

## President's message...

2016 was an amazing year for Partners Bank of California. Our bank recorded historical asset and loan growth while still maintaining solid underwriting standards to ensure the credit quality of our loan portfolio.

I'm pleased to share with you that during the past year we have laid a strong foundation for success. Our bank continues to maintain a strong capital position while still investing in technology to improve our operating platform and services to our clients. Partners Bank has a proven strategic focus that intertwines with our mission statement by providing financial solutions that enhance our "customer's banking experience." We have acquired and retained the best talent in the form of dedicated experienced banking professionals who share our vision of strengthening relationships. We know from experience that these client relationships lead to customer loyalty and a stronger institution.



**Rick Mandelbaum**  
President, CEO  
Partners Bank of California

We are pleased to announce Carol Loy as our recipient of the Partners Bank Connect with Success Employee Award for 4th quarter 2016. This award recognizes outstanding qualities and contributions of employees towards the bank's departmental and overall goals as well as their efforts which have directly helped the bank and its clients to connect with success. Carol is a member of our loan servicing team, and joined the Partners Bank staff in 2013. Her strong work ethic and exceptional organizational skills have had a direct effect on the bank's record-breaking loan growth. She truly reflects the spirit of this award in every way. Carol is an example of how it's our people who make the difference here at Partners Bank.

Going forward Partners Bank of California is in a solid position to maximize performance in the current evolving environment and in the future.

As always, I enjoy the opportunity to speak directly with our clients and shareholders. If I can be of any service to you or if you have any questions about Partners Bank, please feel free to contact me directly.

Thank you for your support and for choosing Partners Bank of California.

Warmest Regards,



**Rick Mandelbaum**  
CEO/President



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## Statements of Condition - 4th Quarter 2016

**December 31, 2016**

(Unaudited, dollars in thousands)

	December 31,		Variance	
	2016	2015	\$	%*
<b>Assets:</b>				
Cash and cash equivalents	\$ 19,059	\$ 15,869	\$ 3,190	20.1%
Investment securities available for sale	15,660	18,533	(2,873)	-15.5%
Loans held for investment	152,253	115,667	36,586	31.6%
Allowance for loan losses	(2,704)	(2,491)	(213)	8.6%
Loans, net	149,549	113,176	36,373	32.1%
Other assets	4,771	5,427	(656)	-12.1%
<b>Total assets</b>	<b>\$ 189,039</b>	<b>\$ 153,005</b>	<b>\$ 36,034</b>	<b>23.6%</b>
<b>Liabilities:</b>				
Deposits				
Noninterest-bearing deposits	\$ 81,259	\$ 71,729	\$ 9,530	13.3%
Savings, NOW and money market accounts	56,896	36,453	20,443	56.1%
Certificates of deposit	28,147	24,205	3,942	16.3%
Total deposits	166,302	132,387	33,915	25.6%
FHLB advances and other borrowings	-	-	-	nm
Other liabilities	550	509	41	8.1%
<b>Total liabilities</b>	<b>166,852</b>	<b>132,896</b>	<b>33,956</b>	<b>25.6%</b>
<b>Stockholders' Equity:</b>				
Preferred stock	-	2,444	(2,444)	nm
Common stock	26,459	23,021	3,438	14.9%
Additional paid-in capital	1,236	1,022	214	20.9%
Accumulated deficit	(5,519)	(6,326)	807	-12.8%
	22,176	20,161	2,015	10.0%
Accumulated other comprehensive income (loss)	11	(52)	63	-121.2%
<b>Total stockholders' equity</b>	<b>22,187</b>	<b>20,109</b>	<b>2,078</b>	<b>10.3%</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 189,039</b>	<b>\$ 153,005</b>	<b>\$ 36,034</b>	<b>23.6%</b>

## Partners Bank of California

### Statements of Income

(Unaudited, dollars in thousands)

	For the Twelve Months Ended		Variance	
	December 31, 2016	December 31, 2015	\$	%*
Interest income	\$ 6,836	\$ 5,783	\$ 1,053	18.2%
Interest expense	542	565	(23)	-4.1%
Net interest income before provision for loan losses	6,294	5,218	1,076	20.6%
Provision for loan losses	419	-	419	nm
Net interest income after provision for loan losses	5,875	5,218	657	12.6%
Noninterest income	224	176	48	27.3%
Noninterest expense	4,583	4,293	290	6.8%
Income before income tax provision	1,516	1,101	415	37.7%
Income tax provision (benefit)	691	(3,250)	3,941	nm
<b>Net income</b>	<b>\$ 825</b>	<b>\$ 4,351</b>	<b>\$ (3,526)</b>	<b>-81.0%</b>

\*nm - not meaningful

