



October 1, 2009

Dear Shareholders, Customers and Friends,

As you well know, the economic downturn continues to challenge banks both nationally and locally. We at Prime Pacific Bank also continue to navigate through tough economic times. Some of our customers face challenges in their businesses, which puts pressure on them when trying to service their obligations at Prime Pacific Bank.

As reported previously, this struggle, as with many banks, has resulted in a higher than desired level of non-performing loans, which adversely impacts earnings. This level of problem assets has resulted in our entering into a Formal Consent Agreement with our primary regulator, the Office of the Comptroller of the Currency (OCC). We will post a copy of the order on our web page.

Unfortunately, a majority of community banks in our trade area are faced with the same issues as we are all riding the same economic wave. Yet community banks persist in order to provide local options and will remain vibrant members of the business community.

Our regulator's agreement contains many items which have already been addressed by management and we are working diligently on the others; the primary concern is the collection and ultimate removal of our non-performing assets. We have assigned two experienced officers to oversee this process and we are making progress, although the process will continue to take some time.

Our Capital levels remain strong and the OCC has required we maintain our current levels through this process. In addition, we continue to maintain higher than average liquidity which allows the bank to meet current and future balance sheet obligations. We have no borrowed money and very little reliance on broker or wholesale funds.

The regulatory agreement that we have signed has NO IMPACT on the safety of your deposits, as they are FDIC insured (currently \$250,000 per eligible account) including unlimited coverage on non interest bearing checking accounts. Should you have questions regarding insurance coverage on your accounts please contact one of our branch managers.

Additionally, Prime Pacific Bank remains *open for your business needs*. We are committed to continue to offer the same excellent customer service that you have received and to remain as a strong and active member of our community.

It will take awhile for us to work our way through this current economic cycle, but like all previous downturns, this too will pass. Our goal is to emerge as a bank that remains financially strong, committed to our investors, community, customers and friends.

Please feel free to contact me any time at [glenn@PrimePacificBank.com](mailto:glenn@PrimePacificBank.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Glenn Deutsch".

Glenn Deutsch  
President and CEO