



partners bank of california

Q4 2019 FINANCIALS & PRESIDENT & CEO'S MESSAGE

2019

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A MESSAGE FROM THE PRESIDENT & CEO

I'm pleased to announce a second consecutive year of growth in all major categories. With the successful opening of our Beverly Hills location in March 2019 and the addition of new team members to our business development and operations teams throughout the year, it has also been a transitional year for our Bank. We experienced significant growth in assets, core deposits and loans, which translated into an increase in income and equity. Equity increased a significant \$5.5 million through the retention of earnings and a \$2.75 million capital offering that was completed in June 2019. Highlights of the Bank's key financial achievements in 2019 include:



- Net income increased a significant 44.7%, from \$1.4 million to \$2.1 million.
- Total assets increased by \$49.9 million, or 19.3%.
- Deposits increased significantly to \$234.9 million, up \$36.7 million or 18.5% from the previous year.
- Total loans increased by \$25.9 million, or 12.1% during the year.

These achievements would not have been possible without our talented team of banking professionals. Their commitment to outstanding service coupled with an unrelenting desire to find solutions for our clients continues to set us apart from the competition and drive our ongoing success.

The growth we experienced in 2019 has led us to make another exciting addition to our organization at the start of the new decade, with Mr. James R. Quandt joining the Partners Bank family as a new member of our Board of Directors in January 2020.

Mr. Quandt is a nationally recognized business executive who has an extensive background in multiple industries, where he has held C-level and board level positions for more than three decades. Throughout his extensive career, Mr. Quandt was the CEO of Security Pacific Brokerage as well as President and CEO of Standard and Poor's Financial Services LLC. He has also served as a director for 13 public and privately-held corporations and held the position of Chairman for seven of these organizations. Currently, Mr. Quandt serves as the Chairman of the Board of Directors for Leaf Group Ltd. and NutraVail Technologies Inc., and is a member of the Board of Trustees for Saint Mary's College of California. Additionally, he serves as the Co-Founder and Managing Partner of Thomas James Capital, Inc.

I'm pleased to welcome Mr. Quandt to Partners Bank. His breadth of experience and industry expertise will be a dynamic part of our Bank's development as we continue to move the needle in 2020 and beyond.

Our goals for 2020 are to provide the best possible service and banking experience to our clients, increase long-term value for our shareholders, and position ourselves to not only overcome challenges but also seize opportunities that come with change.

On behalf of our Board of Directors and dedicated team, I thank you for your business and esteemed trust in Partners Bank of California. We look forward to a successful 2020!

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

Chris Walsh
President & CEO

Partners Bank of California
Statements of Financial Condition

(unaudited, dollars in thousands)

	December 31,		Variance	
	2019	2018	\$	%
Assets:				
Cash and cash equivalents	\$ 61,961	\$ 34,554	\$ 27,407	79.3%
Investment securities available for sale	5,542	9,016	(3,474)	-38.5%
Loans held for investment	240,147	214,252	25,895	12.1%
Allowance for loan losses	(3,612)	(3,214)	(398)	12.4%
Loans, net	236,535	211,038	25,497	12.1%
Other assets	3,725	3,270	455	13.9%
Total assets	\$ 307,763	\$ 257,878	\$ 49,885	19.3%
Liabilities:				
Deposits				
Noninterest-bearing deposits	\$ 102,466	\$ 102,185	\$ 281	0.3%
Savings, NOW and money market accounts	106,628	73,448	33,180	45.2%
Certificates of deposit	25,832	22,593	3,239	14.3%
Total deposits	234,926	198,226	36,700	18.5%
FHLB advances and other borrowings	38,411	31,000	7,411	23.9%
Other liabilities	1,179	938	241	25.7%
Total liabilities	274,516	230,164	44,352	19.3%
Stockholders' Equity:				
Common stock	32,824	29,513	3,311	11.2%
Additional paid-in capital	1,729	1,661	68	4.1%
Accumulated deficit	(1,326)	(3,390)	2,064	-60.9%
	33,227	27,784	5,443	19.6%
Accumulated other comprehensive income (loss)	20	(70)	90	*nm
Total stockholders' equity	33,247	27,714	5,533	20.0%
Total liabilities and stockholders' equity	\$ 307,763	\$ 257,878	\$ 49,885	19.3%

Partners Bank of California
Statements of Income

(unaudited, dollars in thousands)

	For the Twelve Months Ended		Variance	
	December 31, 2019	December 31, 2018	\$	%
Interest income	\$ 12,901	\$ 10,264	\$ 2,637	25.7%
Interest expense	2,133	989	1,144	115.7%
Net interest income before provision for loan losses	10,768	9,275	1,493	16.1%
Provision for loan losses	326	434	(108)	-24.9%
Net interest income after provision for loan losses	10,442	8,841	1,601	18.1%
Noninterest income	379	274	105	38.3%
Noninterest expense	7,699	7,034	665	9.5%
Income before income tax provision	3,122	2,081	1,041	50.0%
Income tax provision	1,058	655	403	61.5%
Net income	\$ 2,064	\$ 1,426	\$ 638	44.7%

*nm - not meaningful