

President's message...

I am pleased to announce, with the start of the New Year, that Partners Bank of California had its highest quarterly revenue in our history during the first quarter of 2017. Income before tax for the first quarter of 2017 was \$519,000 an increase of \$233,000 or 81.5% over the first quarter of 2016.

Highlights of the 1st quarter of 2017 include:

Income Statement

- *Partners Bank recorded net income after tax of \$291,000 in the first quarter of 2017 an increase of \$142,000 or 95.3% over the \$149,000 previously recorded during the first quarter of 2016.*
- *The net interest margin for the first quarter of 2017 was 3.97% compared to 3.95% recorded during the first quarter of 2016.*

Balance Sheet

- *During the first quarter, gross loans increased \$39.9 million, or 36.1%, from \$110.7 million to \$150.7 million.*
- *Total deposits increased \$8.3 million, or 6.1%, during the first quarter from \$136.1 million to \$144.4 million recorded during the first quarter of 2016.*
- *Capital levels remain strong and sufficient to support our growth.*

Asset Quality

- *The ratio of nonperforming assets to total assets was .27% at March 31, 2017, compared to the ratio of .50% at March 31, 2016 well below the healthy benchmark of 1%. Credit quality remains strong with conservative underwriting guidelines.*



Rick Mandelbaum
President, CEO
Partners Bank of California

During the first quarter we were pleased to ramp up our Healthcare Banking division. This division will be headed up by Mike Chambers, Director of Business Development and Tom Calahan our Healthcare Banking Specialist. Healthcare Banking from Partners Bank offers a unique and differentiated business banking solution customized for the needs and requirements of physicians and healthcare providers. Please feel free to contact Tom at 949-732-4064 or via e-mail tcalahan@partnersbankca.com. Additional information can also be found on our Healthcare Banking webpage at www.partnersbankca.com/healthcare-banking.aspx.

We are excited to host our 2017 Annual Shareholders Meeting at 9:00 a.m. on May 18th, at the Marbella Country Club in San Juan Capistrano, CA. We hope to see you there. Our message to shareholders is one we are very proud of. It's a message punctuated with positive growth and continued progress towards our commitment to building upon our success and striving to deliver on our goals of not only creating long term shareholder value but also increasing the liquidity of our stock. With an intense focus on our customers' experiences and sound asset quality, we believe the fundamental elements of our core business are solid and that the bank is well positioned for continued growth in 2017 and beyond.

Thank you for your support of Partners Bank of California!

Warmest Regards,

Rick Mandelbaum
CEO/President



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Statements of Condition - 1st Quarter 2017

March 31, 2017

(Unaudited, dollars in thousands)

	March 31,	March 31,	Variance	
	2017	2016	\$	%*
Assets:				
Cash and cash equivalents	\$ 19,036	\$ 25,457	\$ (6,421)	-25.2%
Investment securities available for sale	14,988	18,064	(3,076)	-17.0%
Loans held for investment	150,782	110,791	39,991	36.1%
Allowance for loan losses	<u>(2,767)</u>	<u>(2,392)</u>	<u>(375)</u>	15.7%
Loans, net	148,015	108,399	39,616	36.5%
Other assets	<u>4,484</u>	<u>5,194</u>	<u>(710)</u>	-13.7%
Total assets	<u>\$ 186,523</u>	<u>\$ 157,114</u>	<u>\$ 29,409</u>	18.7%
Liabilities:				
Deposits				
Noninterest-bearing deposits	\$ 64,009	\$ 72,540	\$ (8,531)	-11.8%
Savings, NOW and money market accounts	48,275	39,812	8,463	21.3%
Certificates of deposit	<u>32,160</u>	<u>23,764</u>	<u>8,396</u>	35.3%
Total deposits	144,444	136,116	8,328	6.1%
FHLB advances and other borrowings	19,000	-	19,000	nm
Other liabilities	<u>549</u>	<u>546</u>	<u>3</u>	0.5%
Total liabilities	163,993	136,662	27,331	20.0%
Stockholders' Equity:				
Preferred stock	-	2,444	(2,444)	nm
Common stock	26,459	23,025	3,434	14.9%
Additional paid-in capital	1,290	1,062	228	21.5%
Accumulated deficit	<u>(5,228)</u>	<u>(6,176)</u>	<u>948</u>	-15.3%
	22,521	20,355	2,166	10.6%
Accumulated other comprehensive income (loss)	<u>9</u>	<u>97</u>	<u>(88)</u>	-90.7%
Total stockholders' equity	<u>22,530</u>	<u>20,452</u>	<u>2,078</u>	10.2%
Total liabilities and stockholders' equity	<u>\$ 186,523</u>	<u>\$ 157,114</u>	<u>\$ 29,409</u>	18.7%

Partners Bank of California Statements of Income

(unaudited, dollars in thousands)

	For the Three Months Ended		Variance	
	March 31, 2017	March 31, 2016	\$	%*
Interest income	\$ 1,893	\$ 1,572	\$ 321	20.4%
Interest expense	<u>176</u>	<u>132</u>	<u>44</u>	33.3%
Net interest income before provision for loan losses	1,717	1,440	277	19.2%
Provision for loan losses	<u>60</u>	<u>-</u>	<u>60</u>	nm
Net interest income after provision for loan losses	1,657	1,440	217	15.1%
Noninterest income	54	44	10	22.7%
Noninterest expense	<u>1,192</u>	<u>1,198</u>	<u>(6)</u>	-0.5%
Income before income tax provision	519	286	233	81.5%
Income tax provision	<u>228</u>	<u>137</u>	<u>91</u>	66.4%
Net income	<u>\$ 291</u>	<u>\$ 149</u>	<u>\$ 142</u>	95.3%

*nm - not meaningful

