



February 19, 2009

Greetings to Shareholders, Customers, and Friends:

It is a pleasure to report that Pan Pacific Bank showed profit in the last two quarters of 2008. Further positive news was the lifting in record time of the Cease and Desist Order issued regarding the Bank Secrecy Act. This was accomplished in an extremely difficult economic environment and reflects much hard work by Pan Pacific's diligent and professional staff.

During 2008, Pan Pacific Bank continued to shift out of high-cost time deposits into core deposits (money market and demand deposit accounts). We also established new wholesale borrowing facilities at the Federal Home Loan Bank of San Francisco and the San Francisco Federal Reserve Bank in order to maximize the bank's liquidity position and reduce interest expense.

Loan growth for the year was very strong and the bank stressed pricing its new loans and renewed lines at Prime Interest Rate-plus with floors. The combination of controlling interest expense on deposits and ensuring proper pricing of loans enabled the bank to improve its Net Interest Spread from an average of 3.06% in 2007 up to 4.20% in 2008.

This gain in interest spread was attained in spite of a 4% drop in Prime Rate during 2008, which directly affected the bank's existing Prime based loan portfolio. In fact, assuming no change in PPB's loan totals, income lost due to the drop in Prime Rate would have approximated \$3.1 million.

Throughout the year we have focused on tightly controlling operating expense while improving customer service. As evidence the fourth quarter of 2008 had the lowest quarterly total non-interest expense of the entire year, and 2008's annual total was 8.5 percent below 2007. This reduction came while the overall balance sheet grew almost 19 percent during the year from \$70 million in Total Assets to over \$83 million.

Significant moves have occurred in your management team. Welcomed aboard were Chief Financial Officer Ryan Johanson and Controller Don Ramos. At the same time, an executive vice president position in Marketing was eliminated.

There have been considerable changes in staff with the advent of a new President/CEO in May 2007. Twelve new persons have joined Pan Pacific Bank. Although total staff count is twenty, the bank functions with a "full time equivalent" of seventeen people, thanks to improved efficiencies in operations and ongoing expense control.

In spite of massive economic uncertainties in 2009, your management, staff, and board of directors will make sure that Pan Pacific Bank fulfills its mission as a publicly-traded community bank headquartered in Fremont. The bank will continue to meet customer needs in a timely and professional manner with local decisions, while at the same time working hard to protect shareholder value and generate a respectable return for the investors.

Please visit us at the Fremont office, 47065 Warm Springs Road, or on the web at: www.panpacificbank.com. You may reach the President's office at (510) 809 8823, or the Chairman at (510) 809 8802

Kind regards,

Joseph Ching, President/CEO

Wayne Doiguchi, Chairman of the Board