



partners bank of california

Q4 2020 FINANCIAL REPORT & PRESIDENT & CEO'S MESSAGE

2020

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A MESSAGE FROM OUR PRESIDENT & CEO

Valued Clients and Shareholders,

As we have seen throughout 2020 and these last few months, the hardships brought on by the pandemic have been astounding. Nevertheless, our incredible team has met the extraordinary challenges presented by the pandemic with compassion and strength.

Putting clients first is just not something we say—it's a mindset. It's who we are and how we thrive as a business. It's about making it easier for our clients to do business with us, enabled by our investments in our people and digital capabilities, while generating consistent returns for our shareholders.



The best investments we can make are in our people. This is true in good times, and it's especially true in challenging times. Despite the challenges presented by COVID-19, I'm very proud of our team members in their ability to not only strengthen bonds with our existing clients, but also to build meaningful relationships with many new clients during this crisis. Their ongoing efforts have resulted in another year of tremendous growth for the Bank in 2020. Highlights of some of our key financial achievements in the last 12 months include:

- Total assets increased 32.1% from \$307.8 million to \$406.5 million.
- Deposits increased to \$321.7 million, up \$86.8 million or 36.9%.
- Total loans increased \$97.3 million to \$337.5 million, up 40.5%.
- Net income increased 4.9% to \$2.17 million.

The results we delivered in 2020 have been complemented by the further expansion of our dedicated team, with Mr. Thomas D. Gordon joining the Bank's Board of Directors in January 2021.

Mr. Gordon is the Chairman of the DSL Construction Corporation and a co-trustee of the Don Levin Trust. In his previous role serving as Executive Vice President of Cedars-Sinai Health System for 22 years, Mr. Gordon oversaw the organization's Medical Network of primary care and specialist physicians. He's dedicated to serving the entire health care community and sits on a variety of boards including the Professional Advisory Council for the Fielding School of Public Health at UCLA, 21st Century Radiation/Oncology, and the Brentwood School.

I'm pleased to welcome Mr. Gordon to the Partners Bank family. His extensive industry knowledge gained during his distinguished career and his leadership in the Los Angeles community will greatly contribute to our organization's development in the years ahead.

With the support of all of our Board members, I can assure you that we will continue to navigate our way forward by plotting a course focused on the fundamentals, tirelessly cultivating relationships with businesses, and providing outstanding service to our clients, while always keeping a look out for opportunities and greater efficiencies in the ever-changing financial marketplace.

Over the past year, we have faced a profound crisis—not one that we created nor one that we can solve alone—but a crisis we have faced up to nonetheless with courage, conviction, and resilience. I remain optimistic about what lies ahead for our Bank and believe we can all be confident in our future.

Finally, I would say thank you for trusting us and allowing us to be your financial partner. Together, we look forward to a healthier, stronger and successful 2021. Be safe and be healthy.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Walsh". The signature is fluid and cursive, written on a white background.

J. Chris Walsh
President and CEO



Partners Bank of California
Statements of Financial Condition

(unaudited, dollars in thousands)

	December 31,	December 31,	Variance	
	2020	2019	\$	%
Assets:				
Cash and cash equivalents	\$ 66,126	\$ 61,961	\$ 4,165	6.7%
Investment securities available for sale	2,663	5,542	(2,879)	-51.9%
Loans held for investment	337,456	240,147	97,309	40.5%
Allowance for loan losses	<u>(6,868)</u>	<u>(3,612)</u>	<u>(3,256)</u>	<u>90.1%</u>
Loans, net	330,588	236,535	94,053	39.8%
Other assets	<u>7,151</u>	<u>3,725</u>	<u>3,426</u>	<u>92.0%</u>
Total assets	\$ 406,528	\$ 307,763	\$ 98,765	32.1%
Liabilities:				
Deposits				
Noninterest-bearing deposits	\$ 147,707	\$ 102,466	\$ 45,241	44.2%
Savings, NOW and money market accounts	144,256	106,628	37,628	35.3%
Certificates of deposit	<u>29,727</u>	<u>25,832</u>	<u>3,895</u>	<u>15.1%</u>
Total deposits	321,690	234,926	86,764	36.9%
FHLB advances and other borrowings	46,000	38,000	8,000	21.1%
Other liabilities	<u>3,043</u>	<u>1,590</u>	<u>1,453</u>	<u>91.4%</u>
Total liabilities	370,733	274,516	96,217	35.0%
Stockholders' Equity:				
Common stock	32,824	32,824	-	0.0%
Additional paid-in capital	2,061	1,729	332	19.2%
Accumulated income (deficit)	<u>840</u>	<u>(1,326)</u>	<u>2,166</u>	<u>*nm</u>
	35,725	33,227	2,498	7.5%
Accumulated other comprehensive income	<u>70</u>	<u>20</u>	<u>50</u>	<u>250.0%</u>
Total stockholders' equity	<u>35,795</u>	<u>33,247</u>	<u>2,548</u>	<u>7.7%</u>
Total liabilities and stockholders' equity	\$ 406,528	\$ 307,763	\$ 98,765	32.1%

Partners Bank of California
Statements of Income

(unaudited, dollars in thousands)

	For the Twelve Months Ended		Variance	
	December 31, 2020	December 31, 2019	\$	%
Interest income	\$ 16,514	\$ 12,901	\$ 3,613	28.0%
Interest expense	<u>1,675</u>	<u>2,133</u>	<u>(458)</u>	<u>-21.5%</u>
Net interest income before provision for loan losses	14,839	10,768	4,071	37.8%
Provision for loan losses	<u>3,162</u>	<u>326</u>	<u>2,836</u>	<u>869.9%</u>
Net interest income after provision for loan losses	11,677	10,442	1,235	11.8%
Noninterest income	267	379	(112)	-29.6%
Noninterest expense	<u>8,793</u>	<u>7,699</u>	<u>1,094</u>	<u>14.2%</u>
Income before income tax provision	3,151	3,122	29	0.9%
Income tax provision	<u>985</u>	<u>1,058</u>	<u>(73)</u>	<u>-6.9%</u>
Net income	\$ 2,166	\$ 2,064	\$ 102	4.9%

*nm - not meaningful