

CEO's message...

Thanks once again to all our customers who made 2017 a special year for Partners Bank of California. I am proud to announce that our bank posted a record level of before-tax income this year of \$2.4 million compared to \$1.5 million in 2016, representing an increase of 60%. The bank has grown to just under \$200 million in total assets and remains a "well-capitalized" institution as defined by regulatory guidelines.

In 2017 we made a significant investment in our most valuable asset...our employees. This investment included additions to our business development team to assist in making our already exceptional customer service to new and existing clients even better. In August 2017 the bank also hired Jeff Redeker, a seasoned veteran in SBA financing, to lead a team of professionals to provide small business owners with borrowing options utilizing various Federal SBA lending programs. Our newly formed SBA team originated over \$10 million in loans in less than 5 months of operation. We look forward to them being strong contributors to our continued loan growth and profitability in 2018.

In October of 2017 the bank welcomed Mr. Kent Falk as President and Chief Credit Officer, in our efforts to continue the growth of the bank and add value for our shareholders. Kent and I worked together many years ago and we are both excited to have the opportunity to work together again.

Additionally, Janine Navarro has joined the Partners Bank team. A seasoned relationship manager with extensive experience and a strong background in treasury management services, Janine fits right into and enhances the Partners Bank culture of providing our customers with a personalized banking experience. We have also augmented our operations staff to support our bank's growth and risk mitigation efforts.

Last year, Partners Bank established a new initiative called Customer Educational Resources. This ongoing project is aimed at making Partners more than just your bank. We want to be a resource to you as well. Your financial safety and security is important to us. That's why we have undertaken a new page on our website devoted to providing our customers with educational resources on finances and online security. You can also count on hearing from us via email with this educational content. We invite you to visit our Educational Resources page at www.partnersbankca.com/Educational-Resources.aspx.

In November of 2017, Partners Bank celebrated its 10th anniversary of service to our customers. I'd like to take a moment to once again thank our original shareholders who have supported this institution since that time as well as the thousands of customers who have helped to make us successful. I'm pleased to report to you that Partners Bank is in a strong position in 2018 to capitalize on our achievements and continue to drive value to all our shareholders.

Each quarter throughout the year, we honor members of our Partners Bank team who exemplify the high level of performance and standards we've established in serving our customers. Again, our staff has been instrumental in connecting the bank and our customers with success. Congratulations goes to the following recipients of our *Connect with Success Employee Award* in 2017:

- First Quarter – Tom Calahan, Business Development Officer
- Second Quarter – Becky Edson, Vice President – Loan Servicing Manager
- Third Quarter – Leah Harrity-Nelson, Account Support Specialist
- Forth Quarter – Glenn Cheshire, Vice President – Portfolio Officer

One of the parts of my job that I look forward to the most is having the opportunity to speak with our shareholders and customers. As always, feel free to contact me directly with any questions or feedback you may have about the bank. If you have an acquaintance or associate who might benefit from our unique style of community banking, please send them our way. We're not looking for great transactions...we're looking for great relationships!

Warmest Regards



Rick Mandelbaum
CEO



Rick Mandelbaum
Chief Executive Officer
Partners Bank of California



Statements of Condition - 4th Quarter 2017
December 31, 2017

(Unaudited, dollars in thousands)

	December 31,		Variance	
	2017	2016	\$	%
Assets:				
Cash and cash equivalents	\$ 29,705	\$ 19,059	\$ 10,646	55.9%
Investment securities available for sale	12,099	15,660	(3,561)	-22.7%
Loans held for investment	155,805	152,253	3,552	2.3%
Allowance for loan losses	<u>(2,756)</u>	<u>(2,704)</u>	<u>(52)</u>	1.9%
Loans, net	153,049	149,549	3,500	2.3%
Other assets	<u>3,289</u>	<u>4,771</u>	<u>(1,482)</u>	-31.1%
Total assets	\$ 198,142	\$ 189,039	\$ 9,103	4.8%
Liabilities:				
Deposits				
Noninterest-bearing deposits	\$ 87,127	\$ 81,259	\$ 5,868	7.2%
Savings, NOW and money market accounts	54,814	56,896	(2,082)	-3.7%
Certificates of deposit	<u>32,351</u>	<u>28,147</u>	<u>4,204</u>	14.9%
Total deposits	174,292	166,302	7,990	4.8%
FHLB advances and other borrowings	-	-	-	0.0%
Other liabilities	<u>678</u>	<u>550</u>	<u>128</u>	23.3%
Total liabilities	174,970	166,852	8,118	4.9%
Stockholders' Equity:				
Common stock	26,501	26,459	42	0.2%
Additional paid-in capital	1,510	1,236	274	22.2%
Accumulated deficit	<u>(4,816)</u>	<u>(5,519)</u>	<u>703</u>	-12.7%
	23,195	22,176	1,019	4.6%
Accumulated other comprehensive income (loss)	<u>(23)</u>	<u>11</u>	<u>(34)</u>	-309.1%
Total stockholders' equity	23,172	22,187	985	4.4%
Total liabilities and stockholders' equity	\$ 198,142	\$ 189,039	\$ 9,103	4.8%

Partners Bank of California
Statements of Income

(unaudited, dollars in thousands)

	For the Twelve Months Ended		Variance	
	December 31, 2017	December 31, 2016	\$	%
Interest income	\$ 8,185	\$ 6,836	\$ 1,349	19.7%
Interest expense	<u>825</u>	<u>542</u>	<u>283</u>	52.2%
Net interest income before provision for loan losses	7,360	6,294	1,066	16.9%
Provision for loan losses	<u>45</u>	<u>419</u>	<u>(374)</u>	-89.3%
Net interest income after provision for loan losses	7,315	5,875	1,440	24.5%
Noninterest income	385	224	161	71.9%
Noninterest expense	<u>5,274</u>	<u>4,583</u>	<u>691</u>	15.1%
Income before income tax provision	2,426	1,516	910	60.0%
Income tax provision	<u>1,726</u>	<u>691</u>	<u>1,035</u>	149.8%
Net income	\$ 700	\$ 825	\$ (125)	-15.2%