

PRIMED *to grow*



PRIME PACIFIC FINANCIAL SERVICES, INC.

3RD QUARTER, 2008

Sharing in our success

3rd Quarter holds steady in tough economy



Dear Shareholders,

Welcome to this 3rd quarter issue of Primed to Grow. As we kick into the cooler and colorful fall days, filled with football and soccer, I am happy to report on news at Prime Pacific Bank.

As you know, we held our 4th annual customer appreciation BBQ on September 5 at the Lynnwood branch. More than 300 people enjoyed the delicious entrees supplied by the Armadillo BBQ on a bright and sunny day. In addition, everyone enjoyed the bluegrass music of the Back Porch Blues. Again I would like to extend a special "thank you" to all who attended. (For photos see page 2.) I would also like to thank our fantastic staff for a job well done in making the BBQ another success.

In this issue, I am also pleased to report on our third quarter results. As you can see by reviewing the financial statement on page 3, Prime Pacific Financial Services ended this quarter with assets of \$173.3 million. This is an increase of 9.2% over the same period ending Sept '07. Our loans have increased from \$131.0 to \$138.9 million, an increase of 6.0%. Deposits were \$152.7 million compared to \$140.4 million, an increase of 8.8%. Your Shareholder Equity grew from \$12.2 million to \$13.3 million an increase of 9.3%. Our Operating Income was down to \$1.2 from \$1.7 million, a decrease of 30.5% while Net Income (after tax) was \$820 thousand compared to \$1.2 million reported in Sept '07 a decrease of 29.9%.

As our economy continues to have its challenges, we remain optimistic that normalcy will return. As with most banks across the country we too have seen some slowing in our geographic area. We continue to remain diligent with respect to our assets as well as our investments. Prime Pacific Bank, as reported in previous issues, had no Sub Prime or Alt "A" loans on our books, nor have we originated such loans for sale. In addition we carried no Government Sponsored Entity (GSE) preferred stock which has come under a lot of pressure as reported by the media.

Our bank has however experienced an increase in the level of past due loans as some of our borrowers find their way through this economic slowdown. That said, we continue to be prudent and continue to make provisions to our reserves for potential loan losses in an aggressive manner given the set of unusual events and the uncertainties.

YES, we are still making loans!

In addition, I am pleased to announce that Vanessa Schlund has joined our staff as a new accounts representative. Please see page 4. Our success would not be possible without the fine and dedicated people who make up our team.

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Our Customers

See photos from our BBQ, page 2



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

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4th Annual Customer Appreciation BBQ

More than 300 people enjoyed the food and bluegrass music at our fourth annual Customer Appreciation BBQ on September 5.



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, 2008 and 2007

(000 omitted)

un audited

Assets	9/30/08	6/30/07
Cash & NIB Due from Banks	\$ 1,560	\$ 1,734
Interest Bearing Deposits At Other Financial Institutions	5,500	6,668
Loans	141,222	132,854
Allowance for credit losses	2,312	1,808
Net Loans	138,910	131,046
Investments	12,397	6,248
Federal Funds Sold	8,468	6,594
Premises & Equipment	4,297	3,081
Bank Owned Life Insurance	1,165	1,118
Other Assets	1,042	2,253
Total Assets	173,339	158,742
Liabilities		
Demand Deposits	8,409	9,207
Time and Savings Deposits	144,286	131,159
Total Deposits	152,695	140,366
Other Borrowings- Debentures Payable	6,655	5,155
Other Liabilities	689	1,056
Total Other Liabilities	7,344	6,211
Total Liabilities	160,039	146,577
Capital		
Common Stock (no par stock) authorized 5,000,000 shares; outstanding shares 2008 - 1,271,400 -- 2007 - 1,274,562	9,595	9,637
Undivided Profits	2,896	1,364
Unrealized Gain/(Loss) Securities and Derivative Fair Value	(11)	(4)
Net Profit or (Loss)	820	1,168
Total Shareholder's Equity	13,300	12,165
Total Liabilities & Shareholder's Equity	\$ 173,339	\$158,742

Consolidated Report of Income

For The Nine Month Period Ending: September 30, 2008 and 2007

(000 omitted)

un audited

Interest Income	9/30/08	6/30/07
Loans	\$ 8,931	\$ 8,701
Securities	309	199
Fed Funds & Dep In Banks	310	431
Total Interest Income	9,550	9,331
Interest Expense		
Deposits	4,318	4,225
Short-Term Borrowings	0	2
Long-Term Borrowings	216	69
Total Interest Expense	4,534	4,296
Gross Interest Income	5,016	5,035
Provision For Credit Losses	684	536
Net Interest Income	4,332	4,499
Total Non-Interest Income	181	148
Total Non-Interest Expense	3,305	2,910
Operating Income	1,208	1,737
Tax Expense	388	568
Net Income (Loss)	\$ 820	\$ 1,169
Earning Per Share	\$ 0.64	\$ 0.92

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



**Vanessa Schlund,
New Accounts
Representative**

Vanessa Schlund started working for Prime Pacific Bank this past July at the Lynnwood branch. She works in new accounts where she says her excellent organizational and customer service skills are assets. Her duties primarily include opening accounts for customers and following up on customer inquiries.

"Whether a customer comes in for the first or 100th time, I always greet them with a smile and pleasant conversation to ensure they have an excellent experience," said Vanessa.

Vanessa says she enjoys community banks because they are smaller and allow for more one-on-one interaction with customers.

"Community banks also allow you to develop more personal relationships with customers," said Vanessa.

Vanessa graduated from Mariner High School in Everett and obtained a bachelor's degree in American Ethnic Studies from the University of Washington. She started worked in the banking industry in 2003 and has worked as a processor in the mortgage industry.

Vanessa loves to rock out to 70's and 80's classic rock. Her favorite band is Journey, "because their songs make me want to sing at the top of my lungs," she said.

But don't let the rocker music fool you. Schlund, a native Washingtonian — and an only child — is a compassionate, motivated, yet laid-back person.

"I think when people first meet me they can sense I'm motivated, compassionate and loving," said Vanessa.

Vanessa has lived in Woodinville and in Everett and currently lives in Lynnwood with her boyfriend Kelvin, who has played professional football in Germany and recently played for the Everett Hawks.

Vanessa's hobbies include golfing, bowling, shopping and going to restaurants. She also enjoys going to sporting events, concerts, plays, ballets and opera's.

"I love watching football and hanging out with family and friends," she said.

For vacation Vanessa has different picks depending on her mood.

"If I'm in the mood to relax I like to go to Whistler or Victoria, Canada — they are fun and beautiful places. If I'm in the mood to be a little rambunctious I like to go to California or Florida and go to Disneyland and Disneyworld," she said.

Other places on her list to visit are Venice, Greece, Rome, Paris, Germany, Fiji and Egypt.

Checking account fraud is one of the fastest growing crimes in the nation, according to law enforcement officials. Your bank has initiated training programs and other safeguards to help prevent and detect check fraud. For more information, stop in at any of our branches or go to www.ckfraud.org or www.occ.treas.gov.

*Reprinted from America's Community Bankers
"Checking Account Fraud"*

Shareholders - continued from page 1

As always, 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

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 any Prime Pacific Bank branch. *This information will be kept strictly confidential.*

Shareholder Name: _____

E-Mail Address: _____

Shareholder Name: _____

E-Mail Address: _____