

PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

JANUARY, 2007

Sharing in our success

Strong 4th Quarter Propels Bank Into New Year



Dear Shareholders,

Welcome to 2007 and our first issue of Primed to Grow for the New Year. I hope you enjoyed a wonderful holiday season with family and friends, as well as a respite from the stormy winter weather. Through rain, wind, and snow, the bank must go on, and I am pleased to report that we made it through in great form, and that our dedicated and hard working staff finished the 4th quarter on a strong note, see page 3. This hard work led to some accomplishments that promise to make 2007 an exciting year. I would like to announce our plans for our third branch, slated to open later this year in Mill Creek, please see details, page 2.

On that note, I am pleased to highlight some of the results for the 4th Quarter 2006. As you can see by reviewing the financial statement, Prime Pacific Financial Services ended the 4th quarter with assets of \$121.7 million. This is an increase of 42.8% over the same period ending December '05. Our loans increased from \$69.6 to \$102 million, an increase of 46.5%. Deposits were \$109.2 million compared to \$74.5 million, an increase of 46.6%. Your Shareholder Equity grew from \$9.7 million to \$11 million an increase of 13.4%. Our Operating Income grew from \$1.1 million to \$1.9 million, an increase of 72.7% while Net Income (after tax) was \$1.26 million compared to \$747 thousand reported in December '05, an increase of 68.7%! Earnings Per Share grew from \$.64 to \$1.04 an increase of 62.5%. These numbers provide a solid foundation for 2007.

All of this could not be accomplished without our team of professionals, and in this issue we feature one of our directors Linda Schoener. Please see page 4.

Please mark your calendar for May 15th and plan to attend this year's Annual Shareholders Meeting. As we look toward another exciting year we 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.

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

In This Issue

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Mark Your Calendar!

The annual meeting will be on

May 15th
5:30 PM

at the Lynnwood Convention Center

Board of Directors

Diana L. Clay
Chairman

Norman P. Goodwin, DDS
Vice Chairman

John R. Pfeifer, OD
Secretary

David A. Bolin, Jr.

Glenn A. Deutsch

Timothy J. McMahon

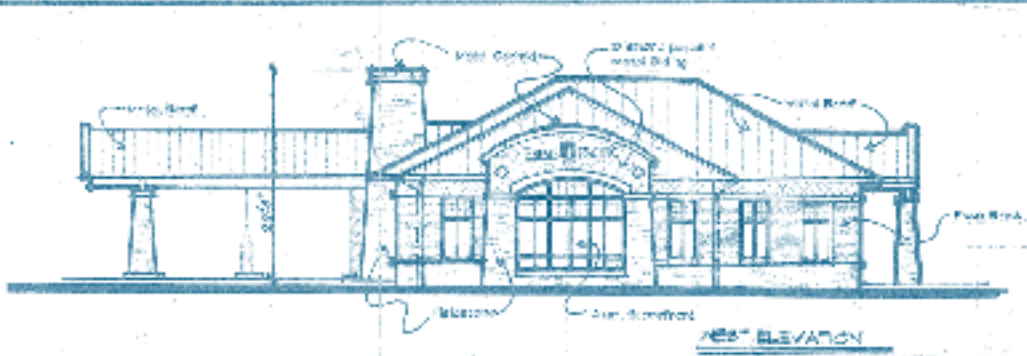
Linda C. Schoener

Harry E. Truitt

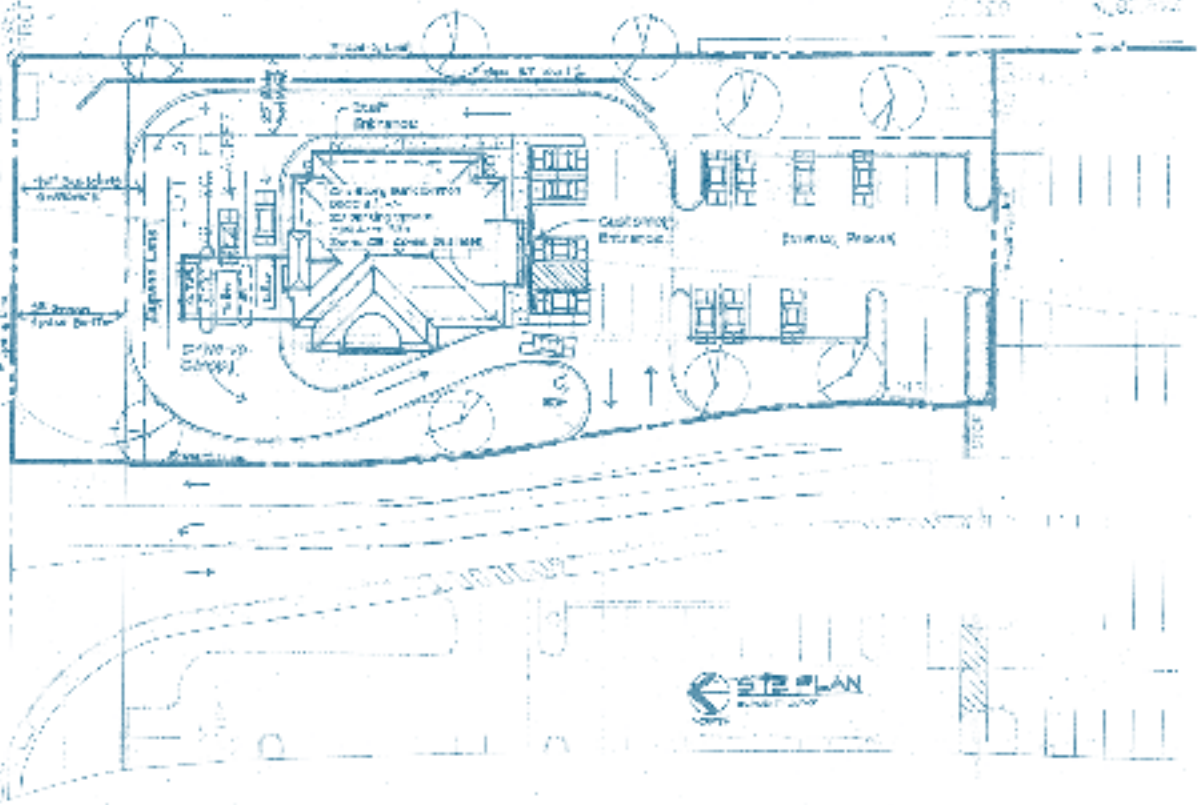
Roger D. Werner, CPA



Plans for our third Prime Pacific branch, Mill Creek



132nd STREET S.W. (SR 96)



3/20/07	
D-1	
11-2-07	

A New Branch Facility for
Prime Pacific Bank
 Mill Creek, Washington

Sharing in our success

financial statement

Financial Statement: Prime Pacific Financial Services, Inc.
Consolidated Report of Condition
**For The Year Ending: December 31, 2006 and 2005
(000 omitted)**
un audited

Assets	12/31/06	12/31/05
Cash & NIB Due from Banks	\$ 2,075	\$ 1,898
Interest Bearing Deposits At Other Financial Institutions	4,549	2,220
Loans (Net of Allowance for credit losses)	102,038	69,570
Investments	5,584	3,729
Federal Funds Sold	3,924	4,600
Premises & Equipment	1,631	1,708
Bank Owned Life Insurance	1,085	1,047
Other Assets	790	447
Total Assets	121,676	85,219
Liabilities		
Demand Deposits	8,537	8,424
Time and Savings Deposits	100,675	66,047
Total Deposits	109,212	74,471
Other Borrowings	444	453
Other Liabilities	1,007	634
Total Other Liabilities	1,451	1,087
Total Liabilities	110,663	75,558
Capital		
Common Stock (no par stock) authorized 5,000,000 shares; outstanding shares 2006 - 1,222,874; 2005 - 1,182,528 shares	8,884	8,319
Undivided Profits	880	634
Unrealized Gain/(Loss) Securities	(11)	(39)
New Profit or (Loss)	1,260	747
Total Shareholder's Equity	11,013	9,661
Total Liabilities & Shareholder's Equity	\$ 121,676	\$85,219

Consolidated Report of Income
**For The Year Ending: December 31, 2006 and 2005
(000 omitted)**
un audited

Interest Income	12/31/06	12/31/05
Loans	\$ 8,292	\$ 5,473
Securities	159	110
Fed Funds & Dep in Banks	385	177
Total Interest Income	8,836	5,760
Interest Expense		
Deposits	3,433	1,634
Short-Term Borrowing	19	2
Long-Term Borrowing	34	38
Total Interest Expense	3,486	1,674
Gross Interest Income	5,350	4,086
Provision For Credit Losses	470	405
Net Interest Income	4,880	3,681
Total Non-Interest Income	193	173
Total Non-Interest Expense	3,185	2,780
Operating Income	1,888	1,074
Tax Expense	628	327
Net Income (Loss)	\$ 1,260	\$ 747
Earning Per Share	\$ 1.04	\$ 0.64

**Prime Pacific
Bank Services**

 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



Business adventure takes flight from garage to Bellevue design shop.

Linda Schoener, Director, describes herself as having a lot of endurance, grit, and a positive attitude, all qualities well suited to a life of adventure. While she might not consider herself an adventurer, her life speaks otherwise: she's dove in the Galapagos Islands and grown a business she started in her garage thirty years ago, to a successful and growing venture that now employs twelve people. In September she relocated her business to a new 12,000 square foot shop in Bellevue's Lincoln Square. The business is a high-end designer store that specializes in a full range of design services "from blue print to all surfaces."



country. We carry brands such as Ralph Lauren, Barbara Barry and other top end lines such as Hickory Chair and Maitland Smith".

Linda started her business "doing upholstery" from her garage. "I took a leave of absence when I was pregnant with my first child. I had worked in fashion design, managing a fabric store, and I started out doing all the relatives' furniture, and it grew from there. Then I started delivering upholstery and other design items." Later, Linda had a warehouse showroom built in Lynnwood, which she recently closed when she relocated to Bellevue. Linda's two sons, Matt, 30, and Brian, 28, both work with her. Her daughter Landra, 26, is a photographer in LA.

Another part of Linda's life adventure is serving as a Director on the board of Prime Pacific Financial Services and Prime Pacific Bank. In addition to her general board duties Linda serves on the IT committee. She became a director when the bank was in formation.

"Diana Clay

contacted me and asked me to join," Linda says. "I was interested because I was a small business owner myself, and I wanted to learn the other side of banking, and also to meet others who had similar backgrounds and interests. Plus the timing was right for a new community bank in our area. I was very interested in a bank that was building relationships. I've had the opportunity also to use the bank in my business. So I'm



not just on the board, we're customers too." In addition to serving on the board, Linda also assisted with the design work at the bank's Lynnwood branch.

Linda was born and raised in Pocatello, Idaho. She moved to Lynnwood while in junior high, and now lives in Edmonds with her husband, Andy Dulin, a State Farm agent. They have lived in Edmonds for seventeen years. "We live on a gorgeous bluff with lots of nature. We can see eagles, coyotes, a beautiful pond, and herons."

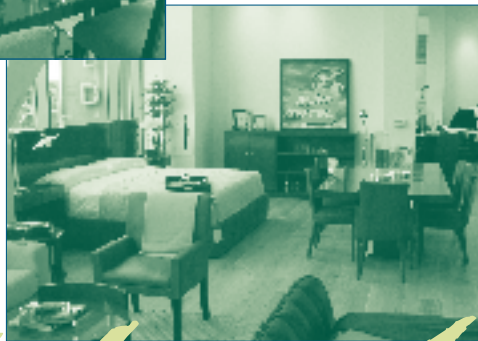
Linda also enjoys water skiing, snow skiing, snowmobiling, scuba diving, gardening and traveling. She and her husband own a time-share in Cancun, and she enjoys traveling to Europe each year to study design, and going to the tropics for diving. "We are planning an African Safari too," states Linda.

Besides her business adventures and diving the Galapagos Islands, Linda says being a grandparent is the most interesting thing she's ever done. "I love it. It's the icing on the cake," she states. Her goals and hopes for future adventures include: "Find more time to travel and having more grandchildren."

"Our new location in Lincoln Square, just off the sky bridge in the home furnishing building, is a brand



new adventure," Linda says. Schoener's Interiors LLC has partnered with Henredon, a well-recognized brand. "We're the first private owned Henredon store in the



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: _____

