

# CEO's message...

What happened to the 1st Quarter of 2018? Spring has arrived and summer is already around the corner!

I'm pleased to share with you a quick update of activities and successes at Partners Bank of California...

## 1st Quarter Financial Results

Our bank posted some great numbers for the 1st Quarter of 2018. Loans totaled \$165.1 million, which is an increase of \$9.3 million over year end 2017. Our deposits grew to \$181.6 million, representing an increase of \$7.4 million over last year-end. By the end of first quarter, the bank's total assets were \$205.9 million, showing growth of \$7.8 million over last year.

As of 'press time' for this message, Partners Bank common stock has reached another 52 week high market price of \$8.90 per share. We're excited and encouraged that our continued efforts to build increased shareholder value are steadily coming to fruition.

## New Product Solutions

One of our goals at Partners this year is to continue development and enhancement of more product solutions and new ways to serve our customers. Examples of recent additions to our products and services offerings include Positive Pay and Lockbox Services.

Additional new product solutions our customers can look forward to in the coming weeks include business credit card, and significant enhancements to our treasury management suite and online banking.

## Other News...

We're happy to announce that Tom Calahan, Senior Business Development Officer, has accepted new responsibilities with the Partners team, managing our business banking relationships in the Los Angeles area. Now residing in LA, Tom joined the Partners Bank team in February 2016. He has been based at our Mission Viejo offices since that time. Previously working in the Glendale area for over 5 years, Tom is excited to be back in another familiar territory with the opportunity to grow his book of business and serve our customers.

One of our original employees at Partners Bank has announced her well-deserved retirement. Evelyn Tan joined the Partners team in 2007, during the early formation of our bank. Since that time she has fulfilled many roles with our branch operations team. Having seen and experienced so much in this organization over the last 10 years, I often refer to Evelyn as the bank's 'historian.' She has provided highly dedicated and outstanding service to the bank and to our customers; and she will be dearly missed. Evelyn will officially retire at the end of August, so if you're in the area please stop in the branch to wish her farewell and good luck!

Partners Bank of California's annual shareholders meeting will be held on Wednesday, May 23rd, 2018 at Marbella Country Club in San Juan Capistrano. This meeting is open to all current and active shareholders of the bank. For further information, please send us an email at: [investorrelations@partnersbankca.com](mailto:investorrelations@partnersbankca.com).

As always, I look forward to the opportunity to speak with you about our great story here at Partners Bank. Feel free to contact me, anytime.

***Thank you for choosing Partners Bank of California!***

Warmest Regards



Rick Mandelbaum  
CEO



**Rick Mandelbaum**  
Chief Executive Officer  
Partners Bank of California



### Statements of Condition - 1st Quarter 2018

March 31, 2018

(Unaudited, dollars in thousands)

|   | March 31,<br>2018 | March 31,<br>2017 | Variance         |              |
|---|-------------------|-------------------|------------------|--------------|
|   |                   |                   | \$               | %            |
| <b>Assets:</b>                                    |                   |                   |                  |              |
| Cash and cash equivalents                         | \$ 29,031         | \$ 19,036         | \$ 9,995         | 52.5%        |
| Investment securities available for sale          | 11,450            | 14,988            | (3,538)          | -23.6%       |
| Loans held for investment                         | 165,185           | 150,782           | 14,403           | 9.6%         |
| Allowance for loan losses                         | (2,776)           | (2,767)           | (9)              | 0.3%         |
| Loans, net  | 162,409           | 148,015           | 14,394           | 9.7%         |
| Other assets                                      | 3,077             | 4,484             | (1,407)          | -31.4%       |
| <b>Total assets</b>                               | <b>\$ 205,967</b> | <b>\$ 186,523</b> | <b>\$ 19,444</b> | <b>10.4%</b> |
| <b>Liabilities:</b>                               |                   |                   |                  |              |
| Deposits  |                   |                   |                  |              |
| Noninterest-bearing deposits                      | \$ 91,811         | \$ 64,009         | \$ 27,802        | 43.4%        |
| Savings, NOW and money market accounts            | 60,871            | 48,275            | 12,596           | 26.1%        |
| Certificates of deposit                           | 28,998            | 32,160            | (3,162)          | -9.8%        |
| Total deposits                                    | 181,680           | 144,444           | 37,236           | 25.8%        |
| FHLB advances and other borrowings                | -                 | 19,000            | (19,000)         | *nm          |
| Other liabilities                                 | 764               | 549               | 215              | 39.2%        |
| <b>Total liabilities</b>                          | <b>182,444</b>    | <b>163,993</b>    | <b>18,451</b>    | <b>11.3%</b> |
| <b>Stockholders' Equity:</b>                      |                   |                   |                  |              |
| Common stock                                      | 26,501            | 26,459            | 42               | 0.2%         |
| Additional paid-in capital                        | 1,578             | 1,290             | 288              | 22.3%        |
| Accumulated deficit                               | (4,460)           | (5,228)           | 768              | -14.7%       |
|   | 23,619            | 22,521            | 1,098            | 4.9%         |
| Accumulated other comprehensive income (loss)     | (96)              | 9                 | (105)            | *nm          |
| <b>Total stockholders' equity</b>                 | <b>23,523</b>     | <b>22,530</b>     | <b>993</b>       | <b>4.4%</b>  |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 205,967</b> | <b>\$ 186,523</b> | <b>\$ 19,444</b> | <b>10.4%</b> |

### Partners Bank of California

#### Statements of Income

(unaudited, dollars in thousands)

|  | For the Three Months Ended |                   | Variance     |              |
|--|----------------------------|-------------------|--------------|--------------|
|  | March 31,<br>2018          | March 31,<br>2017 | \$           | %            |
| Interest income                                      | \$ 2,195                   | \$ 1,893          | \$ 302       | 16.0%        |
| Interest expense                                     | 219                        | 176               | 43           | 24.4%        |
| Net interest income before provision for loan losses | 1,976                      | 1,717             | 259          | 15.1%        |
| Provision for loan losses                            | 20                         | 60                | (40)         | -66.7%       |
| Net interest income after provision for loan losses  | 1,956                      | 1,657             | 299          | 18.0%        |
| Noninterest income                                   | 83                         | 54                | 29           | 53.7%        |
| Noninterest expense                                  | 1,495                      | 1,192             | 303          | 25.4%        |
| Income before income tax provision                   | 544                        | 519               | 25           | 4.8%         |
| Income tax provision                                 | 188                        | 228               | (40)         | -17.5%       |
| <b>Net income</b>                                    | <b>\$ 356</b>              | <b>\$ 291</b>     | <b>\$ 65</b> | <b>22.3%</b> |

\*nm - not meaningful