

# CALIFORNIA BANCORP

Investor Presentation

Q1 2021



**CALIFORNIA**  
BANCORP

Steven E. Shelton  
President & CEO  
Thomas A. Sa  
SEVP, CFO & COO

# Forward-Looking Statements

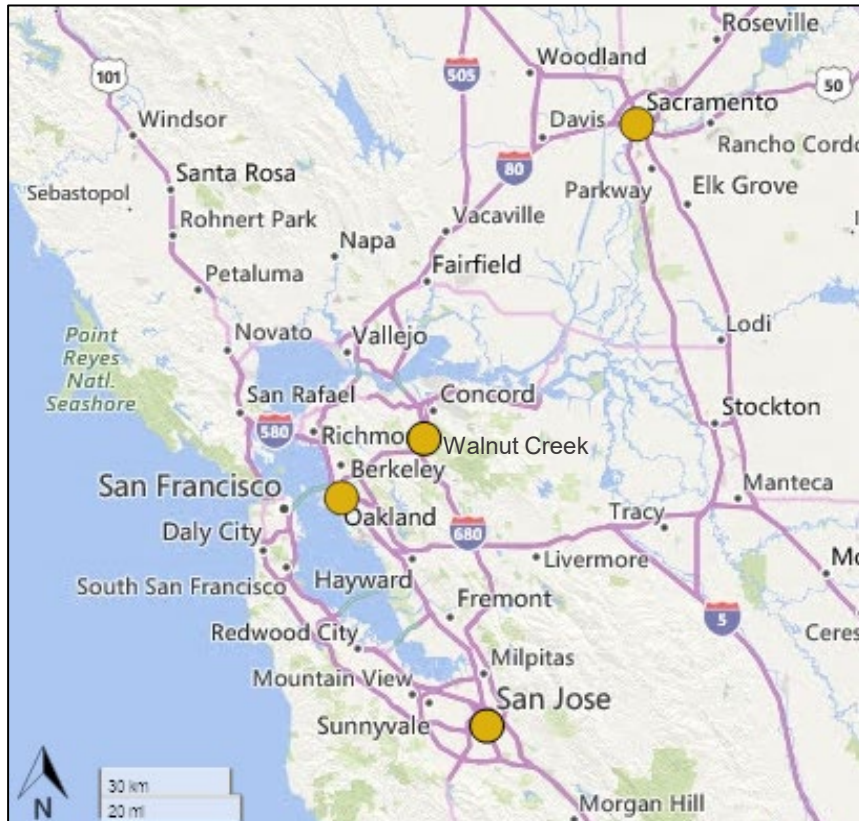
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# Overview of California Bancorp

## Focused Regional Office Footprint



- Headquarters/Regional Office in Oakland
- Regional Offices in San Jose, Walnut Creek and Sacramento
- Branch services in Walnut Creek and San Jose

## Company Overview

- Established in 2007 as a relationship focused commercial business bank serving Northern California with \$1.9 billion in assets and market cap of ~\$146 million<sup>(1)</sup>
- Majority of executive management joined the bank at inception
- Significant commercial core deposit base
- Primary relationship managers with average banking experience of over 25 years and average loan books of \$45 million
- Positioned to leverage recent investments to enhance our platform and extend our markets

## Financial Snapshot – 3/31/21

Balance Sheet	(\$mm)	2021Q1 Profitability	(%)
Assets	1,948	Core ROAA	0.59
Loans	1,470	Core ROATCE	8.77
Deposits	1,630	Net Interest Margin	2.94
Tangible Common Equity	132	Core Efficiency Ratio	70.70
Loans/ Deposits (%)	90%	Cost of Deposits	0.31
Loan Composition	(%)	Deposit Composition	(%)
C&I Loans / Gross Loans	29.9	DDA/ Total Deposits	45.6
CRE Loans / Gross Loans	39.0	Core Deposits/ Total Deposits	88.7
Capital Ratios (Consolidated)	(%)	Credit Metrics	(%)
TCE / TA	6.76	NPAs / Loans & OREO	0.02
Leverage Ratio	7.46	NPAs / Assets	0.01
Tier 1 Ratio	9.47	Reserves / Gross Loans	0.99
TRBC Ratio	12.34	NCOs / Avg. Loans	(0.01)

# Investment Highlights

- Branch light, commercial focused business bank with strong middle market relationships throughout Northern California
- Experienced management team and seasoned C&I relationship teams with strong ties to the local markets
- Proven organic and acquisitive growth story
- Quality core deposit franchise and commercial relationship strategy
- Disciplined underwriting standards with best-in-class asset quality metrics
- Strong earnings outlook as efficiencies from investments are realized

# 1<sup>st</sup> Quarter 2021 Highlights

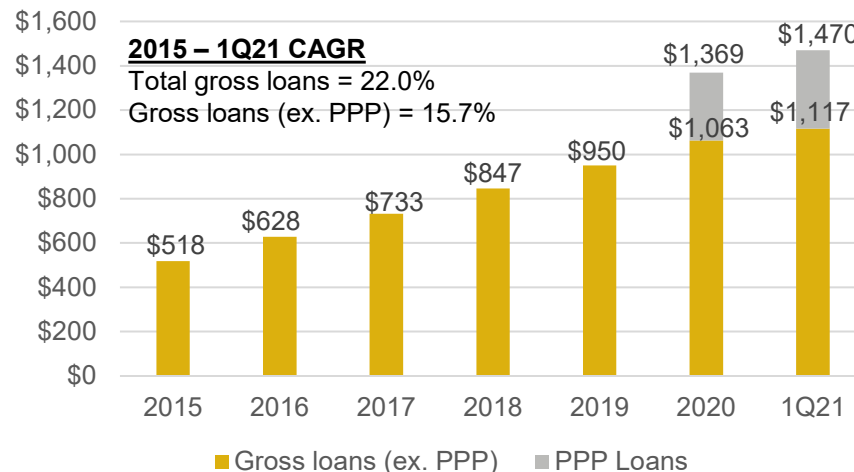
<b>Balance Sheet Growth and Increasing Operating Leverage Driving Improved Profitability</b>	<ul style="list-style-type: none"><li>• Net income of \$2.8 million, up from \$1.8 million in Q4 2020</li><li>• EPS of \$0.34, up from \$0.22 in Q4 2020</li><li>• ROA of 0.59%, up from 0.36% in Q4 2020</li></ul>
<b>Strong Loan and Deposit Growth</b>	<ul style="list-style-type: none"><li>• Gross loans increased \$101 million, or 7%, from Q4 2020 to total \$1.47 billion</li><li>• Core loans (ex. PPP loans) increased \$54 million, or 5%, to \$1.12 billion</li><li>• Total deposits increased \$98 million, or 6%, to \$1.63 billion</li></ul>
<b>Net Interest Income and Net Interest Margin Increase</b>	<ul style="list-style-type: none"><li>• Net interest income of \$13.3 million, an increase of \$0.6 million, or 4%, from Q4 2020</li><li>• NIM expanded to 2.94% from 2.66% in Q4 2020</li><li>• Average loan yield of 4.18% increased 4bps from Q4 2020</li><li>• Cost of total deposits of 0.30% decreased 6bps from Q4 2020</li></ul>
<b>Expense Control Contributes to Positive Operating Leverage</b>	<ul style="list-style-type: none"><li>• Non-interest expense, excluding capitalized loan origination costs, of \$11.6 million remained consistent with Q4 2020</li><li>• Efficiency ratio declined to 70.70% from 76.15% in Q4 2020</li></ul>
<b>Continued Strong Asset Quality</b>	<ul style="list-style-type: none"><li>• Non-performing assets to total assets of 0.01%</li><li>• Net loan recoveries of \$166,000, or 0.01% of gross loans</li><li>• Provision for credit losses decreased to \$300,000 from \$700,000 for Q4 2020</li></ul>

# Branch Light, Commercial Focused Business Bank

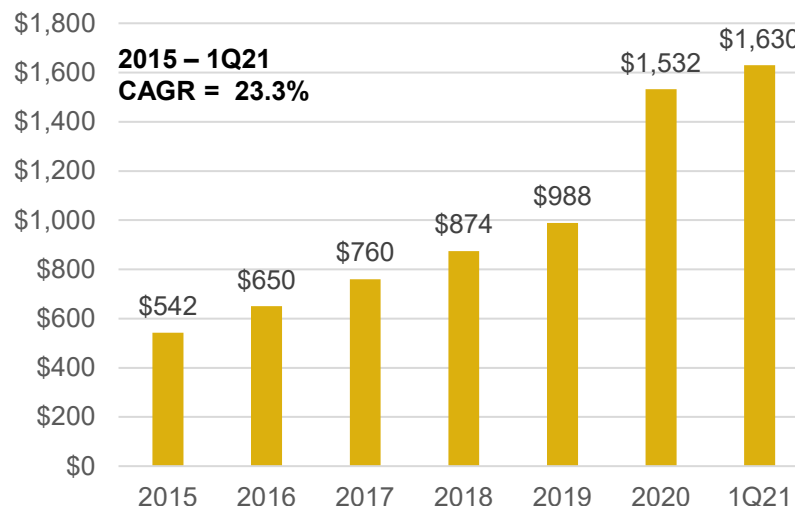
## Business Model Overview

- Middle market commercial banking focus
  - Privately owned companies with \$30 million - \$300 million in annual revenue
  - Clients with minimum lending relationships of \$2 million or \$1 million in deposits
- Portfolio managed over the long term to ~40% C&I loans and ~40% non-interest bearing deposits
- Investing in other asset generating business lines
  - Asset-Based Lending division established in July 2011
  - Practice Acquisition division established in March 2011
  - Construction division established December 2015
  - Sponsor Finance division established in February 2020
- Strong core commercial deposit generation strategy
  - Utilize technology with minimal branches
  - Provide commercial cash management services to middle market clients
  - Dedicated treasury management sales team and platform

## Impressive Loan Growth



## Strong Deposit Growth



# Taking Share from National/Regional Banks

## Product and Service Differentiation

- **Combine capabilities of a big bank with the high service levels of a community bank**
  - Attract top talent with deep market experience to compete against and win business from large banks
  - Professional team with a consultative delivery process
  - Invest in systems, tools, and technology for success in niche markets
  - Offer clients access to key decision makers
  - Ability to execute quickly, with market leading responsiveness

## Attractive Client Risk Profile and Industry Mix



## Industry & Specialty Lending Focus

- **Commercial banking focused on four core industries**
  - Manufacturing and Distribution
  - Professional
  - Contractor
  - Investor CRE
- **Specialty lending groups**
  - Practice Acquisition
  - Asset Based Lending
  - Sponsor Finance
  - Construction

## Our “Typical Client”

- ~\$75 million in annual revenue
- \$8 million revolving line with \$3 million average outstanding
- \$3 million equipment term loan
- \$5 million commercial real estate loan
- \$3 million demand deposit operating account
- \$5 million money market accounts to hold surplus deposits
- Fee income driven by commercial portfolio account analysis and treasury management services



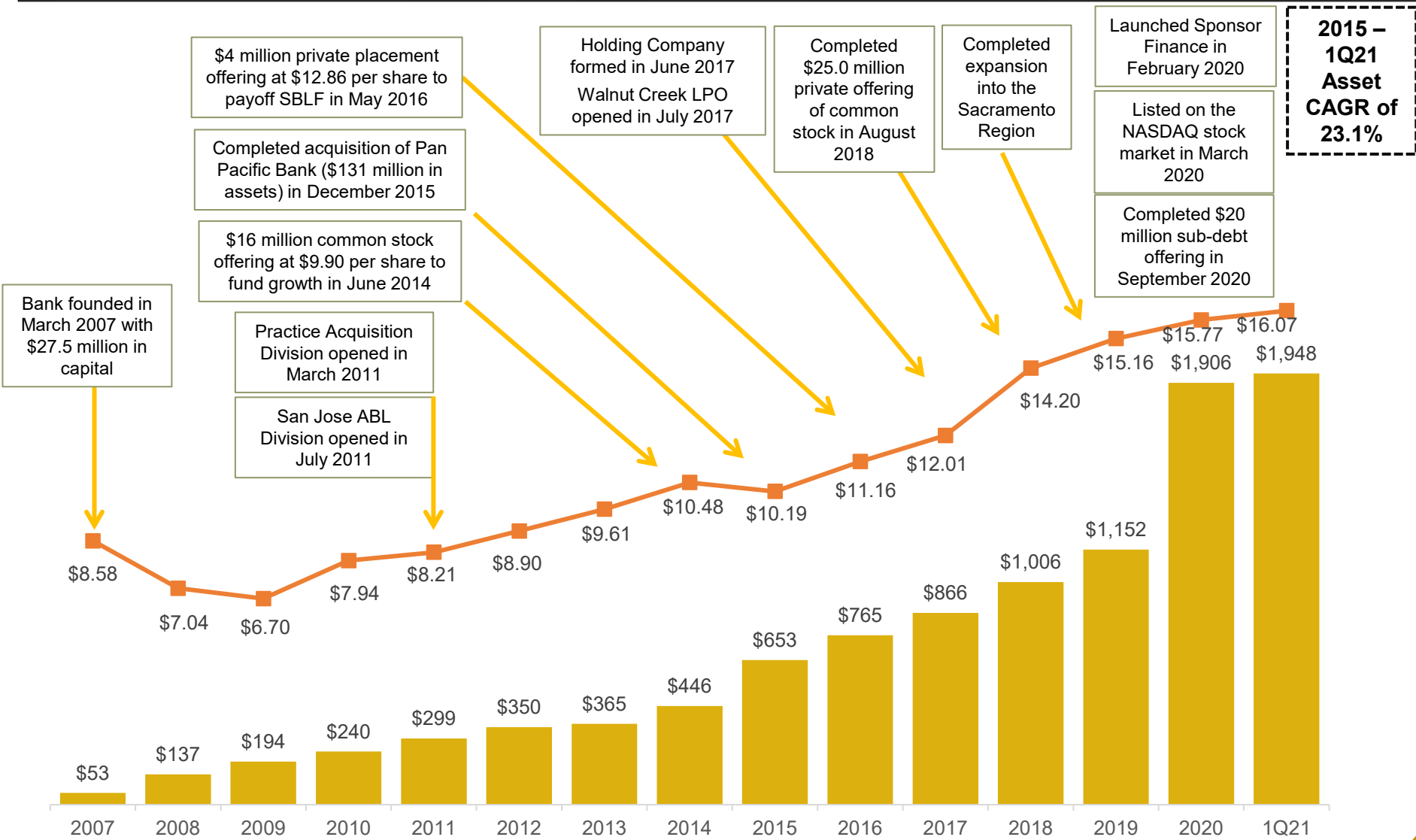
# Experienced Management Team

<b>Steven E. Shelton,</b> <i>President &amp; CEO</i>	<i>Years at CALB: 13</i> <i>Years in Industry: 36</i>	<ul style="list-style-type: none"> <li>➤ Previously served as an Executive Vice President of the Bank primarily responsible for managing production since the Bank's founding in 2007</li> <li>➤ Served for thirteen years in various executive management positions including President of CivicBank of Commerce</li> </ul>
<b>Thomas A. Sa,</b> <i>SEVP, CFO &amp; COO</i>	<i>Joined 2019</i> <i>Years in Industry: 32</i>	<ul style="list-style-type: none"> <li>➤ More than 30 years' experience in executive finance and risk management roles, most recently serving as Chief Risk Officer for Western Alliance Bank.</li> <li>➤ Previously served in various executive and director roles at Bridge Bank and its holding company Bridge Capital Holdings (BBNK), including Chief Financial Officer and Chief Strategy Officer.</li> </ul>
<b>Vivian Mui,</b> <i>SEVP &amp; CCO</i>	<i>Years at CALB: 13</i> <i>Years in Industry: 19</i>	<ul style="list-style-type: none"> <li>➤ Previously served as Deputy Chief Credit Officer and part of senior management from 2007 to 2018</li> <li>➤ 17 years of experience in various positions including lending and credit administration at Mechanics Bank</li> </ul>
<b>Scott Myers</b> <i>SEVP &amp; CLO</i>	<i>Joined 2019</i> <i>Years in Industry: 24</i>	<ul style="list-style-type: none"> <li>➤ Veteran banker with more than 15 years banking experience in the Sacramento area</li> <li>➤ Previously served as Wells Fargo Senior Vice President and Sacramento Region Manager</li> </ul>
<b>Michele Wirfel,</b> <i>SEVP &amp; CBO</i>	<i>Years at CALB: 13</i> <i>Years in Industry: 29</i>	<ul style="list-style-type: none"> <li>➤ Previously served as the Bank's Executive Vice President &amp; East Bay Market President</li> <li>➤ Has worked in financial management and commercial banking since 1991 in various executive management positions including regional manager for CivicBank of Commerce</li> </ul>
<b>Tom M. Dorrance,</b> <i>SEVP Technology &amp; Operations</i>	<i>Years at CALB: 13</i> <i>Years in Industry: 28</i>	<ul style="list-style-type: none"> <li>➤ Previously served as a Senior Vice President and Chief Information Officer for North Bay Bancorp</li> <li>➤ Has worked in financial management and commercial banking since 1992 including I.T. Manager at CivicBank of Commerce</li> </ul>
<b>John Lindstedt,</b> <i>SEVP &amp; CCO Emeritus</i>	<i>Years at CALB: 13</i> <i>Years in Industry: 52</i>	<ul style="list-style-type: none"> <li>➤ Served as Executive Vice President and CCO from 2007 through 2017</li> <li>➤ Previously served in various executive management positions including Executive Vice President and Senior Lending Officer for Wells Fargo's corporate bank and President &amp; CCO of CivicBank of Commerce</li> </ul>



# Demonstrated Growth Track Record

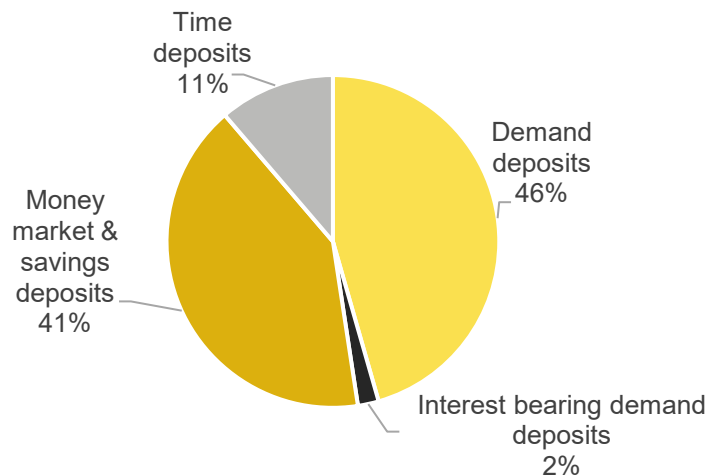
## Successful Expansion Throughout Northern California



**2015 – 1Q21  
Asset  
CAGR of  
23.1%**

# Strong and Growing Core Deposit Base

## Deposit Composition

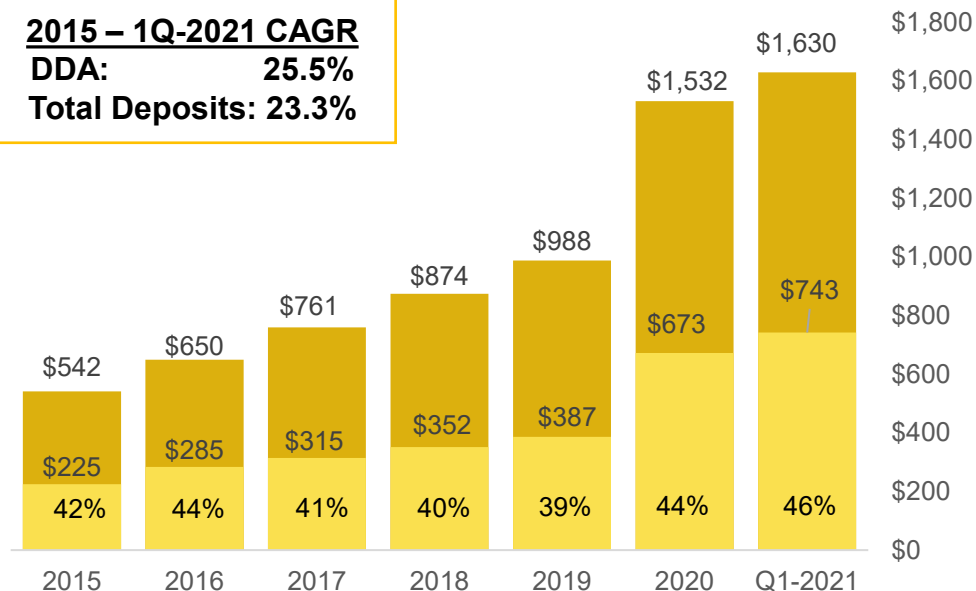


## Deposit Portfolio Highlights–3/31/21

- Deposits increased \$601 million from Q1-2020 to Q1-2021
- Core deposit base driven by commercial clients
  - 95%+ of commercial relationships hold deposits at the bank
  - Core deposits comprise 89% of total deposits
- Utilize remote deposit capture and commercial cash management to generate and retain deposits
- Treasury management division established in Q4-2019

## Historical Deposit Composition

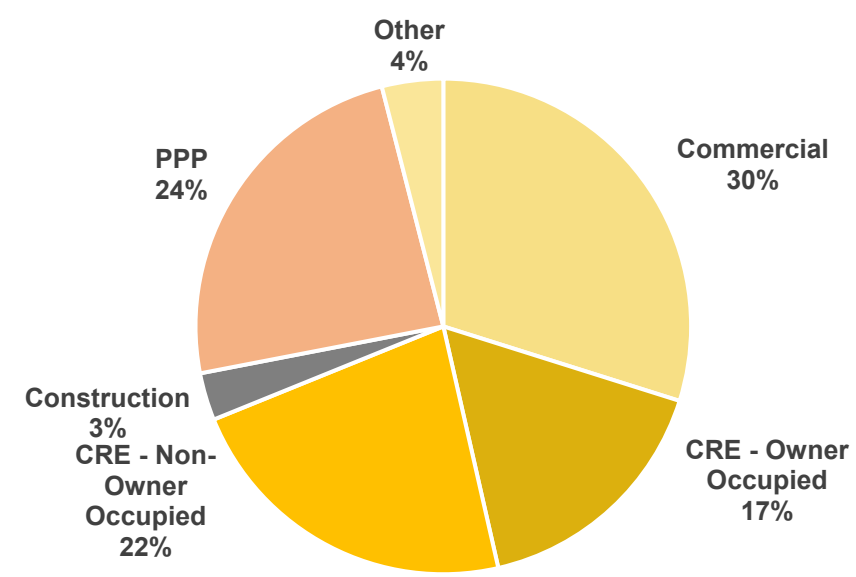
**2015 – 1Q-2021 CAGR**  
**DDA: 25.5%**  
**Total Deposits: 23.3%**



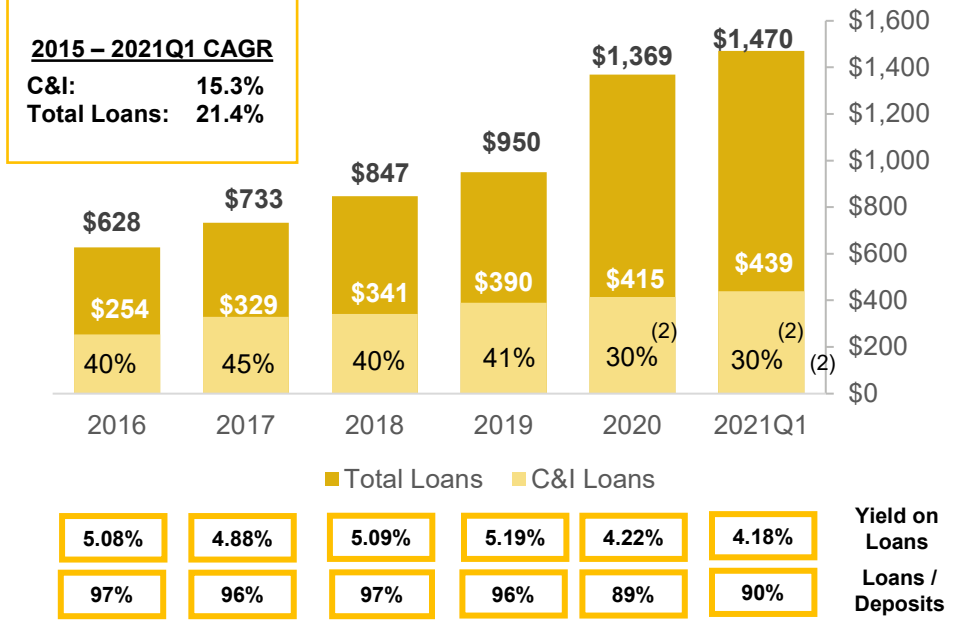
	2015	2016	2017	2018	2019	2020	Q1-2021
Cost of Deposits	0.23%	0.24%	0.35%	0.55%	0.81%	0.48%	0.31%
Core Deposit Mix	94%	93%	94%	91%	88%	87%	89%

# Diversified Commercial Loan Portfolio

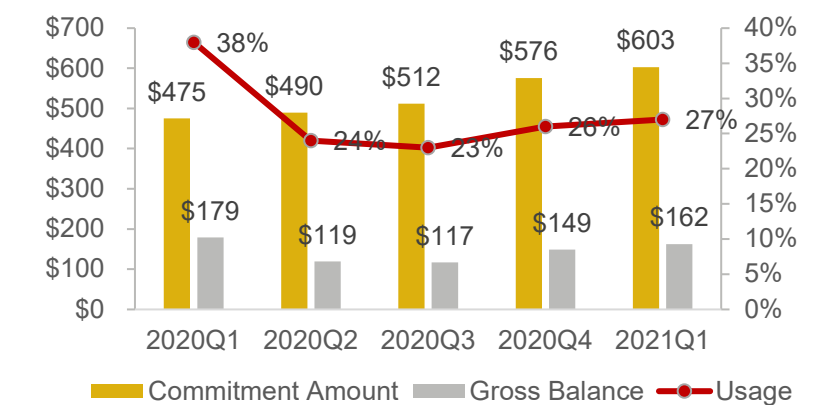
Loan Portfolio Composition



Historical Loan Composition<sup>(1)</sup>



Operating LOC Usage



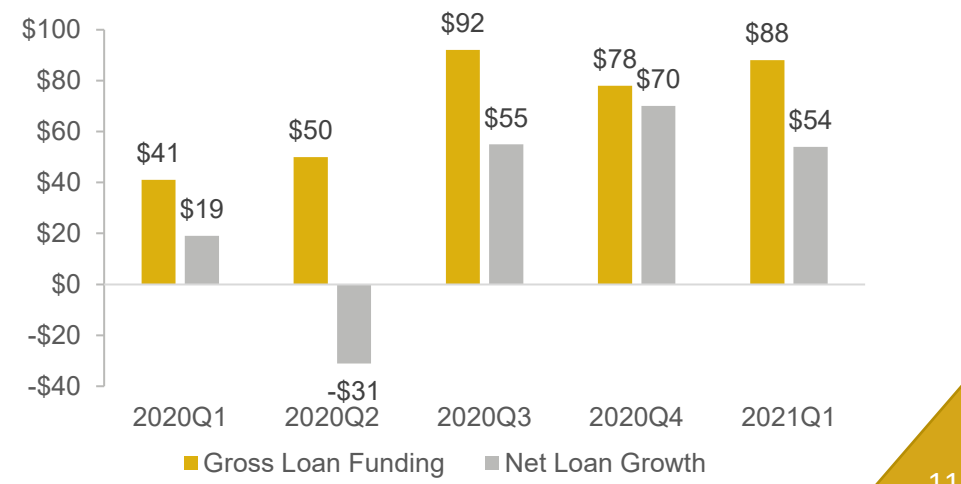
Dollars in millions

(1) Data as of 12/31 for each respective year

(2) Reflects impact from PPP loans

(3) Excludes PPP loans

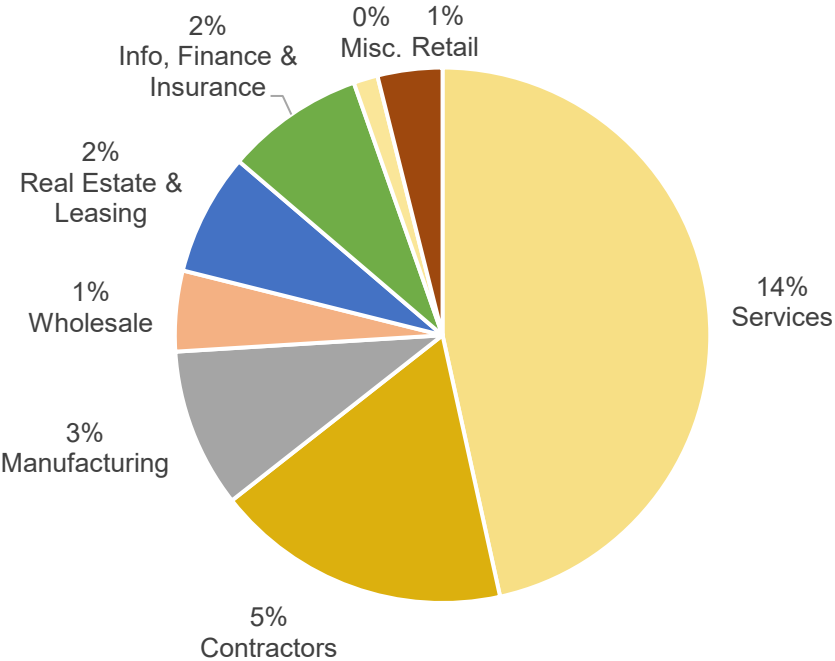
Gross Loan Funding vs. Net Loan Growth<sup>(3)</sup>



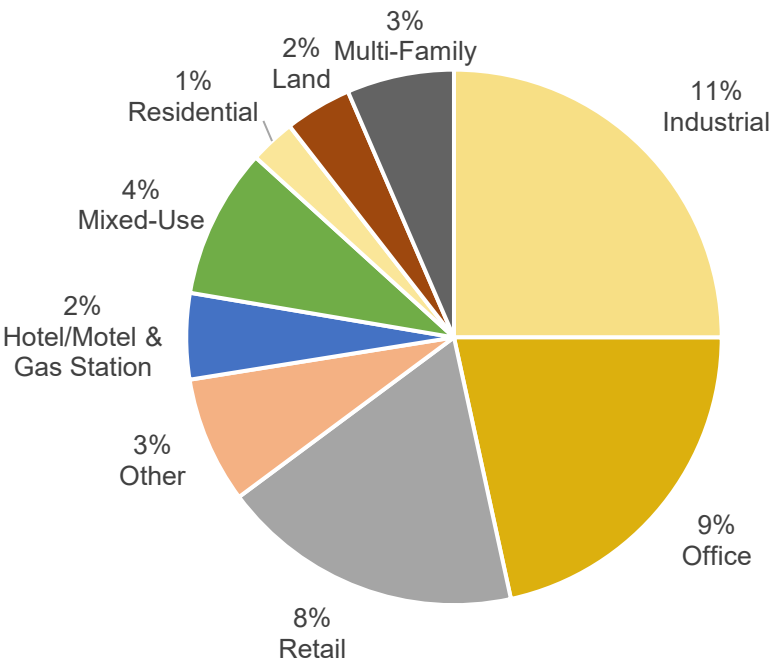
# Commercial and CRE Loan Portfolios

➤ Well-diversified loan portfolio mitigates risk

Commercial Loan Portfolio<sup>(1)</sup>



CRE Loan Portfolio<sup>(1)</sup>



(1) Data as a percent of total loans, \$1.5 billion  
Data as of 3/31/2021

# Paycheck Protection Program (PPP) Detail

- 806 PPP loans with balances of \$353 million (24% of total loans) as of 3/31/21 compared to 632 PPP loans with balances of \$306 million (22% of total loans) as of 12/31/20
  - 437 first round PPP loans with balances of \$236 million (16% of total loans)
  - 369 second round PPP loans with balances of \$117 million (8% of total loans)
- During the three months ended 3/31/21, \$74.5 million of PPP loans were granted forgiveness by the SBA compared to \$55.7 million during the three months ended 12/31/20
  - Through April 23, 2021, 194 PPP loans with \$156.7 million of balances were in progress for forgiveness
- Recognized \$2.2 million of PPP fees during the three months ended 3/31/21, with fees of \$5.1 million remaining to be recognized at 3/31/21
- Expect PPP loan funding to moderate in Q2 2021

## PPP Loans (3/31/21)

Sector	# of Loans	% of PPP Loans	Principal Balance	% of PPP Loans	% of Total Loans	Services Sector Detail	# of Loans	% of Loans	Principal Balance	% of Loans	% of Total Loans
Services	481	60%	\$121.7	34%	8%	Prof. / Scientific	82	17%	\$57.9	48%	4%
Contractors	110	14%	130.7	37%	9%	Dental	371	77%	46.0	38%	3%
Retail	65	8%	27.2	8%	2%	Other	28	6%	16.8	14%	1%
Manufacturing	39	5%	21.2	6%	1%	<b>Total</b>	<b>481</b>	<b>100%</b>	<b>\$120.7</b>	<b>100%</b>	<b>8%</b>
Misc.	48	6%	13.3	4%	1%						
Finance	16	2%	19.3	5%	1%						
Wholesale	23	3%	17.0	5%	1%						
Real Estate	24	3%	4.1	1%	0%						
<b>Total</b>	<b>806</b>	<b>100%</b>	<b>\$353.4</b>	<b>100%</b>	<b>24%</b>						

Dollars in millions

# COVID-19 Loan Deferral Program Detail

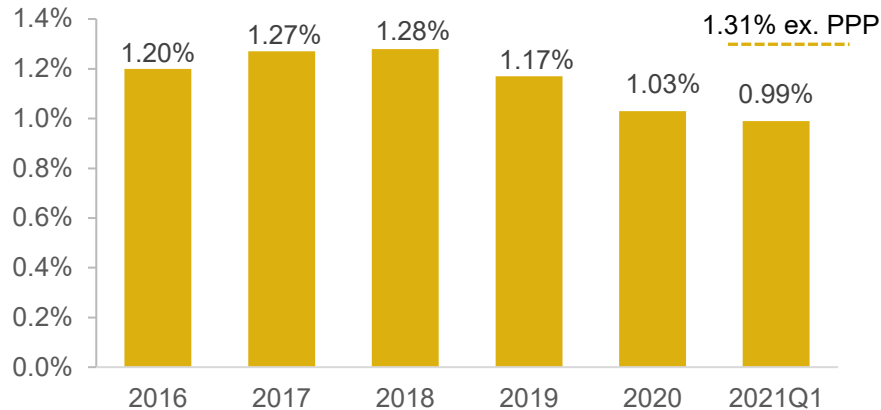
- Total number of loans on deferral increased from 1 as of December 31, 2020 to 4 as of March 31, 2021
- Balances of loans on deferral increased from \$3.1 million as December 31, 2020 to \$9.5 million (~1% of the core loan portfolio) as of March 31, 2021
- Balances of loans on deferral are down from \$323.9 million (~35% of the core loan portfolio) as of June 30, 2020

## Loan Deferral Balances

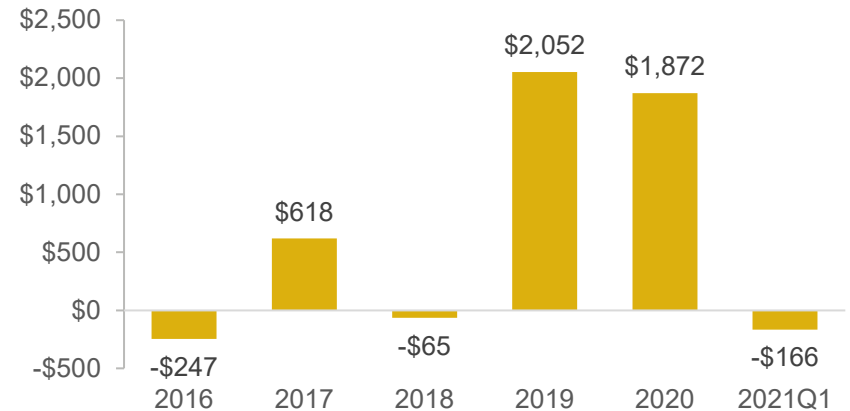
Sector	Deferrals Outstanding				% of Total "Core" Portfolio			
	6/30/20	9/30/20	12/31/20	3/31/21	6/30/20	9/30/20	12/31/20	3/31/21
Dental Practice Acquisition	\$ 137.8	\$ 0	\$ 0	\$ 0	15%	0%	0%	0%
Dental CRE	38.0	0	0	0	4%	0%	0%	0%
<b>Dental Total</b>	<b>175.8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Other owner occupied CRE	40.2	7.4	3.1	5.9	4%	0%	0%	1%
Other non-owner occupied CRE	90.9	4.6	0	0	10%	0%	0%	0%
<b>Other CRE Total</b>	<b>131.2</b>	<b>11.9</b>	<b>3.1</b>	<b>5.9</b>	<b>14%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>
Contractors	0.9	0	0	0	0%	0%	0%	0%
Other	16.1	0.6	0	3.5	2%	0%	0%	0%
<b>Total</b>	<b>\$ 323.9</b>	<b>\$ 12.5</b>	<b>\$ 3.1</b>	<b>\$ 9.5</b>	<b>35%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>

# Asset Quality Trends

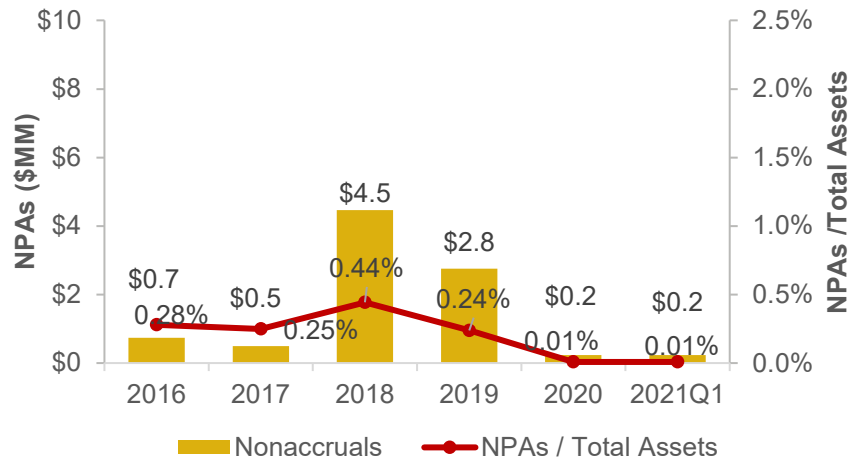
## Reserves / Loans



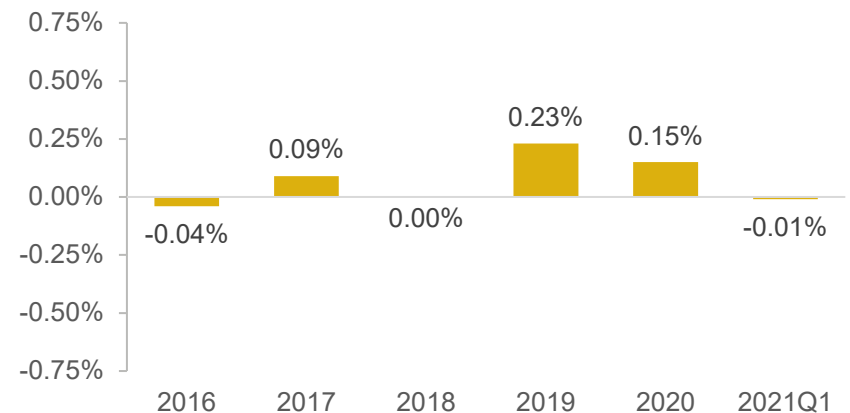
## Net Charge-Offs (Recoveries) (\$'000s)<sup>1</sup>



## Nonperforming Assets



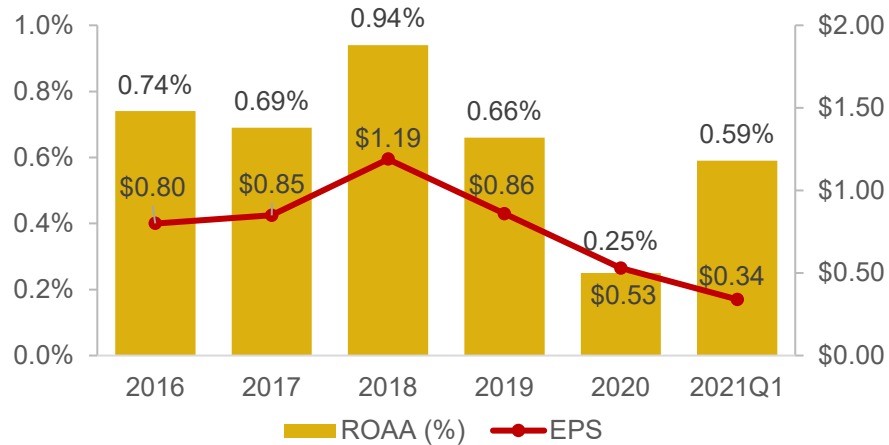
## NCOs (Recoveries) / Avg. Loans (%)<sup>1</sup>



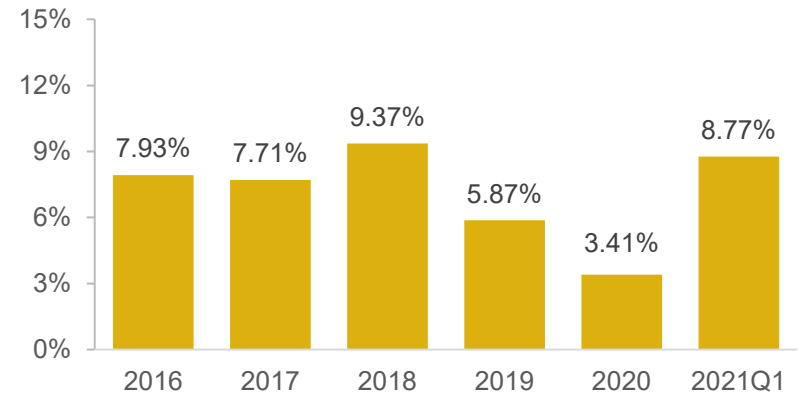


# Historical Profitability Trends

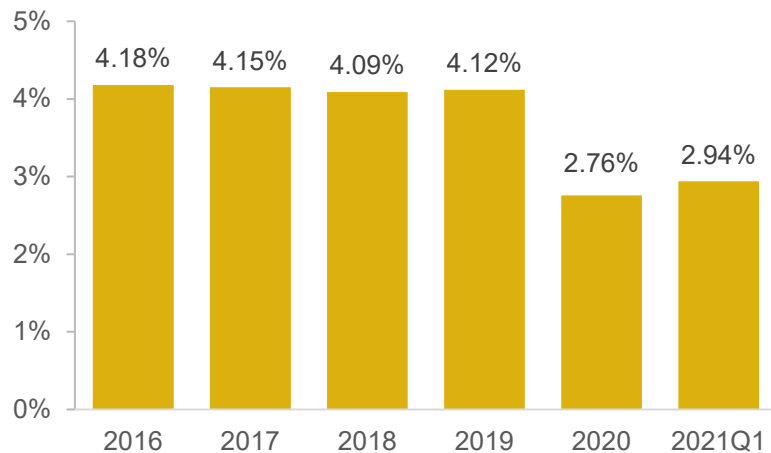
## ROAA



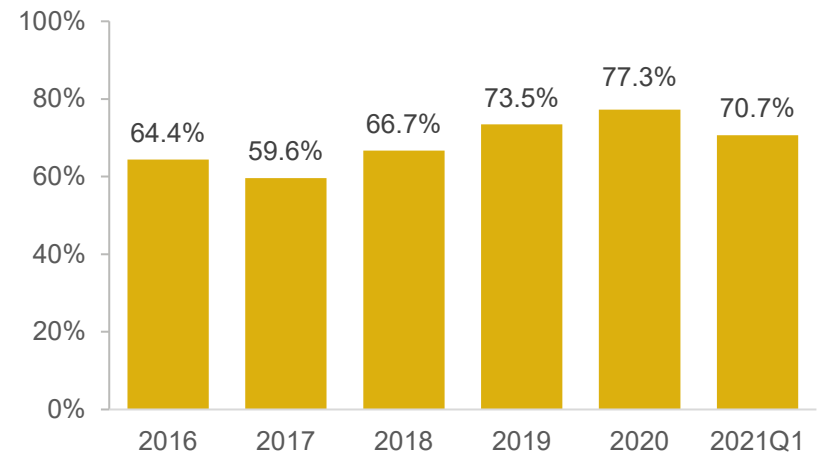
## ROATCE



## Net Interest Margin



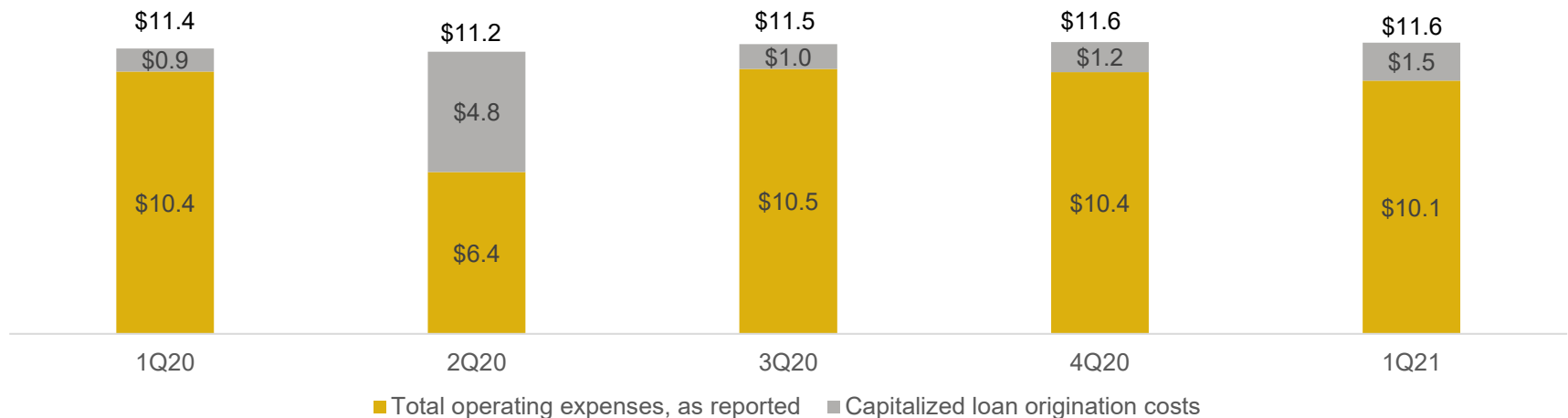
## Efficiency Ratio



# Expense Levels Are Stabilizing

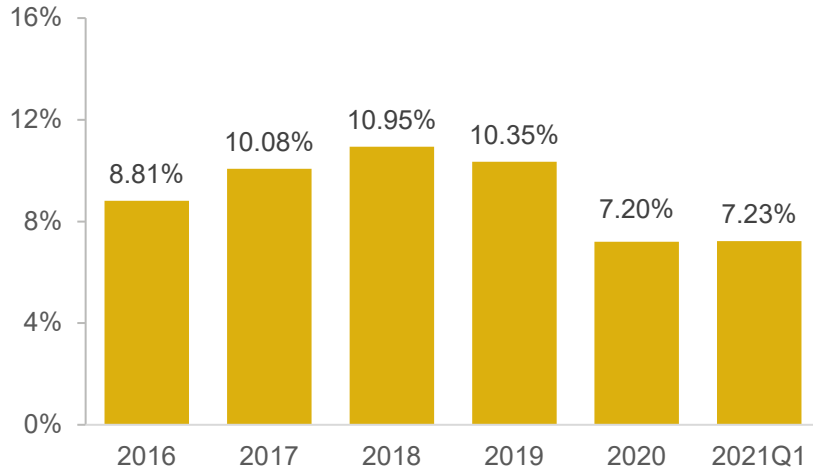
- Operating expenses before capitalized loan origination costs are stabilizing following investments in talent, product development and technology over last two years
- Continued strong balance sheet growth and slower expense growth are expected to drive profitability improvements

## Operating Expenses Before Capitalized Loan Origination Costs

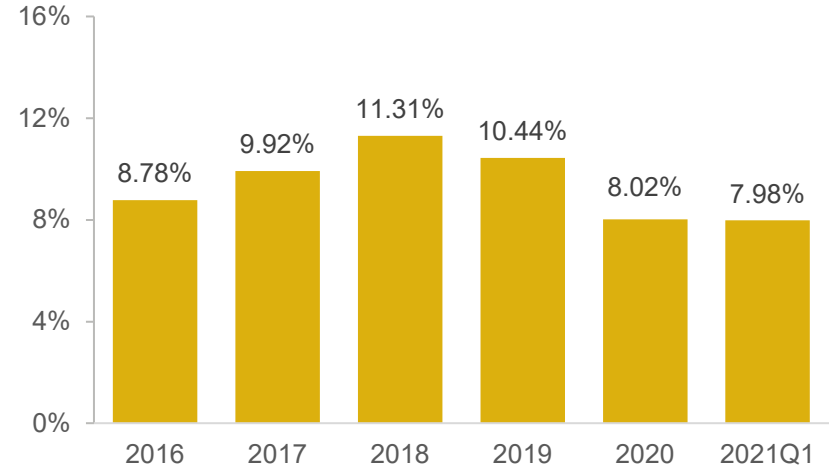


# Capital Ratios – Bank Only

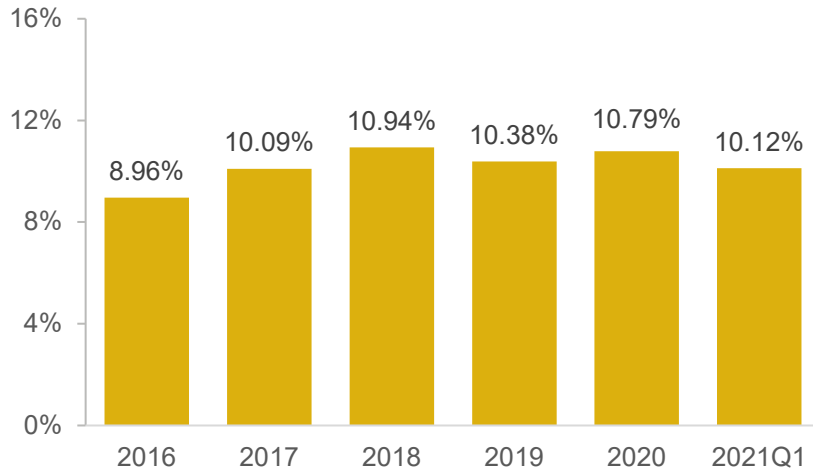
**TCE / TA**



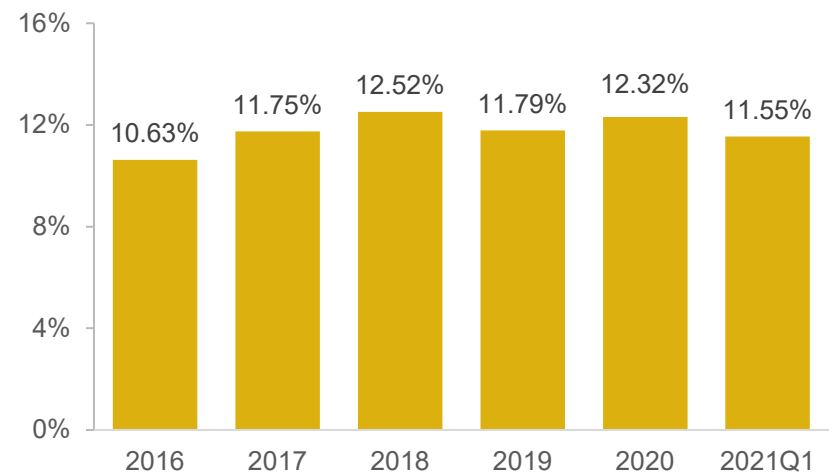
**Leverage Ratio**



**Tier 1 Ratio**



**Total Capital Ratio**



# 2021 Outlook and Priorities

- Fully capitalize on the infrastructure put in place to generate additional balance sheet growth and realize increased operating leverage
- Continue growing loans as new banking talent added over past two years attracts new clients in our targeted markets, industries and asset classes
- Tightly manage expense levels while continuing to opportunistically add banking talent in priority areas
- Further enhance our treasury management platform to improve our ability to meet the needs of larger commercial clients with more complex cash management requirements
- Maintain strong asset quality
- Continue executing well, deliver a strong year of balance sheet, revenue and earnings growth, and generate a higher level of returns

# Summary

- Northern California commercial business bank with a disciplined approach to credit underwriting
- Experienced Executive Management Team and seasoned C&I Relationship Managers
- Strong commercial loan portfolio with corresponding commercial relationship deposits
- Keen focus on relationship core deposits in deposit rich industries
- Proven organic and acquisition growth capabilities



# CALIFORNIA BANCORP

Please send questions to [ir@bankcbc.com](mailto:ir@bankcbc.com)  
Or Call 510.457.3751

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