

PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

1ST QUARTER, 2008

Sharing in our success

1st Quarter Foretells a Solid 2008



Dear Shareholders,

As we turn our ambitions and clocks ahead, look toward sunny days, budding trees, blooming flowers and baseball beckoning, I am pleased to spring the news to you of our first quarter 2008.

You'll see by the enclosed financial statements on page 3 that Prime Pacific Financial Services ended the first quarter with total assets of \$167.5 million compared to \$130.8 million over the same period ending March '07, an increase of 28.1%. Our loans increased from \$107.1 to \$139.1 million, an increase of 29.9%. Deposits were \$148.0 million compared to \$118.3 million, an increase of 25.1%. Your Shareholder Equity grew from \$11.5 million to \$12.8 million, an increase of 12.1%. Our Operating Income of \$495 thousand for the quarter was down from \$572 thousand a decrease of 13.5% while Net Income (after tax) was \$347 thousand compared to \$387 thousand reported in March '07, a decrease of 10.3%. This resulted in Earnings Per Share down \$.05 to \$.27 compared to \$.32 or a decrease of 15.6%.

The above numbers are reflective of two milestones. The first is the addition of our Trust Preferred Securities which were issued last July and that we have put to good work by leveraging this new capital toward further growth of our loan portfolio. Secondly, the opening of our new Mill Creek branch has also placed a new set of expenses on our statement; but as the branch continues to prosper the results will add to the overall growth of your investment. We are excited with the opportunities that both of these events will provide us but they do come with a cost.

Although the expense for these two new items totaled approximately \$160 thousand for the first quarter, you will see that our net income for the quarter, compared to 2007 was only down \$39 thousand which indicates the efficient use of our Trust Preferred, as well as the investment in our new branch, has already covered much of these new growth expenses. In addition we have seen the sixth interest rate cut since the fall of 2007 which continues to put pressure on our interest margins. Notwithstanding the pressure on our interest margin along with a possible change of economic conditions in our region, we continue to look toward another positive year for Prime Pacific Financial Services.

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Please Mark Your Calendars to Attend our Annual Shareholder Meeting

6 p.m. Tuesday, May 13

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



Of course, our results would not happen without the efforts of the dedicated people who make up our team. In this issue, I am pleased to introduce Christine Dalton, Loan Officer – Mortgage and Consumer Loans, at our Lynnwood branch. Please see page 4.

We also hope to see you at our Annual Shareholder's Meeting on May 13 th. Bill Conerly, a well known economist in the Pacific Northwest, will help us forget about the politics of the year with his entertaining look at the up's and down's of our local economy. Please mark your calendar for Tuesday May 13th. We're looking forward to visiting with you and sharing our news.

And, once again, 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
glennd@primepacificbank.com



Quick Facts About Account Hijacking

- 2 million people were hit with account hijacking last year, and over half believe it was from phishing e-mail.
- Illegal checking account transfers resulting from account hijacking could double, according to the FDIC.
- Overall account fraud totals more than \$2.4 billion annually, \$1,200 per victim.
- People who monitor their accounts online (rather than just with mailed statements) can detect hijacking earlier. In one report, victims' losses were one-eighth of those who detected the crime via paper statements due to early detection.

Vigilance Pays, Protecting Yourself from Hijacking

In last quarter's issue, we discussed some of the ways account hijackers use to obtain your personal data, and how you can protect yourself and fortify your system. In that issue we talked about password protection, virus vaccines, patching your firewall, anti-spy ware programs, and avoiding "phishing."

Chances are you will never be victimized by account hijacking identity theft. But if you are victimized, early detection is critical.

Check your statements regularly. If something seems irregular, contact your banker to discuss it. An encouraging note: a recent study showed that

customers who monitor their accounts online discover any problems sooner.



Check your credit report at least annually. You are entitled to one free credit report annually from each of the three major credit bureaus. If a hijacker is misusing your credit, clues are likely to show up here. For a free report: www.annualcreditreport.com

Your bank is taking substantive measures to project the safety and security of your accounts. By acting today to strengthen security at your end of the Internet highway, hijackers will have an even tougher time. Stop by any one of our bank branches in Lynnwood, Kenmore, or Mill Creek to learn more.



Sharing in our success

financial statement

Financial Statement: Prime Pacific Financial Services, Inc.
Consolidated Report of Condition
For The Quarter Ending: March 31, 2008 and 2007
(000 omitted)
un audited

Assets	2008	2007
Cash & NIB Due from Banks	\$ 2,108	\$ 1,840
Interest Bearing Deposits At Other Financial Institutions	5,034	8,871
Loans (Net of Allowance for credit losses)	139,093	107,061
Investments	8,219	5,789
Federal Funds Sold	6,399	2,158
Premises & Equipment	4,412	3,101
Bank Owned Life Insurance	1,141	1,096
Other Assets	1,062	834
Total Assets	167,468	130,750
Liabilities		
Demand Deposits	8,291	10,092
Time and Savings Deposits	139,730	108,224
Total Deposits	148,021	118,316
Other Borrowings- Debentures Payable	5,155	0
Other Liabilities	1,446	973
Total Other Liabilities	6,601	973
Total Liabilities	154,622	119,289
Capital		
Common Stock (no par stock) authorized 5,000,000 shares; outstanding shares 2008 -1,271,400 - 2007- 1,229,302 shares	9,589	8,938
Undivided Profits	2,896	2,141
Unrealized Gain/(Loss) Securities/Derivative Fair Value	14	(5)
Net Profit or (Loss)	347	387
Total Shareholder's Equity	12,846	11,461
Total Liabilities & Shareholder's Equity	\$ 167,468	\$ 130,750

Consolidated Report of Income
For The Quarter Ending: March 31, 2008 and 2007
(000 omitted)
un audited

Interest Income	2008	2007
Loans	\$ 3,108	\$ 2,645
Securities	85	63
Fed Funds & Dep in Banks	121	130
Total Interest Income	3,314	2,838
Interest Expense		
Deposits	1,534	1266
Short-Term Borrowing	0	0
Long-Term Borrowing	0	5
Debenture Interest- Long Term	80	0
Total Interest Expense	1,614	1271
Gross Interest Income	1,700	1,567
Provision For Credit Losses	173	136
Net Interest Income	1,527	1,431
Total Non-Interest Income	69	48
Total Non-Interest Expense	1,101	907
Operating Income	495	572
Tax Expense	148	185
Net Income (Loss)	\$ 347	\$ 387
Earning Per Share- Basic	\$ 0.27	\$ 0.32

**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

 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



People You Can Bank On



Christine Dalton, Loan Officer, Mortgage and Consumer Loans, makes loan process positive and smooth

Christine Dalton's love of problem-solving, details, and helping people, makes her a natural fit in her role as a loan officer in mortgage and consumer loans, where it's her goal to create a stress-free borrowing experience. "It makes all the difference," she states.

Being able to offer "competitive loans and work with people," is what Christine likes most about working at Prime Pacific Bank. "I think it's important to find the best solution for a customer's needs and goals and at Prime Pacific I can do that. Every day is different and every loan is different. It keeps things challenging and fun!"

Christine started working at Prime Pacific Bank last August. Her office is at the main branch in Lynnwood, but she meets with customers at all three of our branches.

Christine says she decided to work for Prime Pacific Bank because it's "a growing and successful bank. It's large enough to offer all of the lending and banking services that a customer may need, yet our bank is small enough so that we can really listen to and meet the specific needs of each customer. Whatever your banking needs are you can take care of them all in one place. The lending here can be flexible with quick responses. These are qualities you want from your bank."

Christine graduated from Snohomish High School and obtained a Bachelor of Arts degree from Western Washington University. She began her banking career seventeen years ago and she's held various positions in lending over the years "from being behind the scenes as a clos-

er to working for a mortgage company. I've had some great opportunities to learn the business inside and out."

When she's not working, Christine says she enjoys "doing things with my family. I'm usually at the soccer field, school gym, pool, or driving my kids to where they need to go. We keep busy most of the time but also enjoy being at home."

She is involved with the school her girls attend, "their sports teams, and our church," she explains. "I volunteer for projects as much as I can."

For vacation, Christine and her family "go camping or to the ocean. We also love taking day trips to places like Jetty Island, the zoo, or Seattle Center." Last summer, her family visited Disneyland and Sea World.

Christine was born and raised in Snohomish. "I grew up on a dairy farm just outside of Snohomish. I love the area." She currently resides in Snohomish, "way out in the sticks," with her husband, Steve who owns and operates a pottery studio, their three daughters, Lyndsey, Jennica, and Alli; a Lab, Retriever mix, named Tazzi, two cats, two fish, and a guinea pig named Sheldon.

Christine sums up her job at Prime Pacific Bank this way: "It's a great feeling to help people with their borrowing needs."

Congratulations to our Mill Creek Grand Opening Prize Winners



GLENN DEUTSCH PRESENTS THE PRIZE CERTIFICATES TO THE WINNERS OF THE MILL CREEK GRAND OPENING DRAWING. PICTURED LEFT TO RIGHT ARE JANE SLOAN, CRAIG SEBRING, DAN BURGESS, WITH GLENN.

Jane Sloane from Mill Creek – Grand Prize

Deanna Holsather from Everett – \$250 Lowes Gift Card

Craig Sebring from Bothell – \$100 Lowes Gift Card

Dan Burgess from Everett – \$50 Lowes Gift Card

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: _____