

PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

JULY, 2004

Sharing in our success

Strong Second Quarter Sets Stage for Remainder of Year



Dear Shareholders,

Welcome to this summer edition of Primed to Grow. We hope you are enjoying the summer days and time spent with family, friends and loved ones. As you know our annual Shareholder Meeting was held on May 11, and we'd like to thank those of you who attended. It was another great turn out, and we enjoyed seeing old and new friends and catching up on your news. We also enjoyed a fun and entertaining presentation by Arne Dixon and Michael Lee of All for Kidz, who spun their yo-yo's. (see article on page 4).

At the meeting we elected directors and provided recaps of the progress Prime Pacific Financial Services and its largest asset, Prime Pacific Bank, have made over the last year. We also announced our internet presence, you can log on to www.primepacificbank.com where you can learn more about us, download back issues of Primed to Grow plus find information about other banking services. Our goal is to have the online banking portion of the site ready in October.

At the meeting, Don Kiser our Chief Financial Officer provided an excellent presentation regarding the financial status of Prime Pacific Financial Services, with peer group comparisons. Eric Carlsen our Chief Credit Officer told the group that we were now approaching \$60 million in assets up from \$44 million at year end, representing an increase of 36%. "Compared to budget, we're doing very well."

As you can see, we continue to produce strong numbers for the second quarter of the year as we put our new capital to use. The financial statement on page 3 reflects that loans grew from \$35.8 million to \$47.4 million an increase of 32.6%, while total assets grew from \$45.9 million to \$60.6 million, an increase of 32%. Deposits for the same period grew 25.6% from \$41 million to \$51.4 million. Interest income grew from \$1.56 million to \$1.93 million or 23.5% while interest expense grew less than 1%. Net income grew from \$135 thousand to \$234 thousand an increase of 73.3%!

Part of our success is due to the people who make up our team, and in this issue I'd like to introduce Dan Wood, a new teller at our Lynnwood branch, and Norm Goodwin, DDS one of our director's, whom we've featured on page 2.

As we look toward fall and our plans for 2005, 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.

Sincerely,

Glenn Deutsch

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

In This Issue

Message from Glenn	1
People you can bank on: Daniel Eugene Wood	
Norman P. Goodwin, DDS	2
Financial Statement	3
Yo-Yo Man Wows Crowd at Annual Meeting	4

Announcement

Primed to Grow
is available on our website
www.primepacificbank.com

Just click on the
"Holding Company" tab
and choose the issue
you would like
to review.

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Diana L. Clay
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People You Can Bank On



**Daniel Eugene Wood,
Teller,
Lynnwood**

can individually look at an account instead of making a broad, bottom-line rule for all accounts – that makes this possibly the nicest institution I've had the pleasure of working for," he states. "I enjoy all of the very friendly customers who I actually look forward to seeing every day."

Wood began his banking career in the fall of 1997 at Northwest Telco Credit Union (now known as Northwest Plus), just out of high school where he became a senior teller lead at one of their small satellite branches. In 1999 he left Northwest Telco and began working with Washington Mutual in their Customer Contact Center as a Customer Service Representative. In the five years at Washington Mutual he held multiple duties including working mostly with the online banking division but also with the business banking division and the loss management division. He left Washington Mutual in October 2003 as an Escalation Specialist, dealing

with and researching especially difficult calls and situations.

Wood currently resides in Lynnwood, about two minutes from Prime Pacific Bank with his roommate and "one infec-tiously cute yet morbidly stupid feline named Phoebe." He was born in Everett, Washington and has lived within twenty miles of there ever since. He is currently attending Edmonds Community College and is an active member of Edmonds Community College's Arts and Culture committee. He plans to begin graduate work in about a year at the University of Washington to pursue a Master of Fine Arts in Acting before going on to teach at the university level. His hobbies and interests include "fencing (competitively with a sword), theatre, particularly acting, and writing short prose." He also hopes to start his own community organization "that encourages creativity and art – of all forms – from younger members of the Edmonds and Lynnwood commu-

– continued on page 4

Dan Wood, Teller, started working for Prime Pacific Bank "just at the tail end of March." He brings a friendly personality, compassion, and teller experience (especially with business and online banking) to his position, which all help him to positively affect customers. "I think customers like a face they can see when they do their banking; they like that personal, friendly camaraderie which gives them a sense of trust."

After working for Prime Pacific Bank for three months now, Wood says what he likes best is the community aspect of the bank. "It's the personal feel – the fact that our customers can know the CEO as well as our front line tellers; the fact that we



**Norman P. Goodwin, DDS,
Director**

Goodwin is one of the founding directors of Prime Pacific Financial Services. "We began to organize the bank about a dozen years ago," he states. "Dr. Joe Pfeifer, my eye doctor, a wonderful friend and patient of mine, invited me to join the group prior to the bank's formation. The Office of Comptroller of Currency (OCC), that regulates nationally chartered banks, put us all through intensive and personal scrutiny as well as in-person interviews in San Francisco. It was a suspenseful, anxious and exhilarating time. We have a terrific president and management team. Our current growth is phenomenal. At the community bank level, I'm excited about the idea of 'relationship banking' where there is a real commitment to the customer's personal success, as opposed to merely 'transactional banking' with its focus on faceless digits, decimals and documents. The crew at Prime Pacific Bank keeps its eye on people, and I like that."

In July 1974, Goodwin began the private practice of dentistry in Lynnwood. He is the past president of the Snohomish County Dental Society, a member of the Washington State and American Dental Associations, member of Omicron Kappa Upsilon dental honor society, a member and advisor for the Seattle Dental Study Club, and member of the Eastside Treatment Planning Seminar. He was a partner in developing the Alderwood Professional Building, which opened in 1980. Two years ago, Goodwin established a new and modern office in the recently developed Lynnwood Cosmos Center. "I enjoy a long-term, committed staff (one hygienist began 28 years ago!). I consider the strong relationships among staff and myself to be a major reason for our continued success," he states.

Goodwin's hobbies include writing and publishing poetry, and ski racing. Goodwin has published poetry in numer-

– continued on page 4

Norm Goodwin combines passions that while unrelated, all have commonalities: attention to detail, a pursuit of excellence, and zest for life. He practices dentistry in Lynnwood, writes and publishes poetry, and ski races competitively. "Like poetry, like dentistry, and yes, like banking, ski racing engages a passion for details (especially at speeds above 45 miles per hour!)" he states. "Alas, at times it has also engaged my orthopedic surgeon."

Sharing in our success

financial statement

Financial Statement: Prime Pacific Financial Services, Inc.

Consolidated Report of Condition

For The Six Month Period Ending: June 30, 2004 and 2003
(000 omitted)

	6/30/04	6/30/03
Assets		
Cash & NIB Due from Banks	1,260	1,241
Interest Bearing Deposits At Other Financial Institutions	805	5,628
Loans (Net of Allowance for credit losses)	47,405	35,752
Investments	3,790	1,271
Federal Funds Sold	5,985	650
Premises & Equipment	1,044	1,094
Other Assets	292	261
Total Assets	60,581	45,897
Liabilities		
Demand Deposits	5,917	4,904
Time and Savings Deposits	45,500	36,145
Total Deposits	51,417	41,049
Short-Term Borrowings	0	0
Long-Term Borrowings	496	1,508
Other Liabilities	205	133
Total Liabilities	52,118	42,690
Capital		
Common Stock	7,880	2,953
Undivided Profits	406	115
Unrealized Gain/(Loss) Securities	(57)	4
Net Profit or (Loss)	234	135
Total Shareholder's Equity	8,463	3,207
Total Liabilities & Shareholder's Equity	60,581	45,897

Consolidated Report of Income

For The Six Month Period Ending: June 30, 2004 and 2003
(000 omitted)

	6/30/04	6/30/03
Interest Income		
Loans	1,852	1,485
Interest On Securities	75	75
Total Interest Income	1,927	1,560
Interest Expense		
Deposits	393	362
Short-Term Borrowings	0	0
Long-Term Borrowings	21	48
Total Interest Expense	414	410
Net Interest Income	1,513	1,150
Provision For Credit Losses	191	77
Net Interest Income	1,322	1,073
Total Non-Interest Income	104	96
Total Non-Interest Expense	1,147	1,034
Operating Income	279	135
Tax Expense	45	0
Net Income (Loss)	234	135

Prime Pacific Bank Services

We're pleased to announce that our web site is online, and the cash management (e-com) section is in testing and will be up soon

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.



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

Daniel Eugene Wood, continued –

nity and finding a venue in which their work can be presented and displayed.”

One of the most interesting things Wood has ever done was in 2000, when he was 21, he and two other close friends “did an incredible six week tour of the United Kingdom.” Wood was also nominated for a national college award for his performance in a show he performed in last October, he had the pleasure of attending a week-long theatre festival in February where the awards ceremony took place.



Norman P. Goodwin, DDS, continued –

ous literary journals over the years and won a few literary awards. He's currently at work submitting a book length collection to literary publishers. As a Master's level ski racer Goodwin belongs to the USSA (United States Ski Racing Association) that competes “all over the Northwest, primarily slalom and Giant Slalom, and also some speed events, Super-G and Downhill,” he states. For the 2003-2004 season Goodwin finished first place overall in men's class 7 (ages 55-60).

Goodwin and his wife, Elizabeth, live in the Cedar Park area near Lake City, at the north end of Lake Washington. They have two grown and married sons who also live in the Northwest, five grandchildren and two parrots (his and hers), and a cat and dog.



Yo-Yo Man Wows Crowd at Annual Meeting

Arne Dixon, President of All for Kidz, which produces the popular “The Ned Show,” and yo-yo pro Michael Lee, wowed the crowd at Prime Pacific Financial Services annual meeting in May, with yo-yo tricks like the “gravity gripper,” “flip flop,” “forward pass,” “walk the dog” and more. Everyone who attended received his or her very own yo-yo with the Prime Pacific Bank logo imprinted on it, a “Trick Sheet” and the video “SuperYo, How to YoYo.” At the end of his amazing Yo-Yo demonstration Arne told the group that he'd been looking for a bank a few years ago, and was happy to find Prime Pacific Bank in Lynnwood. “We owe a debt of gratitude to the team at the bank. Our business has grown since then, and we thank you for expressing confidence in us,” he stated. All for Kidz, which was previously known as USA Yo-Yo Extravaganza, has been serving schools for twenty years, performing in all fifty states and around the globe. The firm sees nearly two million kids a year. “We believe there's a champion in every one of them,” states Dixon.

According to the firm's website at www.thenedshow.com “in elementary school Arne Dixon discovered the yo-yo. By Jr. High he had mastered it as the Washington State Duncan Yo-Yo Champion. During college, Seattle schools were inviting him to perform tricks to student assemblies. Kids tagged him ‘The Yo-Yo Man.’ While it is a good

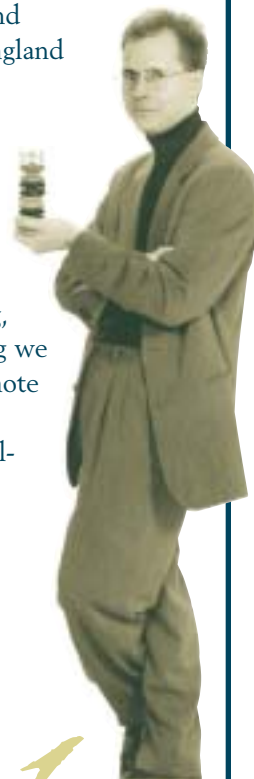
thing to entertain kids, Arne discovered that it is a great thing to use assemblies to deliver motivating messages to kids and teachers.”

“In 1984, he founded USA Yo-Yo Extravaganza with the conviction that there's a champion in every kid. With yo-yo in hand and a winsome cartoon character named Ned by his side, Arne began criss-crossing the nation to share with kids what it takes to become a champion in school and in life...Never give up. Encourage others. Do your best.”

“Today, The Ned Show is America's Most Popular School Assembly. Nearly two million kids will be inspired by Ned's message this year. Our yo-yo pros have teamed up with schools to positively influence over 12 million boys and girls in all fifty states and throughout Canada, England and Australia.”

“This year, we decided it was time to change our name to more accurately reflect our purpose. More than ever, we are into yo-ing, but more than anything we are all for kids, to promote academic achievement through character development.”

To book a show, please contact All for Kidz at Toll free number 877-872-9696 or 425-778-4806 or www.allforkidz.com



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: _____