin, DDS
Gary M. Hopper
Timothy J. McMahon
Linda C. Schoener
Roger D. Werner, CPA



Please ask 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

People You Can Bank On



Dan Givens
Vice President/
Commercial
Loan Officer
Kenmore Branch,
Prime Pacific

then Assistant VP of a commercial and residential builder/developer loan portfolio for Banks of Mid-America. Dan has provided financial planning services and has successfully managed a team of 14 loan officers for North American Mortgage Company. Dan also worked for Heller Financial as a national underwriter for SBA loans. In addition Dan has served as an Assistant VP with Harris Bank as Senior Underwriting Team Leader for five of their branches in Chicago prior to coming to the Puget Sound area.

Dan lives with his wife Ruth in Lake Forest Park. He serves on two committees at his Church, enjoys fly-fishing, and is an avid art collector. Ruth is associate professor and director of the Masters Teaching Program at Seattle Pacific University. Their oldest son, Joel, is a therapist in Denver while Jacob, their youngest, lives in Burbank, California and works at MGM. 

Dan joined Prime Pacific Bank last fall bringing over twenty-five years of banking experience to our team. His years of leadership in the banking industry, especially his expertise with SBA loans make Dan a great asset to Prime Pacific and our business customers. Dan's loan guidance is expected to further Prime Pacific's and our customers' success in this area.

In 2002, Dan moved to Seattle to serve as Vice-President/SBA Manager for Pacific Northwest Bank where he was instrumental in helping them sell more

loans while insuring that future SBA audits were satisfactory.

Born and raised in Tulsa, Oklahoma, Dan was originally on course to become a teacher—until he found that he preferred applying his math skills to banking. He earned a bachelor's degree from Oklahoma University and did some graduate work at the University of Tulsa.

Dan began his banking career in 1973 with Sooner Federal Savings & Loan. His career to date includes; a position as VP of installment and construction lending for Security Bank, Tulsa and



Chuck Dodd
Vice President/
Commercial
Loan Officer,
Lynnwood
Branch


In December of 2003, Chuck Dodd moved to the Lynnwood area with two of his three teenage daughters, Sammy and Andee, so that he could join the team at Prime Pacific Bank as a Vice President/Commercial Loan Officer. Chuck's oldest daughter, Charlee, will attend Oregon State University in the fall.

Chuck may be a new resident, but he's no stranger to our area as he has many relatives in the Puget Sound area.

Born and raised in rural Southern Oregon, Chuck graduated from Southern Oregon University in Ashland, in 1980. He moved back to his hometown and began his banking career at the Central Point State Bank. For the next twenty-one years, Chuck helped grow several small community banks between Ashland and Roseburg, Oregon. He spent much of this time in the Medford area where he served as Vice President/ Branch Manager and Chief Credit Officer of two community bank systems.

In 1999, Chuck began a three-year sabbatical from his banking career. He ran a freight factoring business from home in order to spend more time with his three young daughters.

With all of the available opportunities in the banking community, we are pleased that Chuck has resumed his banking career with Prime Pacific Bank. Chuck's experience in community banking will be an asset for our bank and our customers. Chuck was active with the Chambers of Commerce, Rotary International, American Red Cross and the Southern Oregon University Alumni Board, and he's excited about the opportunities he'll have to get involved with his new local community.

In his spare time, Chuck enjoys participating with his family in outdoor activities such as skiing, hiking, backpacking and fishing. 

Sharing in our success

financial statement

Financial Statement: Prime Pacific Financial Services, Inc.

Consolidated Report of Condition For 12 Months Ending (000's omitted)

	12/31/03	12/31/02
Assets		
Cash & NIB Due from Banks	\$1,473	\$1,087
Interest Bearing Due from Banks	2,430	2,584
Loan [Net of Reserve For Loan Loss]	37,059	35,996
Investments	2,119	1,665
Federal Funds Sold	3,350	2,500
Fixed Assets	1,067	1,121
Other Assets	180	307
Total Assets	\$47,678	\$45,260
Liabilities		
Demand Deposits	\$5,993	\$5,372
Time and Savings Deposits	32,820	35,172
Total Deposits	38,813	40,544
Other Borrowings	422	1,532
Other Liabilities	187	104
Total Other Liabilities	609	1,636
Total Liabilities	\$39,422	\$42,180
Capital		
Common Stock	\$7,850	\$2,952
Undivided Profits	406	115
Unrealized Gains (Losses) Securities	0	13
Total Capital	\$8,256	\$3,080
Total Liabilities & Capital	\$47,678	\$45,260

Consolidated Report of Income For 12 Months Ending (000's omitted)

	12/31/03	12/31/02
Interest Income		
Interest and Fees On Loans	\$2,986	\$2,283
Interest On Investments	136	115
Total Interest Income	\$3,122	\$2,398
Interest Expense		
Interest On Deposit Accounts	680	764
Interest on Borrowed Funds	89	81
Total Interest Expense	\$769	\$845
Gross Interest Income	2,353	1,553
Provision For Loan Losses	125	232
Net Interest Income	\$2,228	\$1,321
Total Non-Interest Income	171	213
Total Non-Interest Expense	2,108	1,374
Net Income	\$291	\$160

Prime Pacific Bank Services

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

Work in Progress:
Internet-based Cash
Management System

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.



Shareholder Spotlight

Founded in 1970, The Platis Law Firm specializes in personal injury and wrongful death litigation. In 2002 alone, they participated in cases in which settlements and awards exceeded \$8,000,000.00. They primarily handle cases in Washington State, though they have successfully tried or settled cases in Oregon, Idaho, Montana, Nevada and California. For more information, log onto www.platislaw.com.




**Harry B. Platis,
Owner,
Platis Law Firm**

In addition to being one of our initial shareholders, Harry B. Platis was instrumental in the formation of Prime Pacific. Dissatisfied with treatment he'd received at a larger bank, Harry recommended to some other Lynnwood business owners he knew that they'd all be better off if they had their own bank. One thing led to another and his suggestion became a reality: Prime Pacific Bank. In the beginning, Harry served briefly on our board of directors.

"I was dissatisfied with the treatment I'd received from a larger 'local' bank," explains Harry. "They kept changing bank officers. I had to continually

educate them about my lending requirements. Every request had to go through their home office in California. The long delay for approval was anything but convenient. At Prime Pacific, loan decisions and turnaround come quickly as they don't have to 'call out' for approval. And their loan officers aren't constantly being shuffled from one office to another so they know me. They also provide some great personal services such as daily deposit pickup and onsite business visits to my office."

A Washingtonian through and through, Harry was born in Seattle in 1943. He was raised in Everett, attended Central Washington University where he earned an Economics degree, then went on to earn his Doctorate of Jurisprudence at Gonzaga University School of Law. Today, he and his wife Alethea live in Mill Creek with their two teenage daughters, Alexandra and Stephanie; plus, their two poodles, Lucky and Ouzo. 

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: _____

Please stay tuned for our website

Currently under construction, Prime Pacific's website will provide convenient access to your account information and make it easy to perform basic transactions online.