

Flying Under the Radar: Northern California Small and Micro-Cap Banks



Northern California (NorCal), the focus of this *Industry Report*, encompasses 48 counties with a population of 15 million people. In addition to its many profitable community banks, NorCal is home to the nation's high-tech industry, world-class universities, very productive agricultural regions, and some of the most expensive housing markets in the county. We define NorCal as the region situated between Nevada and the Pacific

Ocean, and stretching north from the northern borders of San Luis Obispo, Kern, and San Bernardino counties to Oregon. (Please see map on p. 11.)

This report highlights 26 publicly-traded banks in NorCal with assets between \$800 million and \$20.0 billion. We believe banks in this size range are large enough to operate efficiently and small enough to deliver personalized services. These stocks typically trade “under the radar screen” – they are not widely followed by brokerages or institutional investors for several reasons, including fairly low market caps and little trading volume.

Figure 1.a

Institution	HQ	Ticker	Stock Price (\$)	Mkt Cap (\$mm)	Total Assets (\$000s)
1867 Western Fin'l Corp.	Stockton	WFCL	9,200.00	NA	4,360,194
1st Capital Bancorp	Salinas	FISB	13.49	75	950,703
Avidbank Holdings, Inc.	San Jose	AVBH	22.55	140	1,604,273
Bank of Commerce Holdings	Sacramento	BOCH	15.23	253	1,917,153
Bank of Marin Bancorp	Novato	BMRC	37.87	619	3,073,818
BayCom Corp.	Walnut Creek	BCML	18.46	195	2,334,472
California BanCorp	Oakland	CALB	17.16	141	1,869,063
Central Valley Comm. Bncp	Fresno	CVCY	21.72	260	2,280,550
Communities First Fin'l Corp.	Fresno	CFST	47.00	144	988,481
Exchange Bank	Santa Rosa	EXSR	152.50	261	3,430,999
Farmers & Merchants Bncp	Lodi	FMCB	905.00	715	4,924,568
First Northern Comm. Bncp	Dixon	FNRN	10.95	149	1,834,576
Five Star Bancorp	Rancho Cordova	FSBC	23.68	408	2,327,867
Heritage Commerce Corp.	San Jose	HTBK	11.53	694	5,072,875
Luther Burbank Corp.	Santa Rosa	LBC	13.69	708	7,257,078
Mechanics Bank	Walnut Creek	MCHB	29,980.00	1,925	18,797,454
Oak Valley Bancorp	Oakdale	OVLY	17.59	143	1,764,464
Plumas Bancorp	Reno	PLBC	31.19	181	1,267,935
River City Bank	Sacramento	RCBC	282.80	417	3,359,517
Santa Cruz County Bank	Santa Cruz	SCZC	47.61	184	1,631,136
Sierra Bancorp	Porterville	BSRR	24.25	370	3,272,048
Summit State Bank	Santa Rosa	SSBI	18.91	115	901,643
Suncrest Bank	Visalia	SBKK	16.60	203	1,371,984
TriCo Bancshares	Chico	TCBK	43.36	1,288	8,170,365
United Security Bncshs	Fresno	UBFO	7.97	136	1,231,055
Westamerica Bancorp	San Rafael	WABC	55.75	1,498	7,147,779
Median				253	2,304,209

Source: S&P Global Market Intelligence. Pricing data as of September 28, 2021. Financial data as of or for the 3 months ending June 30, 2021.

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Figure 1.b

Institution	TE/ Assets (%)	Div Yld (%)	LTM P/E (x)	Price/ TBV (%)	Insider Owner (%)	Inst. Owner (%)
1867 Western Fin'l Corp.	15.1	1.2	9.1	126	0	NA
1st Capital Bancorp	8.1	0.0	12.7	97	0	2
Avidbank Holdings, Inc.	8.2	0.0	12.1	106	0	5
Bank of Commerce Holdings	8.8	1.6	13.8	154	8	48
Bank of Marin Bancorp	10.4	2.5	15.0	157	4	40
BayCom Corp.	9.0	0.0	11.9	96	8	49
California BanCorp	NA	0.0	15.3	NA	9	32
Central Valley Comm. Bncp	8.8	2.2	10.2	136	16	47
Communities First Fin'l Corp.	8.0	0.0	8.9	183	34	6
Exchange Bank	9.0	3.1	7.8	85	0	8
Farmers & Merchants Bncp	8.6	1.7	11.3	169	24	6
First Northern Comm. Bncp	8.3	0.0	11.2	98	9	11
Five Star Bancorp	9.4	2.5	7.0	187	47	33
Heritage Commerce Corp.	8.2	4.5	16.0	173	4	71
Luther Burbank Corp.	8.8	3.5	11.4	112	79	16
Mechanics Bank	8.9	0.0	11.9	121	0	0
Oak Valley Bancorp	7.5	1.6	8.6	109	20	28
Plumas Bancorp	8.4	1.8	9.7	153	19	26
River City Bank	8.6	0.4	10.1	141	0	2
Santa Cruz County Bank	9.4	1.1	9.0	123	0	2
Sierra Bancorp	10.1	3.6	8.9	114	10	55
Summit State Bank	8.2	2.5	8.8	156	18	14
Suncrest Bank	9.9	0.0	12.9	155	0	1
TriCo Bancshares	9.2	2.3	12.5	176	10	65
United Security Bncshs	9.3	5.5	16.6	119	15	32
Westamerica Bancorp	10.2	2.9	17.3	208	4	77
Median	8.8	2.3	11.4	136	9	26

Source: S&P Global Market Intelligence. Pricing data as of September 28, 2021. Financial data as of or for the 3 months ending June 30, 2021.

The pandemic has emphasized that banks across all asset sizes face major and lasting tests, which include a greater need for scale. **As part of this “survival of the fittest challenge”, NorCal’s community banks should actively consider expanding niche businesses and fintech applications; and/or pursuing merger partners.** We believe several NorCal banks and their investors would benefit from merger-of-equals (“MOE”) transactions to gain the requisite scale to better compete.

June 2021 quarter results for our highlighted banks were generally good. Credit remains excellent and many banks had lower, or even negative, loan loss provisions. Some NorCal banks took advantage of near-perfect interest rates and other favorable market conditions to issue subordinated debt (“sub debt”) and preferred stock, which have been favorably received by the market. Environmental, Social, and Governance (“ESG”) bonds are also good options for issuers and investors in many instances. **PNC FIG Advisory recommends that sensitivity models tailored to individual banks can best identify additional capital needs and, if so, what form of capital is best suited for current and longer-term strategic plans.**

Banks that are considering strategic plans and/or capital management initiatives should track proposed tax, supervisory, and regulatory policies changes. For example, House Democrats proposed a new 26.5% top Federal tax rate vs. the current 21% rate. Although the final changes and their ultimate impacts cannot be determined at this time, preliminary indications signal that bankers should consider most proposals as anything, but business-friendly.

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Random (But Not Alternative) Northern California Facts

- The orange color of the Golden Gate Bridge was originally intended just as a primer.
- According to John C. McWilliams, author of *The 1960s Cultural Revolution*, the *San Francisco Chronicle* coined the word “hippies” in 1965.
- The San Francisco 49ers and Oakland Raiders won five and three Super Bowls, respectively.
- Founded in 1864 by Darius Ogden Mills in Sacramento, the Bank of California is the oldest incorporated bank in the Golden State.
- The hottest temperature on Earth was recorded at Furnace Creek Ranch in Death Valley in 1913. The temperature was 134 degrees Fahrenheit.
- Built between 1917 and 1947, Hearst Castle is a historic, palatial estate in San Simeon, located on the Central Coast of California.
- The first European inhabitants of NorCal were Spanish missionaries. The first mission was established at Monterey in 1770.
- Napa Valley is famous, but only 4% of all U.S. wine comes from that region. More than 36 different wine grape varieties grow in Napa County.
- Lake Tahoe, which straddles the California -Nevada border, sits at 6,225 feet above sea level, which is higher than Denver the Mile High City. The lake is deeper than the Empire State building is tall.

Highlights

- There are 171 regulated depository institutions, including 85 which are publicly-traded, in California. The top three banks have a combined deposit market share of approximately 50%. Bank of America Corp. (NYSE: BAC) and Wells Fargo & Co. (NYSE: WFC) are the market leaders with 22% and 16%, respectively.
- Home to approximately 15 million people, our highlighted NorCal region has 45 publicly-traded banks and thrifts. Only eight companies headquartered there have assets greater than \$5 billion and 16 companies have assets less than \$1 billion.
- **This *Industry Report* highlights key performance ratios and valuation metrics of 26 publicly-traded, NorCal community banks with assets between \$800 million and \$20 billion using June 2021 quarter (except as noted) financial data.**
- Of the top 10 California banks regarding deposit market share, only Wells Fargo, SVB Financial Group (NYSE: SVB) and First Republic Bank (NYSE: FRC) are headquartered in-state.
- Sacramento and other NorCal locations have strong real estate markets driven in large part by those seeking more affordable housing than the Bay Area and the Los Angeles metropolitan area. On the past decade, median home prices in San Francisco County increased 165% to approximately \$1.85 million.
- An analysis of California's political environment is outside the scope of our report, but the recall election of Governor Newsom (he survived) seems to indicate discontent among many businesses and individuals that bank investors should monitor.
- As of June 30, 2021, the highlighted banks generally had solid balance sheets that reflect strong asset quality and acceptable capital ratios relative to national medians. Per S&P Capital IQ, cash and investment securities were 33.6% (median) of total assets at June 30, 2021, compared with 28.6% (median) at the same time, last year. The median loan to deposit ratio fell to approximately 71% at June 30, 2021, from 80% a year-ago.
- Although data is obscured by PPP loan run-off, it appears loan growth remains tepid. Besides customers' excess liquidity, uncertainties associated with supply chain delays, potential tax rate hikes, and other fiscal matters changes may reduce near-term capital spending and further dampen loan demand.
- Until loan growth picks up, net interest margins ("NIMs") will likely remain under pressure as bankers are challenged to invest excess liquidity without undue interest rate risk. Several of our highlighted banks have already reduced funding costs to ultra-low levels as newly originated loan yields trended lower.
- For the quarter ending June 30, 2021, the median NIMs for our highlighted banks and nationwide banks with assets between \$800 million and \$20 billion were 3.34% and

3.16%, respectively. The median NIMs for the same banks were 3.43% and 3.24%, for the quarter ending March 31, 2021, and 3.56% and 3.30%, respectively, for the quarter ending June 30, 2020.

- The median return on average assets (ROAA) and return on average tangible common equity (ROATCE) of the 26 institutions highlighted herein were 1.17% and 13.4%, respectively. The same ratios were 1.10% and 13.0% for similar-sized banks nationally. These ratios use the financial data for the quarter ended June 30, 2021.
- **Interest rates and spreads are moving higher.** This could be a temporary move, but as of September 27, 2021, the spread between 2 and 5-year Treasury notes rose to 68 basis points vs. 14 basis points a year-ago. We generally regard 2 and 5-year Treasuries as proxies for funding costs and investment yields, respectively.
- Although one size does not fit all, some strategies that should work well in the current environment include deleveraging through the prepayment of FHLB advances, selling lower-yielding securities, purchasing whole loans, and investing in higher-yielding sub debt issuances of other financial institutions.
- Another asset/liability strategy is to keep some of the excess cash in reserve, but extend the duration of the existing investment portfolio to achieve a higher yield.
- **Opportunistic banks continue to take advantage of favorable debt markets to raise sub debt.** Because it is unlikely pricing can improve much, we believe there is limited value for prospective issuers to wait for better conditions. Community bank sub debt coupon rates for rated deals have trended down as certain new issue sub debt deals were recently priced with coupons below 3.00%. Selective investments in sub debt are also good options to consider for enhanced yield.
- As of June 30, 2021, the median tangible common equity ratios for our highlighted banks and nationwide banks with assets between \$800 million and \$20 billion were 8.8% and 9.1%, respectively.
- As of September 27, 2021, there were 13 deals announced with California sellers since January 1, 2021; and the median deal price to trailing 12-months earnings, tangible book value, and core deposit premium were 14.1 times and 158%, and 6.8%, respectively.
- PNC Advisory continues to suggest that community bankers already contemplating an “exit strategy” over the next 18 months or so may want to accelerate that timetable. In addition to the “normal” financial and social factors that typically drive consolidation, the progressive attitude in Washington may result in higher taxes and more supervision along with burdensome regulatory scrutiny of M&A deals.
- Smaller banks may not have the scale to duplicate the services provided by mid-size banks. Banks, with assets below \$2 billion or so, may sell in hopes of a “double dip” where the acquirer pays a relatively higher price to increase size and reposition itself for a sale.

Valuation Summary

Figure 2

Investing in financials has become a “stock pickers” market as broad-based gains earlier in the year reverted to a more challenging market environment. We believe bank stocks reflect mixed sentiment regarding an economic recovery, interest rate forecast (particularly the 10-year Treasury), and expectations for further industry consolidation. Earnings forecasts have become less predictable due to the pandemic and the Current Expected Credit Loss (“CECL”) accounting standard.

In addition to global economic and political concerns, other elements of uncertainty for banks include the potential changes in corporate tax rates and the supervisory/regulatory environment.

Along with the generally favorable equity markets for bank investors, capital markets for bank debt and preferred stock continue to present a promising financing and investment opportunity.

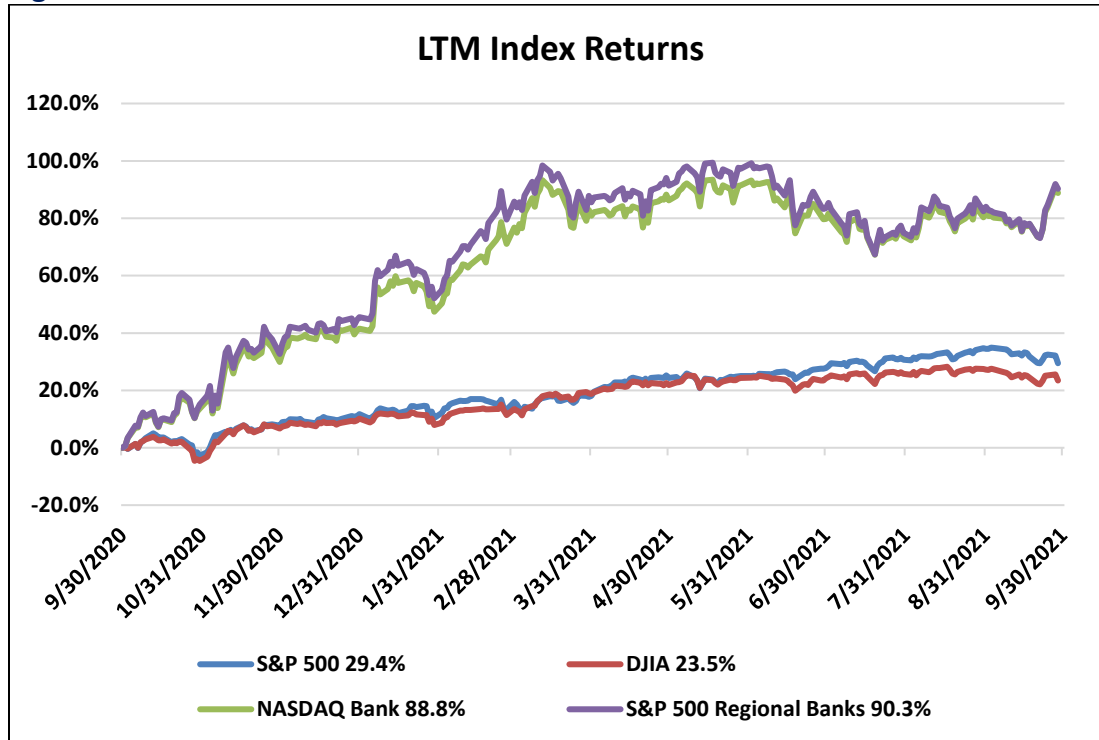
As of September 30, 2021, the NASDAQ Bank and S&P Bank Indices increased 34.7% and 34.8%, respectively since the start of 2021. Over the same time span, the DJIA and S&P 500 Indices increased 12.4% and 16.1%, respectively. Since the start of the third quarter (July 1), however, the NASDAQ Bank Index has increased 6.0%, while the S&P 500 Bank Index is up 5.6%.

We suspect that much equity trading volume reflects cash inflows or outflows being directed by passive investment funds, including ETFs, rather than strong conviction among traditional bank investors. Depending upon the flow of funds at any particular time, bank stocks can be at the mercy of the market regardless of fundamentals.

	Median LTM P/E (x)	Median Price/ TBV (%)
Highlighted NorCal Banks	11.3	136
All California Banks	11.3	123
All U.S. Banks	11.1	122

Source: S&P Global Market Intelligence. Pricing data as of September 29, 2021. Financial data as of or for the period ending June 30, 2021. U.S. banks between \$800mm and \$20B.

Figure 3



Source: S&P Global Market Intelligence.

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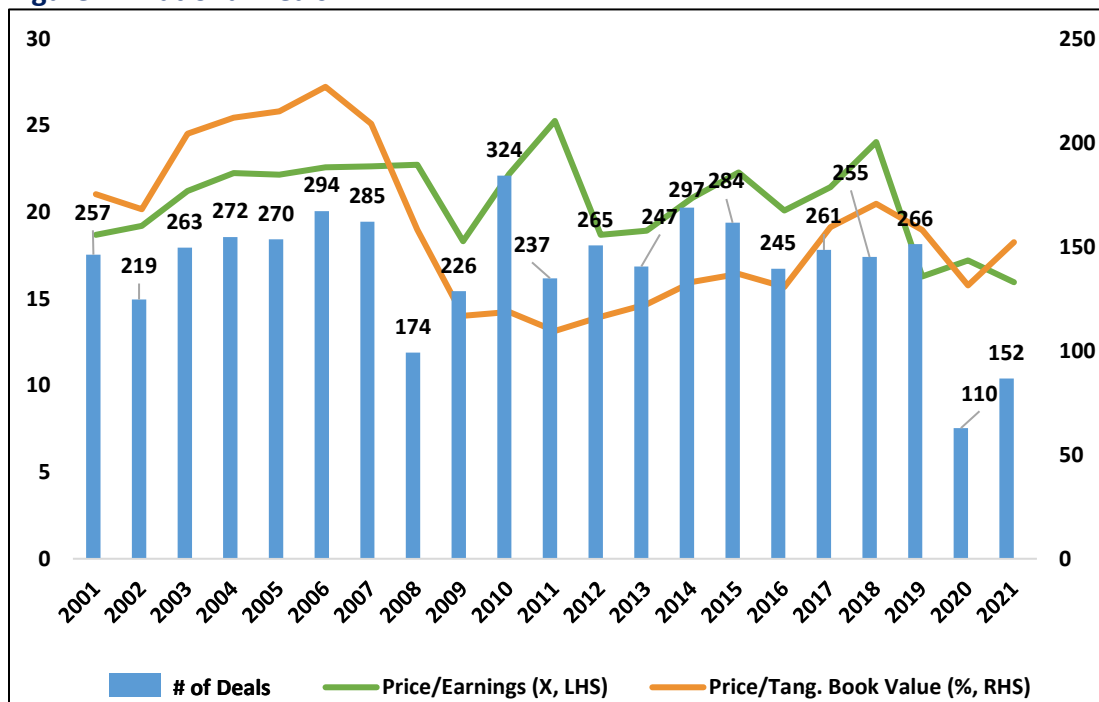
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Mergers and Acquisitions

PNC FIG Advisory believes merger and acquisition activity will remain strong as both buyers and sellers have many reasons to merge. The pandemic has demonstrated that community banks face major and permanent changes, which includes the need for banks across all asset sizes to attain the requisite scale to successfully meet industry-wide revenue, regulatory, and technological challenges. **Along with succession issues, some of these hurdles can be overcome via mergers.** That said, pandemic-related issues probably have caused some banks to pause before undertaking major initiatives, including M&A transactions.

Mergers of equals (“MOEs”) rank among the more significant U.S. bank deals - our conversations with management teams suggest that more companies are willing to consider such transactions. **MOEs are an efficient way to add scale and potentially solve many of the industry forces causing problems for banks (i.e. rising technology and regulatory costs, lackluster loan growth, margin compression, etc.).** This strategy is particularly appealing for banks that trade at high premiums, which can make it more difficult to sell to a larger bank at an acceptable price. Investor reaction to recent MOEs has been generally favorable as this type of deal often makes financial and strategic sense. The best deals typically occur when valuations are reasonable and there is “upside” potential for both sides.

Figure 4: National Deals



Source: S&P Global Market Intelligence. FDIC and MOE deals included. Data as of September 28, 2021.

Companies with stronger currencies are typically the more active acquirers. Among larger West Coast institutions, the more logical buyers of NorCal’s community banks over the long-term appear to be Banner Corporation (NASDAQ: BANR), Columbia Banking System (NASDAQ:

COLB); HomeStreet, Inc. (NASDAQ: HMST), Pacific Premier Bancorp (NASDAQ: PPBI), PacWest Bancorp (NASDAQ: PACW), and Umpqua Holdings Corporation (NASDAQ: UMPQ).

Since the start of 2011, there have been 142 announced merger transactions with California-based sellers compared with 2,656 bank mergers across the nation. As of September 24, 2021, there were 13 deals announced with California sellers since January 1, 2021; and the median deal price to trailing 12-months earnings, tangible book value, and core deposit premium were 14.1 times and 158%, and 6.8%, respectively.

Recent deals with Northern California sellers include:

- On September 21, 2021, Minneapolis-based, U.S. Bancorp (NYSE: USB) agreed to acquire San Francisco-based, MUFG Union Bank's NA's core regional banking franchise from Tokyo-based Mitsubishi UFJ Financial Group Inc. U.S. Bancorp will expand in California by 280 branches and be ranked fourth with a 7.0% deposit market share. The cash and stock deal was valued at about \$8.0 billion, which equated to 128% of tangible book value and 7.7 times trailing 12-month earnings. The core deposit premium was 1.9%.
- On August 6, 2021, Bank of Marin County (NASDAQ: BMRC) completed its acquisition of Rancho Cordova-based, American River Bankshares. At completion, the all-stock deal was valued at approximately \$123 million, which equated to 156% of tangible book value and 13.6 times trailing 12-month earnings. The core deposit premium was 5.6%.
- On July 27, 2021, Suncrest Bank (OTCQX: SBKK) agreed to be acquired by Ontario, CA-based, CVB Financial Corp. (NASDAQ: CVBF) in a cash and stock deal valued at approximately \$205 million. At the time of announcement, the deal value equated to 162% of tangible book value and 14.1 times trailing 12-month earnings. The core deposit premium was 7.4%. The deal is expected to close in the fourth quarter or early next year.
- On June 23, 2021, Tacoma, WA-based, Columbia Banking System, Inc. (NASDAQ: COLB) agreed to acquire Sacramento-based, Bank of Commerce Holdings (NASDAQ: BOCH). The pending all-stock deal was valued at approximately \$269 million (at announcement), which equates to 14.7 times trailing 12-month earnings and 166% of tangible book value. The core deposit premium was 7.1%. The transaction is expected to close in the fourth quarter of 2021. Home street, first foundation

Recent Deals with California Sellers

Figure 5

Buyer/Target Name	Status	Completion Date*	Deal Value (\$MM)	Price/ LTM Earnings (X)	Price/ Tangible Book (%)	Core Deposit Premium (%)	Buyer Price Change 3 Days After (%)	Target Price Change 3 Days After (%)
BayCom Corp/Pacific Enterprise Bancorp	Pending	9/7/2021	52.8	10.2	87	-3.1	2.1	-18.8
CVB Financial Corp./Suncrest Bank	Pending	7/27/2021	204.4	14.1	167	7.4	-0.5	2.9
TriCo Bancshares/Valley Republic Bancorp	Pending	7/27/2021	165.6	10.9	161	NA	-0.5	9.2
Columbia Banking System/Bank of Commerce Ho.	Pending	6/23/2021	268.8	14.7	166	7.1	-0.2	7.9
Southern California Bancorp/Bank of Santa Clarita	Pending	4/27/2021	56.4	15.6	134	5.2	-3.5	6.8
Banc of California, Inc./Pacific Mercantile Bancorp	Pending	3/22/2021	247.8	29.2	156	6.7	-10.3	8.5
Social Finance, Inc./Golden Pacific Bancorp, Inc.	Pending	3/9/2021	22.3	NA	152	6.4	NA	81.2
Bank of Marin Bancorp/American River Bankshares	Completion	8/6/2021	134.7	18.7	175	8.4	-8.2	20.2
Enterprise Financial Services Corp/First Choice Bncp	Completion	7/21/2021	403.9	13.5	200	13.1	-4.3	27.1
Investor Group/Northern California National Bank	Completion	7/14/2021	47.4	14.7	160	6.9	NA	47.5
Plumas Bancorp/Feather River Bancorp, Inc.	Completion	7/1/2021	22.1	10.6	127	3.7	2.7	NA
DMG Bancshares, Inc./California First National Bank	Completion	2/26/2021	NA	NA	NA	NA	NA	NA
Enterprise Fin'l Svcs/Seacoast Commerce Banc Ho.	Completion	11/12/2020	157.4	10.5	156	5.5	-1.8	26.6
Pacific Premier Bancorp, Inc./Opus Bank	Completion	5/31/2020	1,031.4	16.6	141	5.1	3.3	3.4
Southern California Bancorp/CalWest Bancorp	Completion	5/29/2020	25.9	3.9	NA	NA	-3.3	-5.5
Banner Corporation/AltaPacific Bancorp	Completion	11/1/2019	84.9	17.4	168	11.3	7.7	9.2
Santa Cruz County Bank/Lighthouse Bank	Completion	10/18/2019	68.9	12.7	171	13.5	-2.4	3.6
Heritage Commerce Corp/Presidio Bank	Completion	10/11/2019	188.7	15.3	204	13.0	1.2	13.8
BayCom Corp/Uniti Financial Corporation	Completion	5/24/2019	64.0	16.1	137	8.3	-4.8	1.9
Bank of Commerce Holdings/Merchants Holding Co.	Completion	1/31/2019	36.9	44.0	186	10.7	2.7	NA
Farmers & Merchants Bancorp/Bank of Rio Vista	Completion	10/10/2018	28.7	21.8	174	11.4	-0.9	NA
CVB Financial Corp./Community Bank	Completion	8/10/2018	878.3	32.5	250	21.0	-1.6	44.6
First Choice Bancorp/Pacific Commerce Bancorp	Completion	7/31/2018	106.9	23.5	197	13.6	0.8	9.9
Bank of Southern CA, NA/Americas United Bank	Completion	7/31/2018	45.5	24.5	159	NA	-4.8	10.2
Big Poppy Holdings, Inc./Blue Gate Bank	Completion	7/13/2018	NA	NA	NA	NA	NA	NA
TriCo Bancshares/FNB Bancorp	Completion	7/6/2018	305.8	24.2	263	20.0	-5.5	7.1
Pacific Premier Bancorp, Inc./Grandpoint Capital, Inc.	Completion	7/1/2018	641.2	25.8	221	16.4	6.8	-0.3
Mechanics Bank/Learner Financial Corporation	Completion	6/1/2018	124.9	37.6	170	9.3	0.0	NA
First Foundation Inc./PBB Bancorp	Completion	6/1/2018	105.9	19.2	216	16.2	-1.6	51.6
Suncrest Bank/CBBC Bancorp	Completion	5/21/2018	65.3	18.6	201	16.3	-0.4	20.3
Amalgamated Bank/New Resource Bancorp	Completion	5/18/2018	58.5	28.4	139	5.8	NA	NA
Nano Fin'l Holdings/Commerce Bank of Temecula	Completion	5/1/2018	23.3	NM	173	18.1	NA	54.5
Heritage Commerce Corp/Tri-Valley Bank	Completion	4/6/2018	30.2	4.2	148	11.0	0.2	16.8
Median			84.9	16.6	167	10.0	-0.5	9.6
Average			183.8	18.9	172	10.3	-1.0	17.7

Deals announced through September 29, 2021.

*Announcement date is listed for pending deals

For presentation purposes, the table lists all deals with California sellers

Source: S&P Global Market Intelligence

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Northern California Market Area

Figure 6



Although they share the same governor and U.S. senators, Northern California (NorCal) and Southern California (SoCal) are quite dissimilar as major differences include weather, demographics, culture, economies, and industries. As detailed in our September 2021 report - *"Flying Under the Radar: Southern California Small and Micro-Cap Banks"*, many SoCal community banks have niche products and services that focus on business and various ethnic communities. As discussed in this report, NorCal community banks generally appear more diversified while serving distinct markets.

There is no official border that defines NorCal – our report includes the highlighted region (see above map) which encompasses 48 counties situated between Nevada and the Pacific Ocean, and stretching north from the parallel northern borders of San Luis Obispo, Kern, and San Bernardino counties to Oregon. (All told, there are 58 California counties.) For presentation purposes, this report includes the northern part of the Central Valley as part of Northern California.

The inland portion of NorCal is much different than the coastal areas, which include the San Francisco Bay region, the fertile agricultural areas of the Central Valley, the rich Napa wine country, and Silicon Valley. Arguably the biggest issue that divides Northern and Southern Californians is water management, as total water storage in the Golden State has been declining for years. Although outside the scope of this report, extended drought conditions have caused much friction between various groups because heavily populated SoCal areas use much water, which mostly comes from snowpack in the Sierra Nevada Mountains in the north.

NorCal is less densely populated than SoCal as its population numbers approximately 15 million compared with 25 million in the southern portion of the state. NorCal's five largest cities are San Jose, San Francisco, Fresno, Sacramento, and Oakland.

Central Valley Market Area. The Central Valley consists of the Sacramento Valley and the San Joaquin Valley and extends from Sacramento to Bakersfield. The Central Valley is about 50 miles wide and stretches for approximately 450 miles from north-northwest to south-southeast. The area includes 6.5 million people and is generally considered politically conservative. This rich and vital agricultural area provides much of the United States with over 200 food products, including dairy, nuts, tomatoes, grapes, cotton, apricots, lettuce, and asparagus. Agriculture contributes about \$50 billion to California's economy and provides much employment for Californians. Major cities that are in the Central Valley include Sacramento, Chico, Redding, Stockton, and Fresno.

San Francisco-Oakland-Berkeley Market Area. Also known as the Bay Area, this MSA is one of the nation's more affluent areas: the median household income was \$120,000 in 2021 compared with \$67,700 for the nation as a whole. The population is approximately 4.7 million people. If the Bay Area were a country, it would be the 19th largest economy in the world with a GDP of \$748 billion.

San Francisco's economy is characterized by "haves" and "have nots". In the past decade, median home prices increased 165% in the Bay Area to about \$1.85 million. Prior to the pandemic, San Francisco was the most expensive city in the nation for renters. We believe economic growth could be higher, but is limited by a finite number of qualified job seekers along with very high housing costs that dissuade potential hires from moving into the Bay Area.

The Bay Area continues to be one of the more educated regions in the U.S. as approximately 45% of the population over 24 years old has at least a bachelor's degree. There are many large companies that are headquartered in this MSA, which include Apple, Airbnb, eBay, Facebook, GAP, Gilead Sciences, Google/Alphabet, Hewlett-Packard, Intel, Levi Strauss, Lyft, Oracle, Netflix, PayPal, Pinterest, Stripe, Tesla, and Uber. Professional and business services dominate San Francisco's economy. The top three banks regarding deposit market share in the Bay Area are Bank of America Corporation (NYSE: BAC) (38.1%), Wells Fargo & Co. (NYSE: WFC) (17.0%), and First Republic Bank (NYSE: FRC) (10.5%).

Sacramento Market Area. Sacramento (Spanish for “Holy Sacrament”) is the state capital, and the Sacramento-Roseville-Folsom metropolitan statistical area (“Sacramento MSA”) is home to approximately 2.4 million people. **Although overshadowed by Los Angeles and San Francisco, the Sacramento region is growing faster than all other major California cities due to more affordable housing, a solid job supply, and improving cultural life.** Per *S&P Global*, the projected population growth is 3.6% and the median household income in 2021 was approximately \$79,600. (The median California state income and national income were \$90,300 and \$67,700, respectively.) The nation’s largest banks – U.S. Bancorp (NYSE:USB), Wells Fargo, Bank of America Corporation, and JPMorgan Chase (NYSE: JPM) dominate the banking milieu with a combined deposit market share of approximately 72%.

The unemployment rate in the Sacramento MSA was 6.4% in July 2021. The Sacramento economy is best-known for government and real estate-related businesses; however, other industries include health care, agriculture, clean technology, and education. The area’s private larger private sector employers include Sutter Health, Kaiser Permanente, Dignity Health, Intel Corp., and Raley’s Inc. (grocery store chain). Universities located in the Sacramento MSA include California State University, Sacramento City College, and American River College.

According to Zillow, the median Sacramento home value is \$461,000; and increased 25.7% over the past year. Sacramento has become a prime location due to greater affordability compared with San Francisco and Los Angeles .

San Jose Market Area. Known as the hub of the high-tech industry, the San Jose-Sunnyvale-Santa Clara MSA has a population of approximately 2.0 million people and a median household income of approximately \$136,000. San Jose is located in the center of the Santa Clara Valley and is on the southern shore of San Francisco Bay. San Jose is the county seat of Santa Clara County, the most affluent county in California and one of the wealthiest areas of the United States. Per Zillow, the median home price in this market is approximately \$1.5 million and has risen 19.0 % in the past year. Zillow predicts they will rise 5.1% in the next year. The unemployment rate of the San Jose-Sunnyvale-Santa Clara MSA was 4.8% in August 2021. SVB Financial Group (NASDAQ: SIVB) and Wells Fargo have the largest deposit market share of this MSA with 46.4% and 13.0%, respectively.

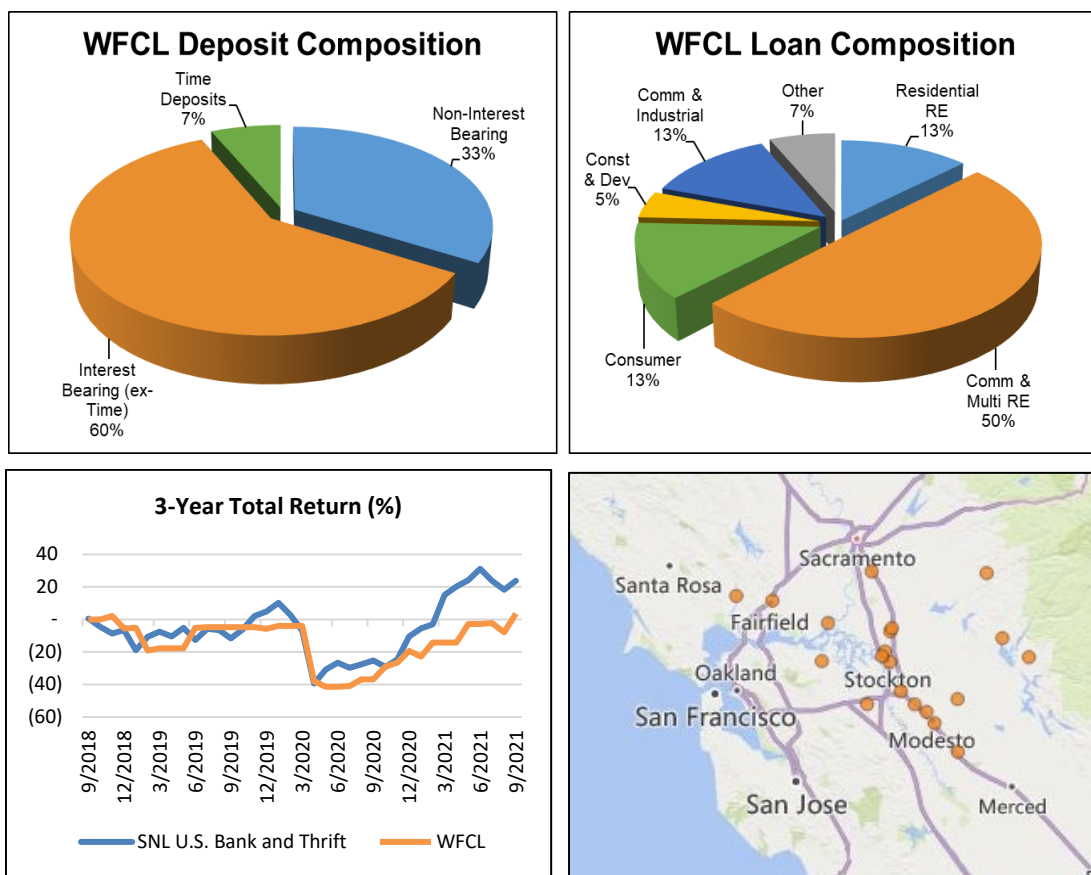
The major employers of the San Jose-Sunnyvale-Santa Clara MSA include the County of Santa Clara, Cisco Systems, IBM, the City of San Jose, San Jose State University, eBay Inc., and Stanford University. San Jose ranks as one of the most expensive median sales prices for single-family houses (\$900,000) in California. San Jose as is the case with much of the Bay Area, is a great place to live, but only if you can afford it.

Sources used in the *Market Area* of this report include *The Economist*, *S&P Capital IQ*, *Zillow*, *The Wall Street Journal*, and *U.S. Bureau of Labor Statistics*, and *U.S. Census Bureau*.

Company Descriptions

1867 Western Financial Corporation (OTCPK: WFCL). Founded in 1867 as the Bank of Stockton, the company is dedicated to providing personalized services to smaller businesses and individuals in its Northern California markets. The company operates 20 branches and has the third largest deposit market share (14.6%) in San Joaquin County.

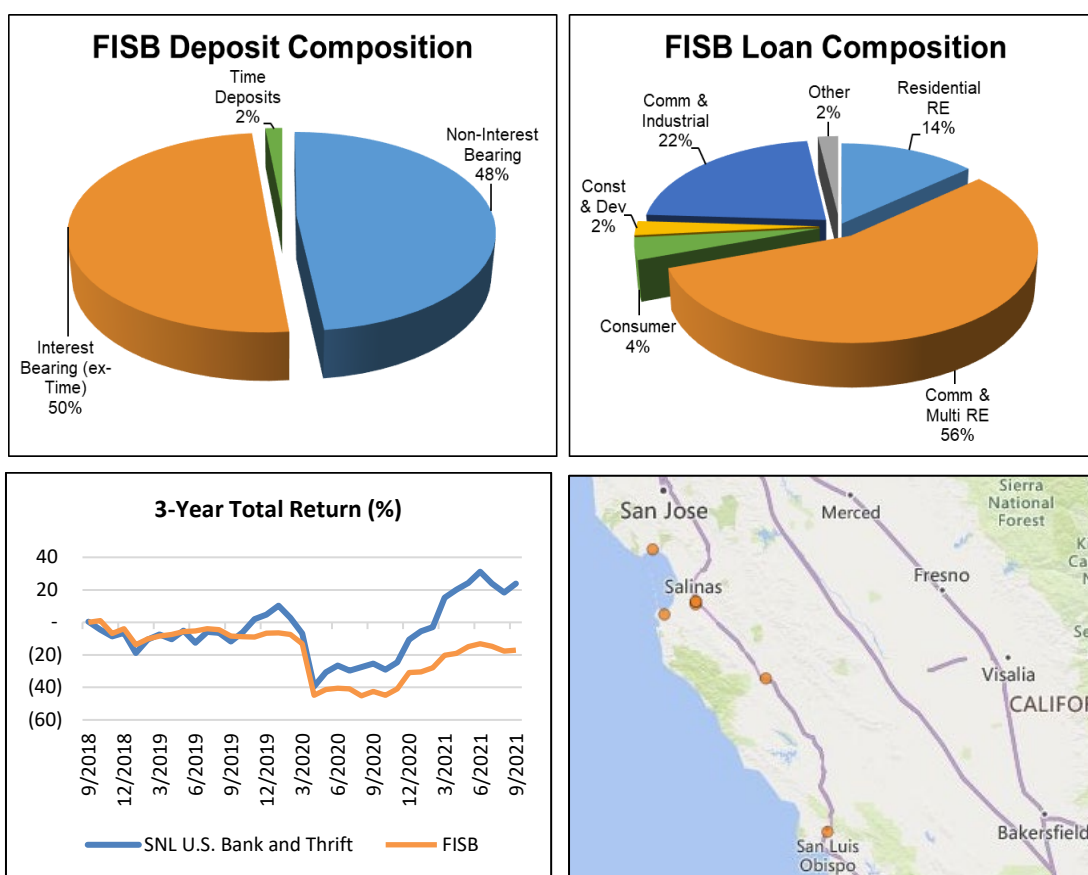
As of June 30, 2021, the loan loss reserve was \$67.3 million, or 3.66% of total loans, compared with \$59.8 million, or 2.94%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 52%, loans were 42% of total assets, and tangible common equity was 15.1% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$4.4 billion, \$3.5 billion, and \$687.4 million, respectively.



Source: S&P Global Market Intelligence

1st Capital Bank (OTCQX: FISB). 1st Capital Bancorp is the holding company for 1st Capital Bank. The bank's primary target markets are commercial enterprises, professionals, real estate investors, family business entities, and residents along the Central Coast. Loan products include loans under various government programs including the SBA and USDA. On June 18, 2021, the company completed a private placement of \$15 million in fixed-to-floating rate subordinated notes due June 30, 2031.

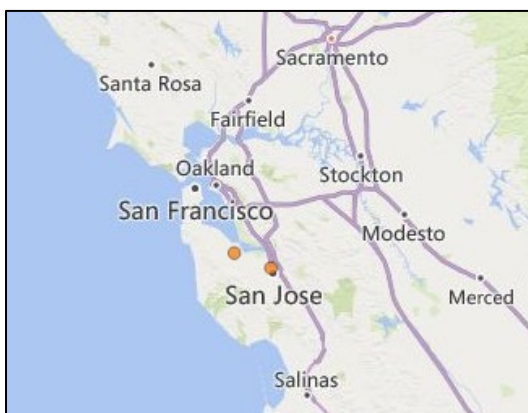
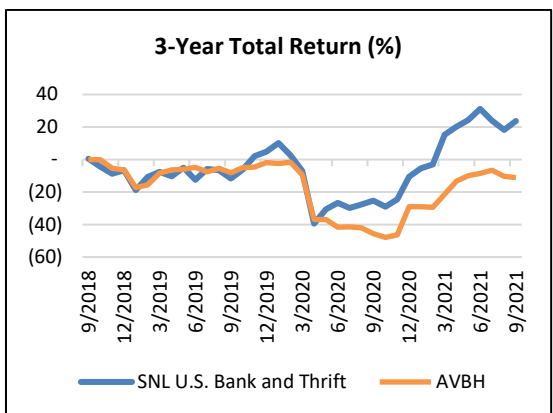
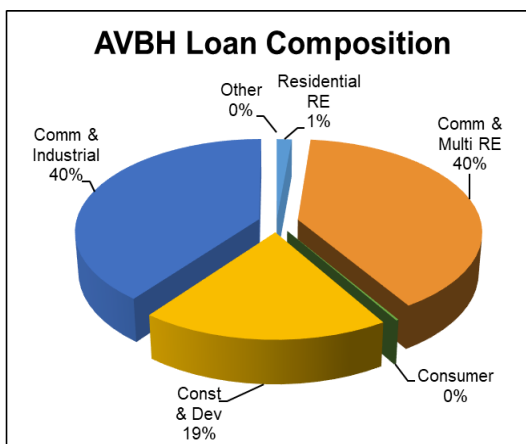
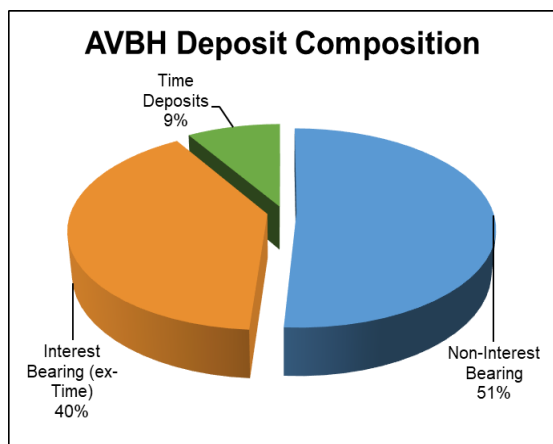
As of June 30, 2021, the loan loss reserve was \$8.8 million, or 1.45% of total loans, compared with \$8.1 million, or 1.30%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 71%, loans were 64% of total assets, and tangible common equity was 8.1% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$950.7 million, \$853.6 million, and \$77.3 million, respectively.



Source: S&P Global Market Intelligence

Avidbank Holdings, Inc. (OTCPK: AVBH). Avidbank Holdings, headquartered in San Jose, specializes in commercial & industrial lending, venture lending, structured finance, asset-based lending, sponsor finance, real estate construction and commercial real estate lending. The bank services businesses and individuals primarily in Northern California. The company has two full-service branches in San Jose and Palo Alto.

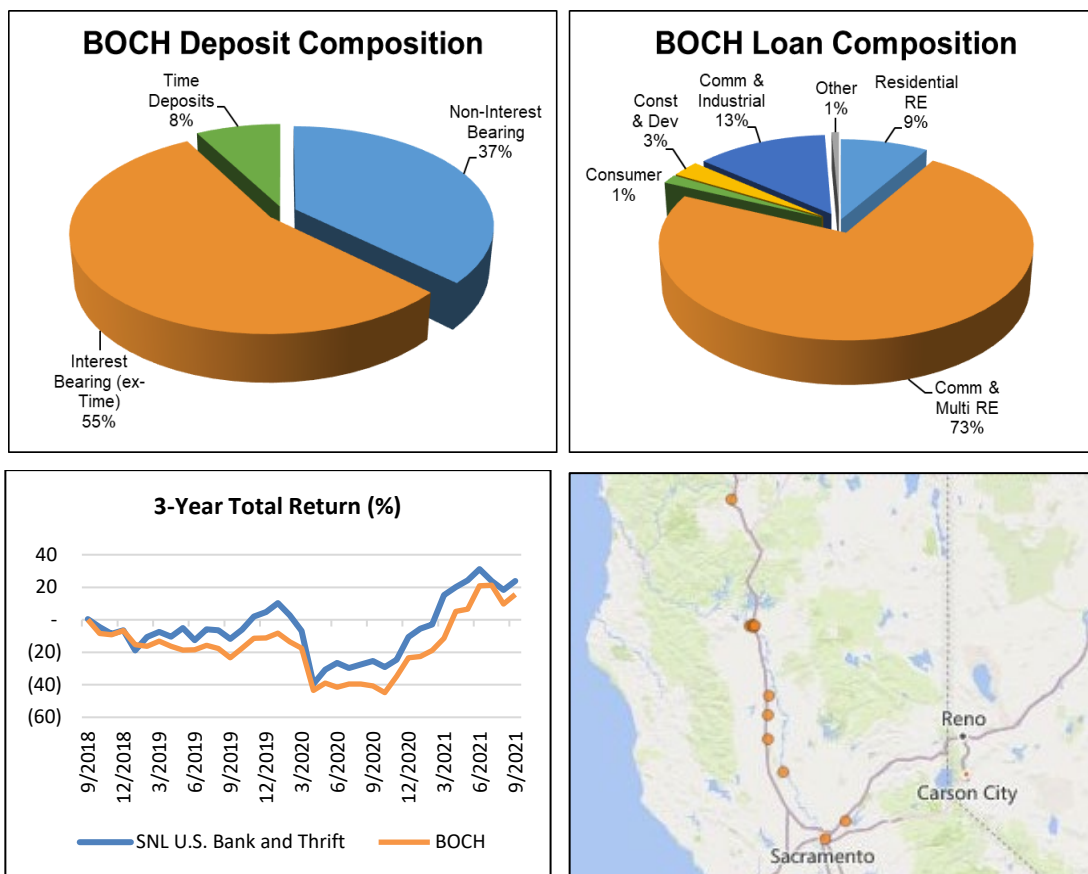
As of June 30, 2021, the loan loss reserve was \$12.6 million, or 1.24% of total loans, compared with \$12.5 million, or 1.25%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 71%, loans were 63% of total assets, and tangible common equity was 8.2% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.6 billion, \$1.4 billion, and \$132.2 million, respectively.



Source: S&P Global Market Intelligence

Bank of Commerce Holdings (NASDAQ: BOCH). Headquartered in Sacramento, Bank of Commerce Holdings is the bank holding company for the Merchants Bank of Commerce. The bank provides community banking and financial services in NorCal along the Interstate 5 corridor from Sacramento to Yreka and in the wine region north of San Francisco. On June 23, 2021, the company agreed to be acquired by Tacoma, WA-based, Columbia Banking System, Inc. (NASDAQ: COLB). The all-stock deal was valued at approximately \$269 million (at announcement), which equates to 14.7 times trailing 12-month earnings and 166% of tangible book value. The core deposit premium was 7.1%. The transaction is expected to close in the fourth quarter of 2021.

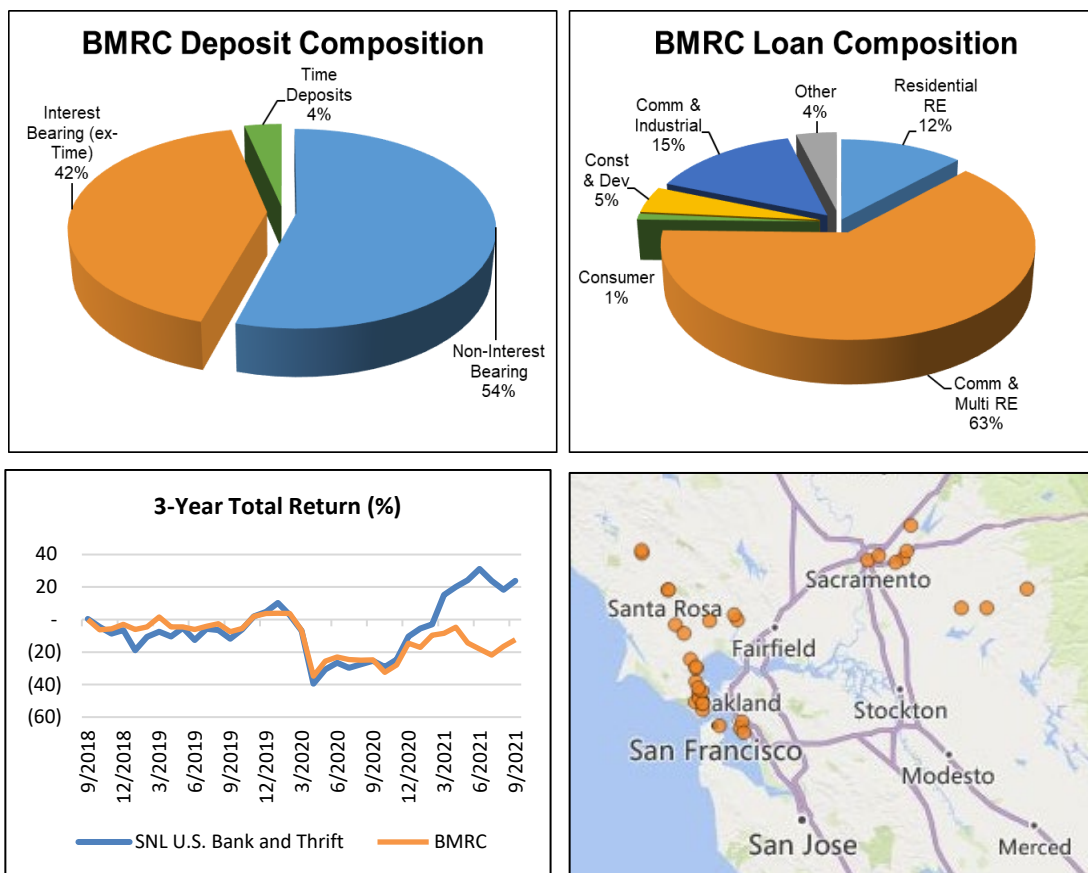
As of June 30, 2021, the loan loss reserve was \$17.2 million, or 1.58% of total loans, compared with \$16.1 million, or 1.34%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 64%, loans were 57% of total assets, and tangible common equity was 8.8% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.9 billion, \$1.7 billion, and \$182.1 million, respectively.



Source: S&P Global Market Intelligence

Bank of Marin Bancorp (NASDAQ: BMRC). Founded in Novato in 1990, Bank of Marin is the wholly owned subsidiary of Bank of Marin Bancorp. The bank has 31 branches and eight commercial banking offices located across 10 counties. The company has the fourth largest deposit market share (10.5%) in affluent Marin County. On August 6, 2021, the company completed its acquisition of Rancho Cordova-based, American River Bankshares. At completion, the all-stock deal was valued at approximately \$123 million, which equated to 156% of tangible book value and 13.6 times trailing 12-month earnings. The core deposit premium was 5.6%. In 2017, the company completed its acquisition of Napa, CA-based, Bank of Napa in a stock deal valued at \$53.5 million. The deal valued equated to 181% of tangible book value and 28.0 times trailing 12-month earnings.

As of June 30, 2021, the loan loss reserve was \$19.1 million, or 0.99% of total loans, compared with \$20.9 million, or 0.95%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 75%, loans were 65% of total assets, and tangible common equity was 10.4% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$3.1 billion, \$2.7 billion, and \$348.6 million, respectively.

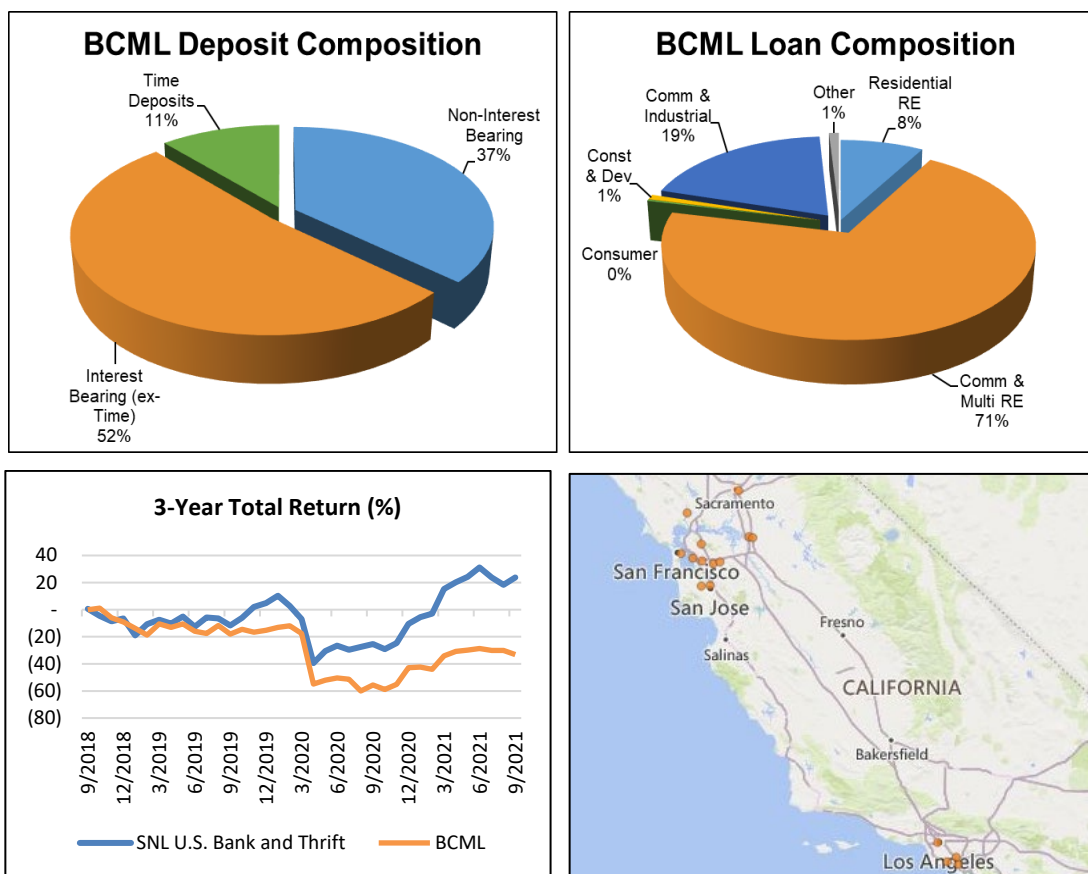


Source: S&P Global Market Intelligence

BayCom Corp. (NASDAQ: BCML). Headquartered in Walnut Creek, BayCom Corp, the holding company for United Business Bank, offers a full range of loans, including SBA, FSA, and USDA guaranteed loans and deposit products to businesses in California, Washington, New Mexico, and Colorado. BayCom operates 34 branches – the majority are in Northern California.

The company is an experienced and active acquirer of community banks. Its most recent deal is the pending acquisition of Irvine, CA-based, Pacific Enterprise Bancorp (OTCPK: PEBN), which was announced on September 7, 2021. The all-stock transaction was valued at approximately \$52.8 million, which equated to approximately 88% of tangible book value and 10.2 times trailing 12-month earnings. In November 2019, BayCom acquired Grandby, CO-based Grand Mountain Bancshares in an all-cash deal valued at \$13.9 million (at completion). In July 2019, BayCom acquired Durango, Colorado, based-TIG Bancorp in a cash and stock deal valued at approximately \$39.4 million. In May 2019, BayCom acquired Uniti Financial Corporation, which was based in Buena Park, California. At completion, the cash and stock deal was valued at approximately \$62.4 million.

BayCom uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$17.0 million, or 1.06% of total loans, compared with \$13.5 million, or 0.78%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 81%, loans were 68% of total assets, and tangible common equity was 9.0% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$2.3 billion, \$2.0 billion, and \$252.5 million, respectively.



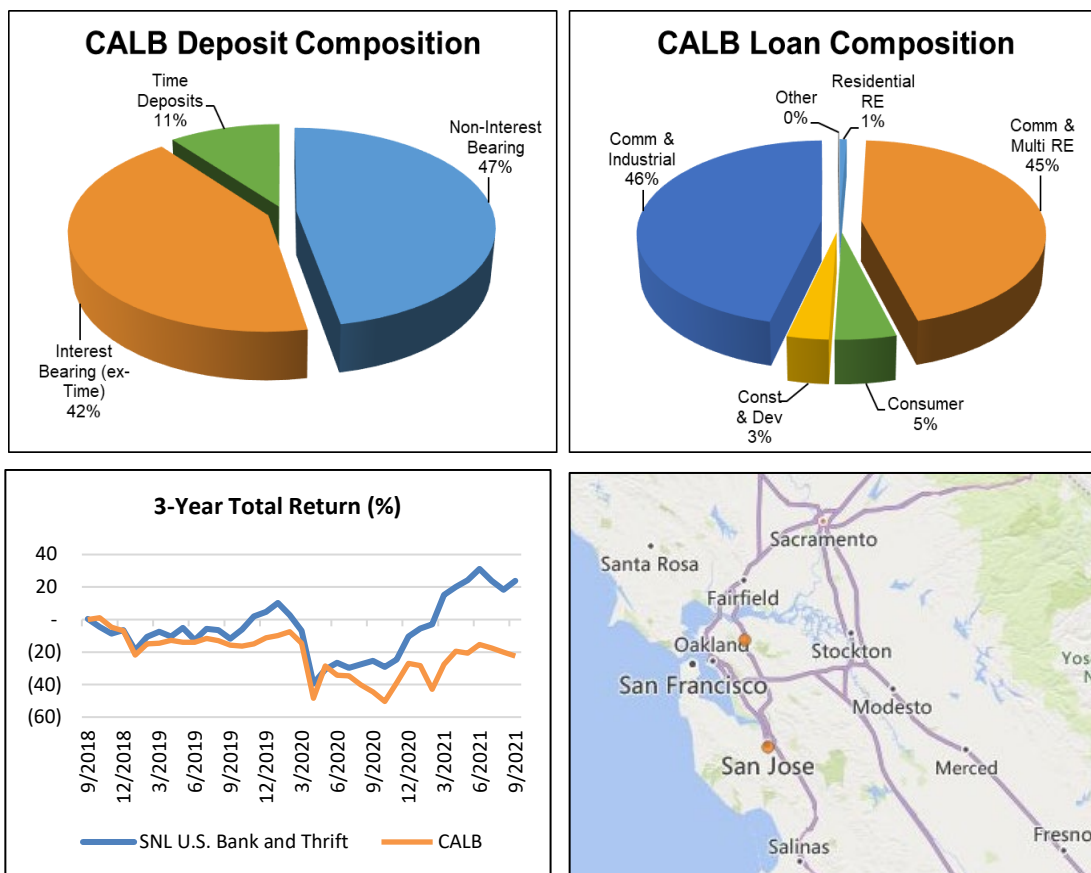
Branch map excludes branch locations outside of CA.
Source: S&P Global Market Intelligence

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California BanCorp (NASDAQ: CALB). Headquartered in Oakland, California BanCorp is the holding company of California Bank of Commerce and offers a broad range of commercial banking services to closely held businesses and professionals in Northern California. In 2019, the company introduced its Treasury Management Consultancy to help clients better manage their company's liquidity, utilize excess cash, and reduce or hedge financial risks. The company realized net proceeds of \$23.6 million through a private placement of common stock in 2018. On August 17, 2021, the company completed a private placement of \$35 million in fixed-to-floating rate subordinated notes due September 1, 2031. The notes carry a fixed rate of 3.5% until September 1, 2026.

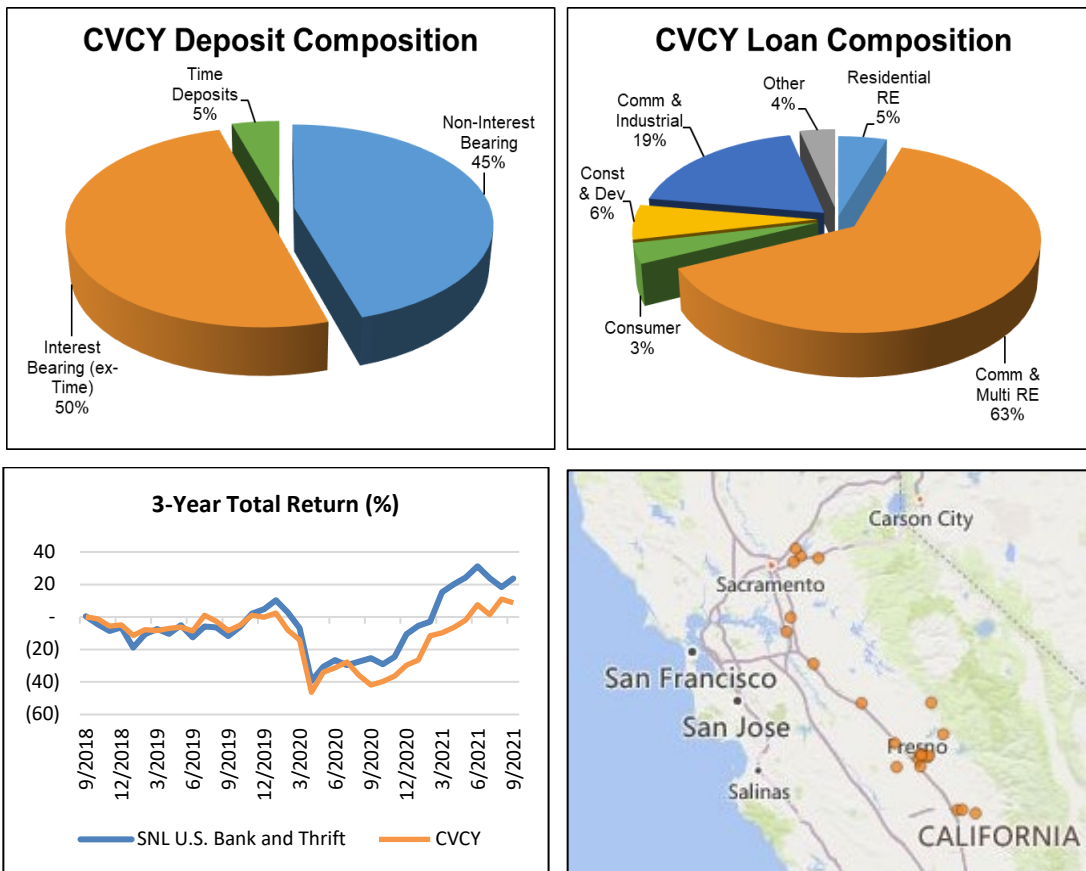
California BanCorp uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$13.2 million, or 0.98% of total loans, compared with \$12.5 million, or 0.96%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 80%, loans were 72% of total assets, and tangible common equity was 7.7% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.9 billion, \$1.7 billion, and \$143.7 million, respectively.



Source: S&P Global Market Intelligence

Central Valley Community Bancorp (NASDAQ: CVCY). Central Valley Community Bank, headquartered in Fresno, was founded in 1979, and is the sole subsidiary of Central Valley Community Bancorp. Central Valley Community Bank operates 20 full-service offices throughout California's San Joaquin Valley and Greater Sacramento Region. Central Valley maintains commercial real estate, agribusiness, and SBA lending departments. The company is an experienced acquirer: the most recent deal was the acquisition of Folsom, CA-based Folsom Lake Bank on October 1, 2017.

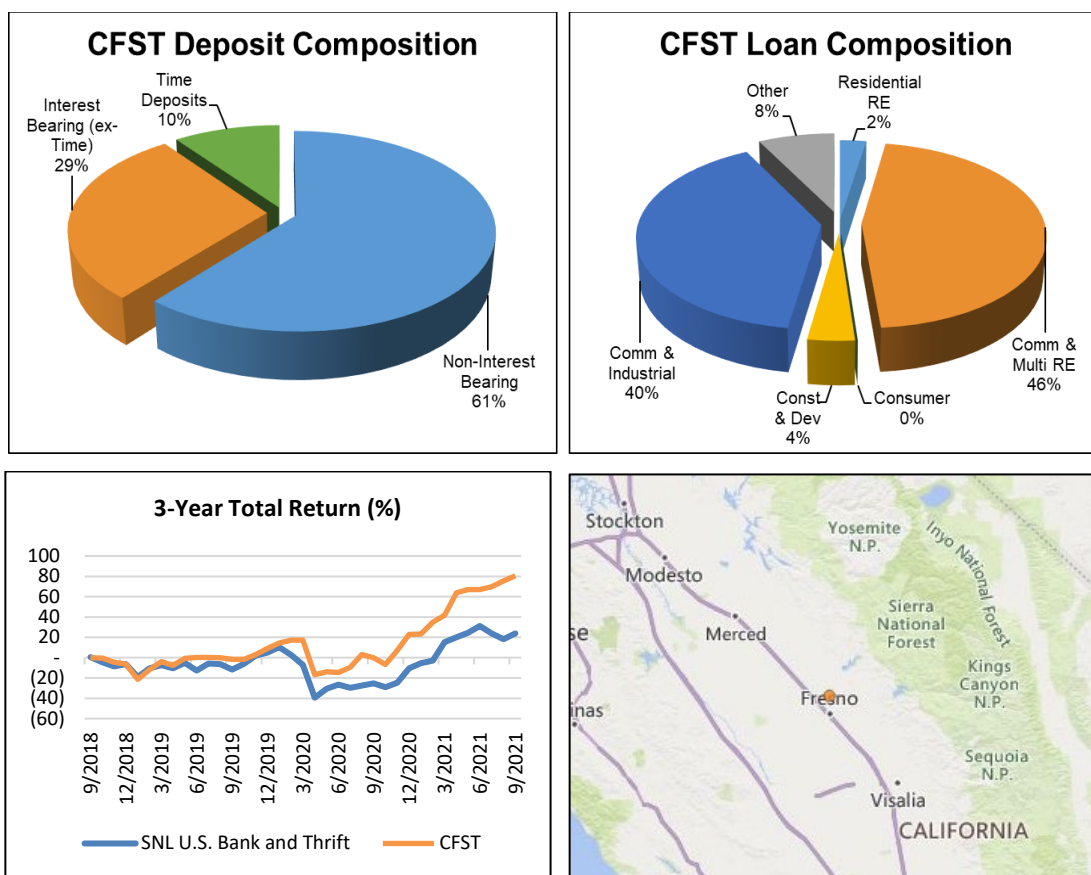
Central Valley uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$10.4 million, or 0.98% of total loans, compared with \$13.9 million, or 1.24%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 54%, loans were 47% of total assets, and tangible common equity was 8.8% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$2.3 billion, \$2.0 billion, and \$251.0 million, respectively.



Source: S&P Global Market Intelligence

Communities First Financial Corporation (OTCQX: CFST). Headquartered in Fresno and established in 2014, Communities First Financial is the parent company of Fresno First Bank. (The bank was formed in 2005.) The company is a leading SBA lender in the Central Valley and has expanded into Southern California. Communities First is also a direct acquiring bank with VISA and MasterCard and processes payments for merchants across the country directly and through partners. The bank was named to the Inc. 5000 Faster Growing Companies list in 2017, and to Forbes Best 25 Small Businesses in America for 2016.

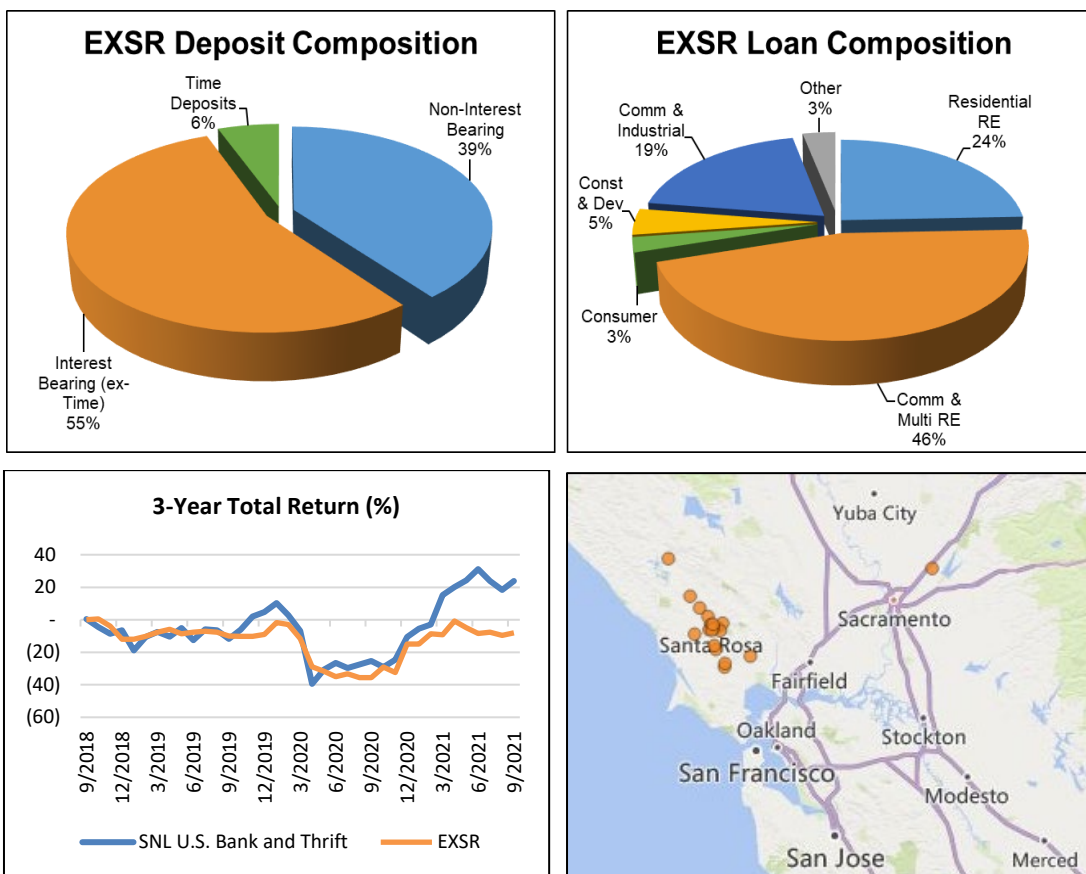
As of June 30, 2021, the loan loss reserve was \$9.4 million, or 1.33% of total loans, compared with \$5.8 million, or 1.01%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 81%, loans were 71% of total assets, and tangible common equity was 8.0% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$988.5 million, \$864.5 million, and \$78.8 million, respectively.



Source: S&P Global Market Intelligence

Exchange Bank (OTCPK: EXSR). Headquartered in Sonoma County and founded in 1890, Exchange Bank provides a wide range of personal, commercial, trust, and investment services with 18 branches in Sonoma County and a commercial branch in Roseville, California. Exchange Bank has the second largest deposit market share (16.3%) in Sonoma County. In 2020, Exchange completed its core operating system conversion from an in-house Fiserv platform to a hosted Fiserv platform. Per its most recent Annual Report, the company believes its full technological upgrade of its IT delivery system will allow the bank to operate more efficiently and provide customers with a superior banking experience.

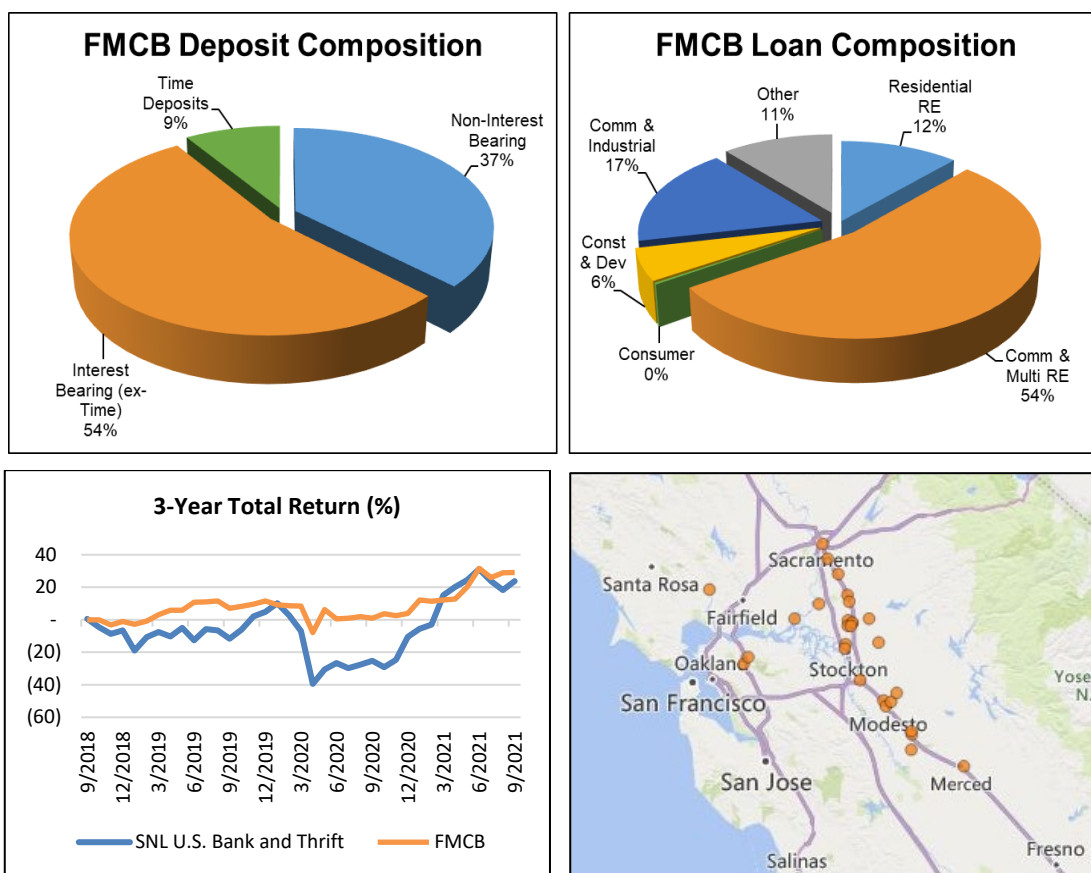
Exchange uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$43.8 million, or 2.61% of total loans, compared with \$39.9 million, or 2.17%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 54%, loans were 49% of total assets, and tangible common equity was 9.0% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$3.4 billion, \$3.1 billion, and \$309.0 million, respectively.



Source: S&P Global Market Intelligence

Farmers & Merchants Bancorp (OTCQX: FMCB). Farmers & Merchants Bancorp is the bank holding company for Farmers & Merchants Bank of Central California. The company is headquartered in Lodi, which is located in San Joaquin County (the northern part of the Central Valley about 50 miles south of Sacramento). Founded in 1916, the bank has 32 locations and is the 14th largest bank lender to agriculture in the United States. On October 10, 2018, the company acquired the remaining 60.4% stake in Rio Vista, CA-based Bank of Rio Vista, which had total assets of approximately \$215 million. The company has paid dividends for 86 consecutive years and increased dividends for 56 consecutive years.

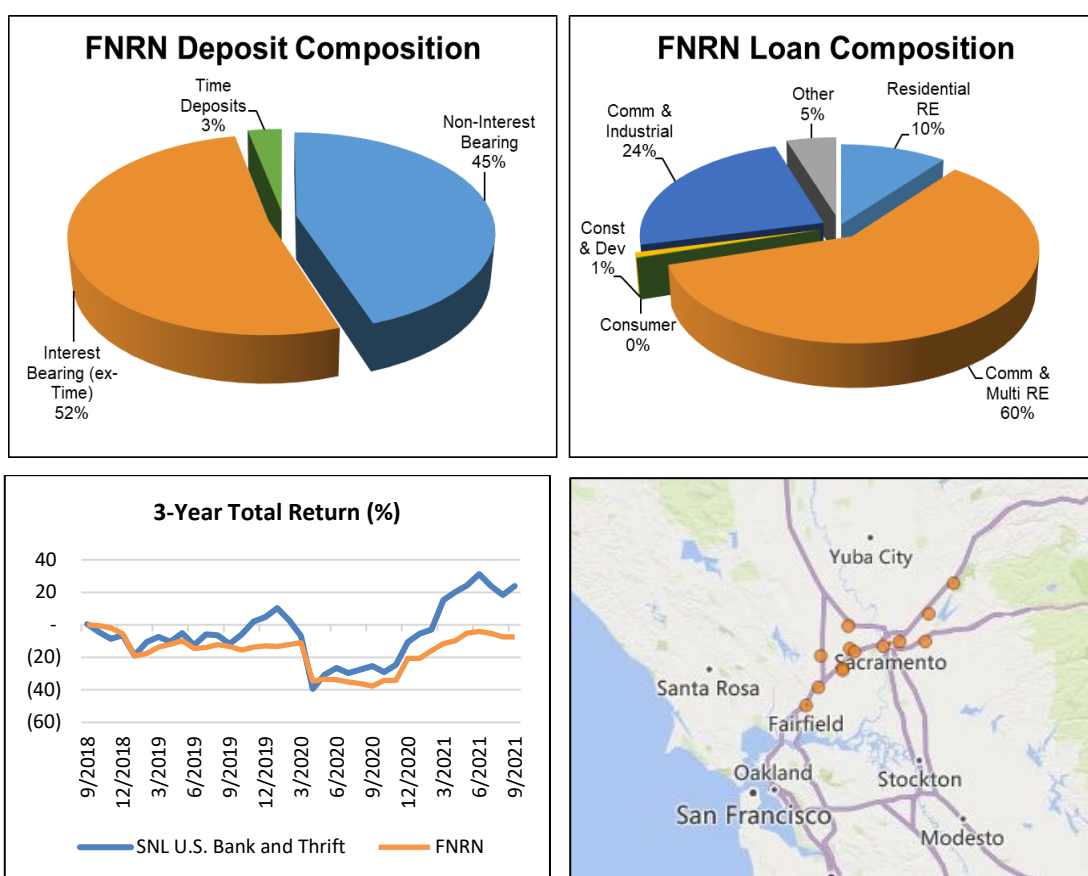
Farmers & Merchants uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$60.2 million, or 1.99% of total loans, compared with \$55.1 million, or 1.80%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 69%, loans were 62% of total assets, and tangible common equity was 8.6% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$4.9 billion, \$4.4 billion, and \$438.4 million, respectively.



Source: S&P Global Market Intelligence

First Northern Community Bancorp (OTCQB: FNRN). First Northern Bank is an independent community bank that specializes in relationship banking. The bank, headquartered in Solano County since 1910, serves Solano, Yolo, Sacramento, Placer, and Contra Costa counties, as well as the west slope of El Dorado County. The bank focuses on small-business, commercial, real estate, and agribusiness lending, as well as mortgage loans. The bank is an SBA Preferred Lender. There are 13 branch offices.

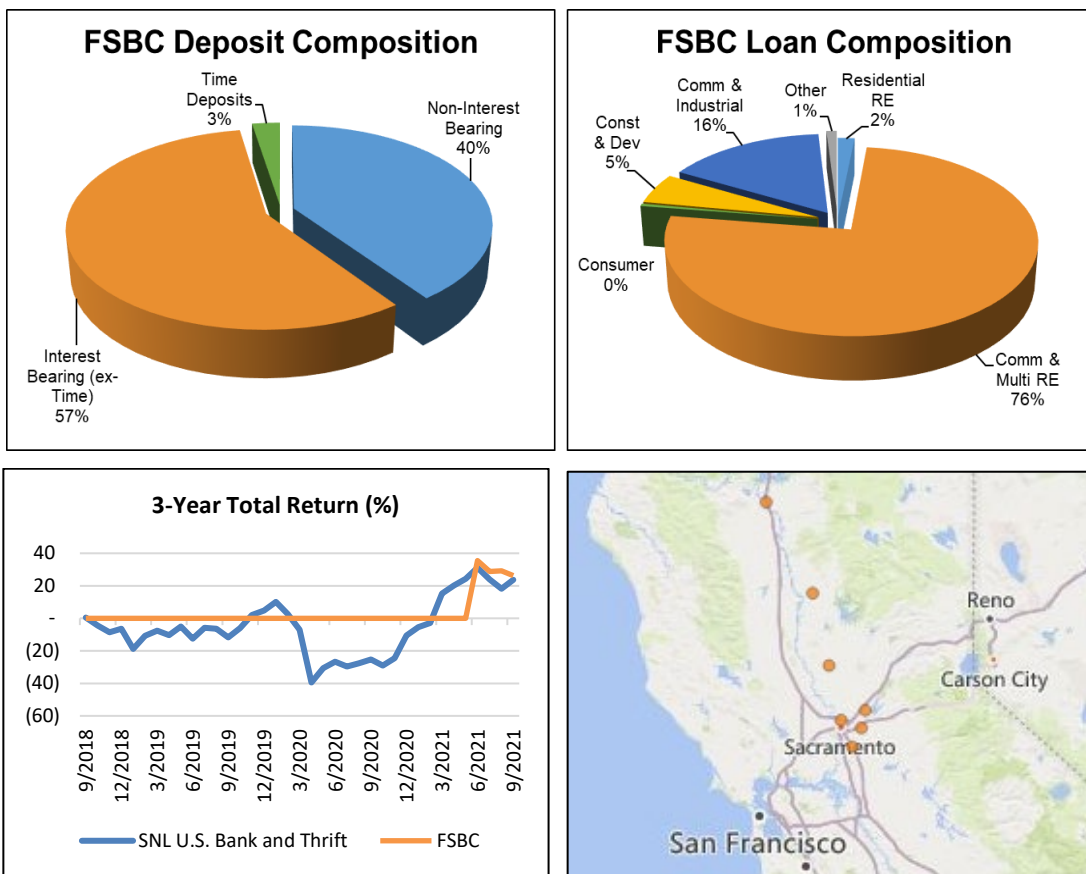
First Northern uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$15.4 million, or 1.73% of total loans, compared with \$13.6 million, or 1.37%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 53%, loans were 48% of total assets, and tangible common equity was 8.3% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.8 billion, \$1.7 billion, and \$152.5 million, respectively.



Source: S&P Global Market Intelligence

Five Star Bancorp (NASDAQ: FSBC). Headquartered in Rancho Cordova (Sacramento County), Five Star is a bank holding company for Five Star Bank, which has seven branches and two loan production offices throughout NorCal. On May 4, 2021, the company priced its initial public offering ("IPO") of 5.265 million shares of its common stock, at a public offering price of \$20.00. The net proceeds were approximately \$95 million. They were used to fund a cash distribution to existing shareholders of \$27.0 million, subject to adjustment, and to use the remainder of the net proceeds to increase the capital of the bank to support organic growth.

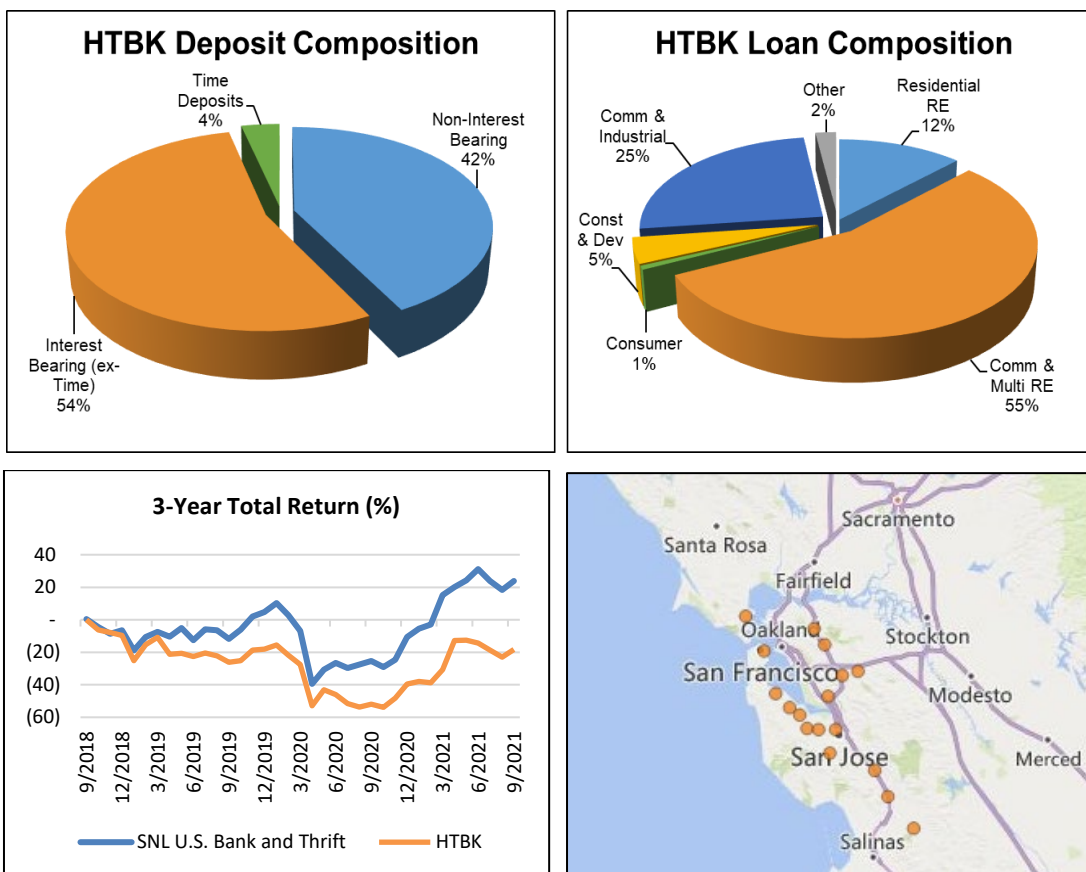
As of June 30, 2021, the loan loss reserve was \$22.2 million, or 1.40% of total loans. The loan-to-deposit ratio was 77%, loans were 56% of total assets, and tangible common equity was 9.4% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$2.3 billion, \$2.1 billion, and \$218.3 million, respectively.



Source: S&P Global Market Intelligence

Heritage Commerce Corp (NASDAQ: HTBK). Headquartered in San Jose, Heritage is the parent company of Heritage Bank of Commerce, which was established in 1994. Headquartered in San Jose, the bank operates 17 branch offices in Northern California. The bank is an SBA Preferred Lender. Bay View Funding, a subsidiary of the bank, provides working capital factoring financing to various industries throughout the United States. On October 11, 2019, Heritage acquired San Francisco-based, Presidio Bank through an all-stock deal valued at approximately \$183 million (completion). The deal value equated to 183% of tangible book value and 14.5 times trailing 12-month earnings. The core deposit premium was 11.8%.

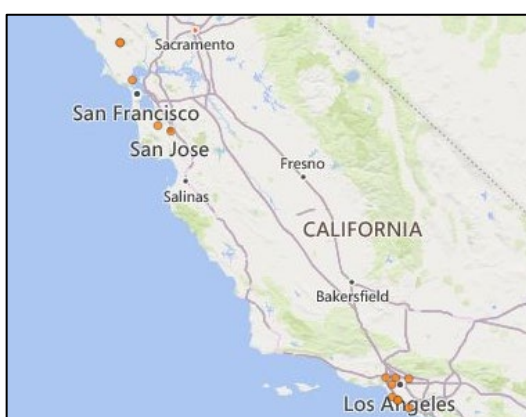
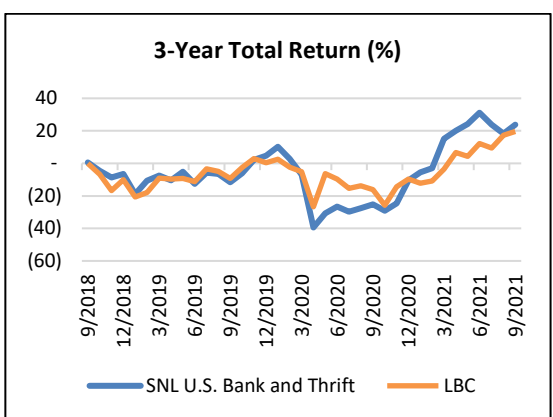
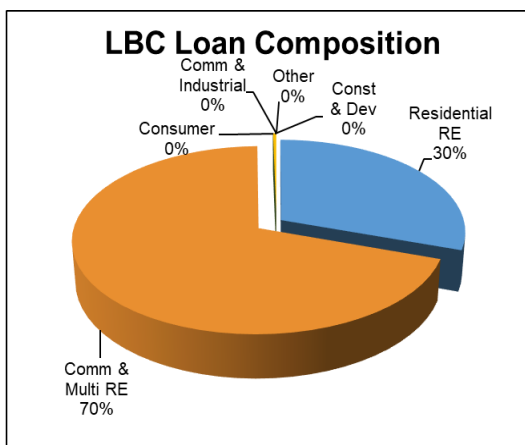
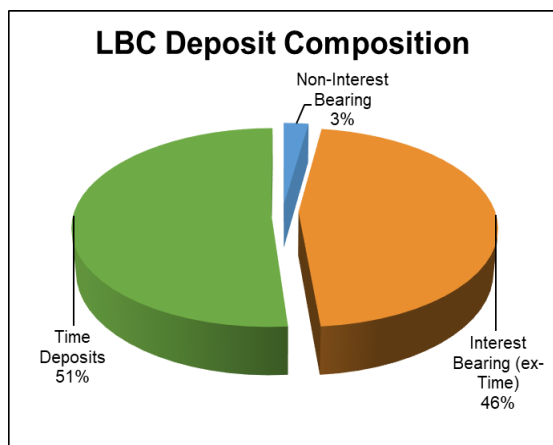
Heritage Commerce uses CECL method of accounting for loan losses and as of June 30, 2021, the loan loss reserve was \$44.0 million, or 1.69% of total loans, compared with \$45.4 million, or 1.55%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 65%, loans were 56% of total assets, and tangible common equity was 8.2% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$5.1 billion, \$4.3 billion, and \$583.4 million, respectively.



Source: S&P Global Market Intelligence

Luther Burbank Corporation (NASDAQ: LBC). The parent company of Luther Burbank Savings, a California-chartered bank, the company operates in California, Oregon, and Washington. There are ten California branches, one Washington branch, and seven lending offices throughout the market area. Although headquartered in Santa Rosa (Sonoma County), Luther Burbank also has a substantial presence in Los Angeles County. The company's primary business is to attract deposits from the general public and invest those funds in permanent mortgage loans and construction loans secured by residential, multifamily, and commercial real estate. Its focus is on real estate investors, professionals, entrepreneurs, high net worth individuals, depositors, and commercial businesses. On July 27, 2021, the company increased its quarterly cash dividend payment from \$0.0575 to \$0.12 per share.

Luther Burbank uses incurred loss method and as of June 30, 2021, the loan loss reserve was \$41.3 million, or 0.64% of total loans, compared with \$46.0 million, or 0.73%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 119%, loans were 89% of total assets, and tangible common equity was 8.8% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$7.3 billion, \$5.4 billion, and \$638.7 million, respectively.

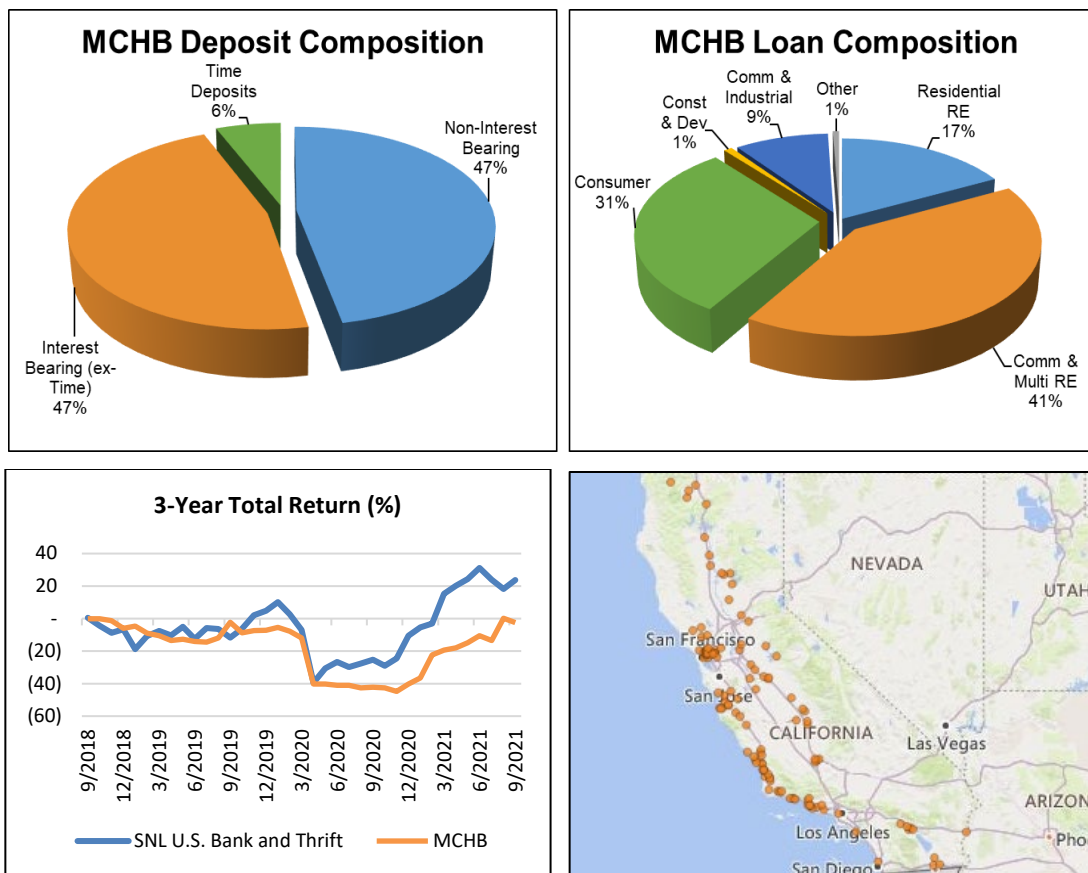


Branch map excludes branch locations outside of CA.

Source: S&P Global Market Intelligence

Mechanics Bank (OTCPK: MCHB). Mechanics Bank was founded in Richmond, CA in 1905. Headquartered in Walnut Creek, there are 123 banking offices in California and Oregon. Mechanics provides highly personalized relationship banking that includes consumer and business banking services, commercial lending, cash management services, and comprehensive trust, investment, and wealth management services. On August 31, 2019, Mechanics completed its transaction whereby \$2.1 billion in cash and stock was paid to acquire the retail, business banking, commercial real estate, mortgage, and wealth management business of Roseville, CA-based, Rabobank NA from Utrecht, Netherlands-based Rabobank. The deal value equated to 171% of tangible book value and 8.2 times trailing 12-month earnings. In 2018, Mechanics completed its acquisition of Walnut Creek-based, Learner Financial Corporation in a cash deal valued at approximately \$125 million, which equated to 170% of tangible book value and 37.6 times trailing 12-month earnings. On July 23, 2021, Mechanics declared a special cash dividend of \$2,569 per share, payable on August 5, 2021.

Mechanics Bank uses the CECL method and as of June 30, 2021, the loan loss reserve was \$132.0 million, or 1.18% of total loans, compared with \$74.0 million, or 0.66%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 70%, loans were 89% of total assets, and tangible common equity was 8.9% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$18.8 billion, \$16.0 billion, and \$2.5 billion, respectively.



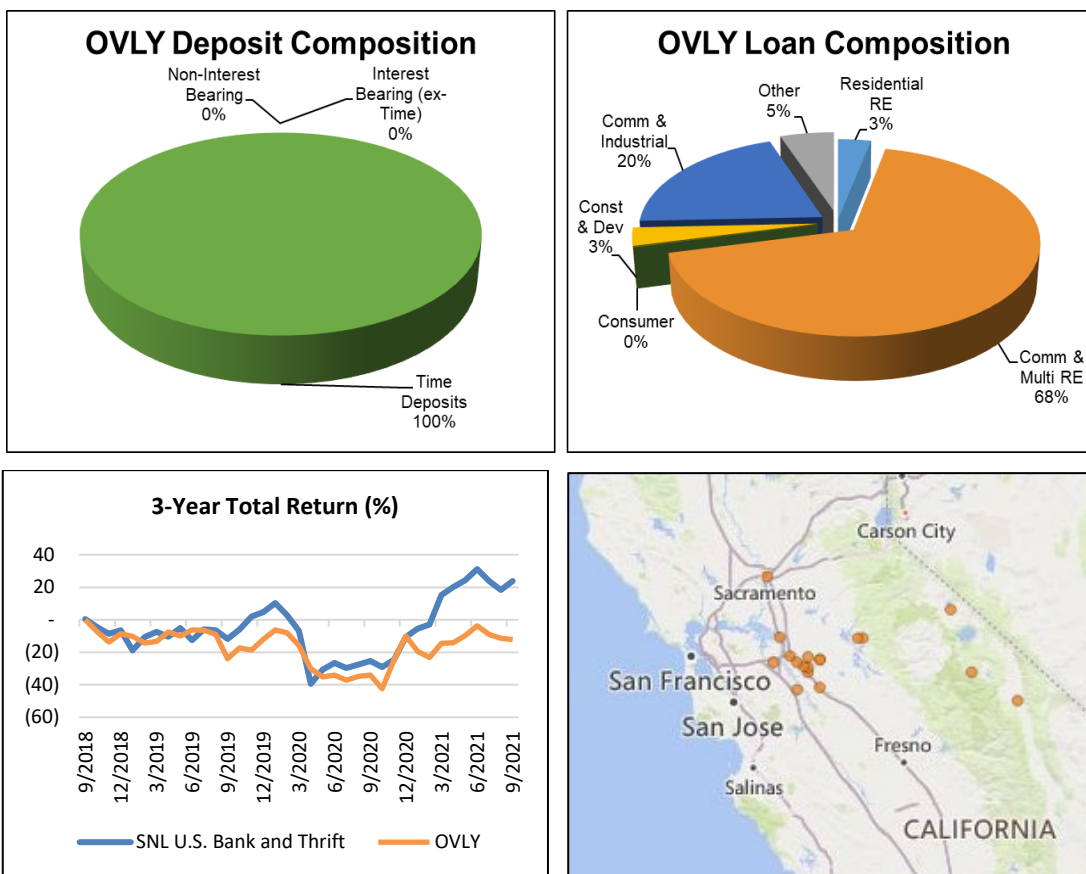
Source: S&P Global Market Intelligence

Contact PNC
FIG Advisory:

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Oak Valley Bancorp (NASDAQ: OVLY). Headquartered in Oakdale, Oak Valley Bancorp operates Oak Valley Community Bank (founded in 1991) and its Eastern Sierra Community Bank division, through which it offers a variety of loan and deposit products to individuals and small businesses. Real estate loans are generally of a short-term nature for both residential and commercial lending purposes. Oak Valley currently operate through 17 branches. The majority of Oak Valley's loans and deposits are generated from the Central Valley. The Central Valley area includes Stanislaus, San Joaquin and Tuolumne counties and has a total population of over three million.

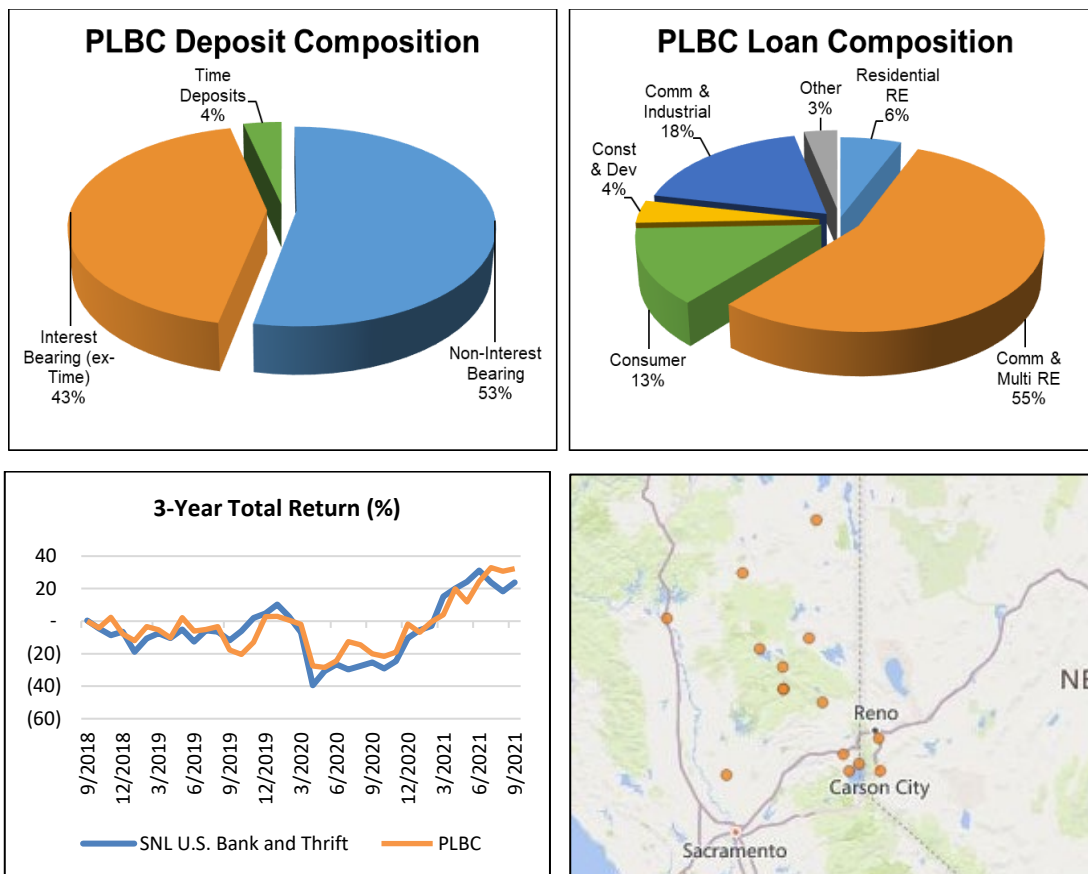
Oak Valley uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$11.3 million, or 1.21% of total loans, compared with \$11.4 million, or 1.15%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 58%, loans were 53% of total assets, and tangible common equity was 7.6% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.8 billion, \$1.6 billion, and \$136.6 million, respectively.



Source: S&P Global Market Intelligence

Plumas Bancorp, Inc. (NASDAQ: PLBC). Although headquartered in Reno, Nevada, we include Plumas Bancorp in this report given that its principal subsidiary, Plumas Bank is headquartered in Quincy, California, and most of its branches are in NorCal. Founded in 1980, Plumas Bank is a locally owned and managed full-service community bank. The bank operates 14 branches in California and two branches located in the northern Nevada counties of Washoe and Carson City. The bank also operates two loan production offices in the California counties of Placer and Butte. Plumas Bank offers a wide range of financial and investment services to consumers and businesses and has received nationwide Preferred Lender status with the United States Small Business Administration.

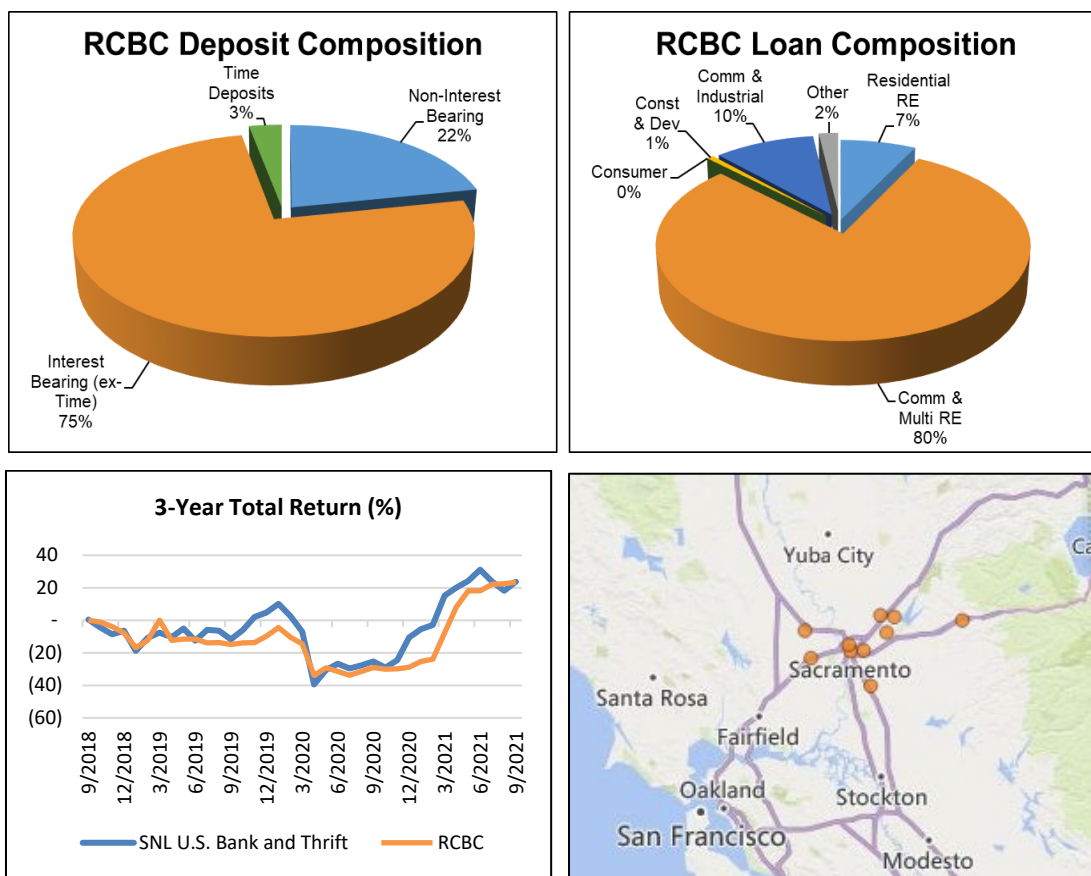
Plumas uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$10.1 million, or 1.38% of total loans, compared with \$8.8 million, or 1.19%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 64%, loans were 57% of total assets, and tangible common equity was 8.4% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.3 billion, \$1.1 billion, and \$106.8 million, respectively.



Source: S&P Global Market Intelligence

River City Bank (OTCPK: RCBC). Based in Sacramento, River City Bank is a business bank that offers a comprehensive suite of banking services, including loans, deposits and cash management tools to the business, consumer, and commercial real estate sectors. In addition to its Sacramento market presence, the company has offices in the San Francisco Bay Area and a presence in Southern California.

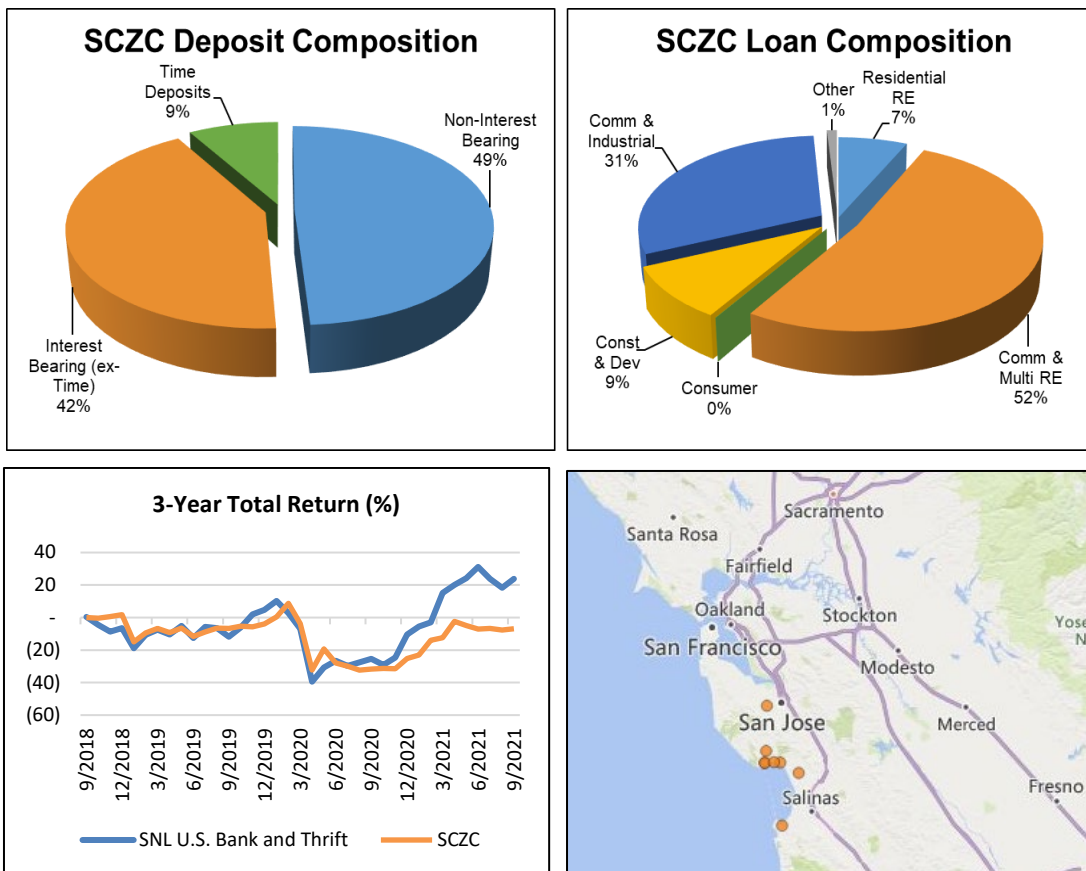
River City uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$60.0 million, or 2.43% of total loans, compared with \$47.0 million, or 1.92%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 81%, loans were 73% of total assets, and tangible common equity was 8.6% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$3.4 billion, \$3.0 billion, and \$289.7 million, respectively.



Source: S&P Global Market Intelligence

Santa Cruz County Bank (OTCQX: SCZC). Based in Santa Cruz, the full-service bank was founded in 2004. There are eight branches and the bank distinguishes itself from larger competitors by its relationship-based service, problem-solving focus, and direct access to decision makers. The bank is a leading SBA lender in Santa Cruz County and Silicon Valley and a top USDA lender in California. True to its community roots, the bank has supported regional well-being by actively participating in and donating to local not-for-profit organizations. On October 18, 2019, the company acquired Santa Cruz, based-Lighthouse Bank in an all-stock deal valued at approximately \$72 million (completion). This equated to 167% of tangible book value and 13.4 times trailing 12-month earnings. The core deposit premium was 14.4%.

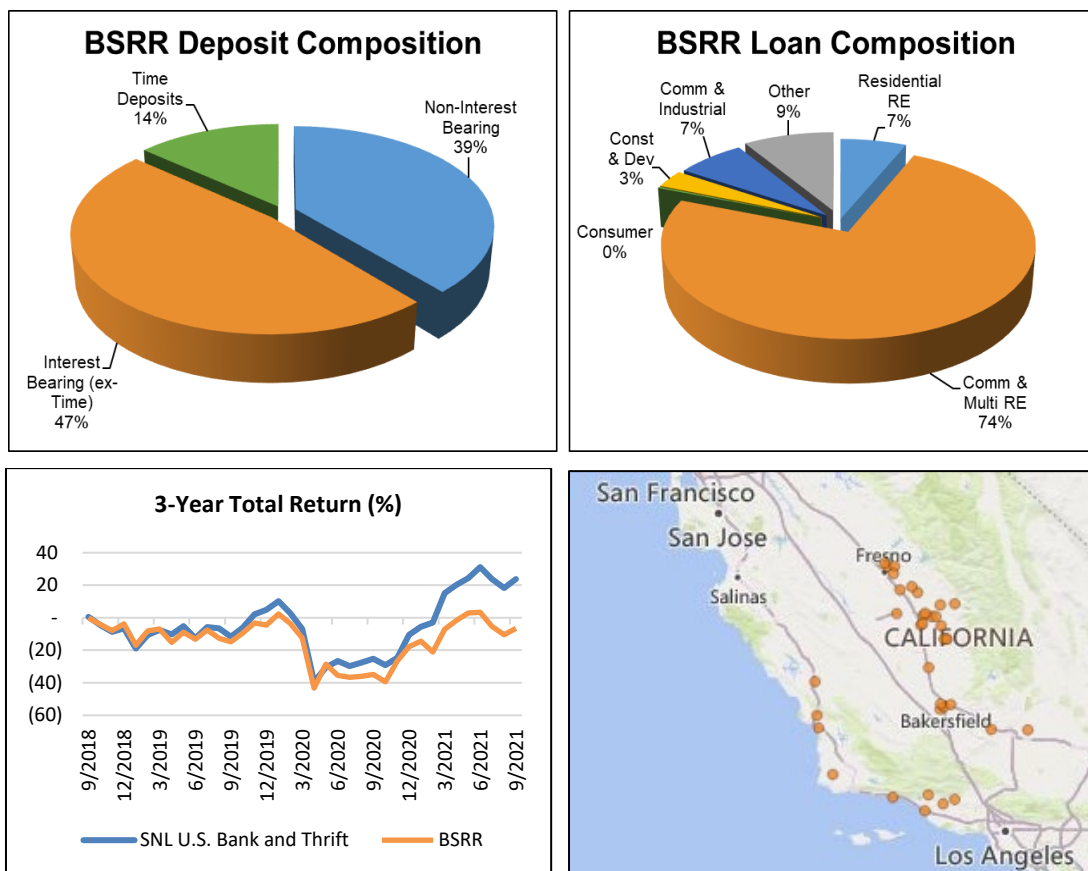
Santa Cruz uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$15.5 million, or 1.20% of total loans, compared with \$10.6 million, or 0.95%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 86%, loans were 76% of total assets, and tangible common equity was 9.4% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.6 billion, \$1.4 billion, and \$178.6 million, respectively.



Source: S&P Global Market Intelligence

Sierra Bancorp (NASDAQ: BSRR). Sierra Bancorp is the holding company for Bank of the Sierra, which was founded in 1977 and is the largest independent bank headquartered in the South San Joaquin Valley. The bank has 35 full-service branches, located mainly in the Central Valley. In addition to offering traditional banking products and services, Sierra provides specialized lending services through an agricultural service center, an SBA center, and a dedicated loan production office in Roseville, California. Noninterest-bearing deposits represent nearly 40% of total deposits. In 2017, Sierra Bancorp acquired Ojai, CA-based, OCB Bancorp in a stock deal valued at approximately \$38.3 million (at completion). On September 24, 2021, the company announced the completion of its private placement of \$50 million in fixed-to-floating rate subordinated notes due 2031.

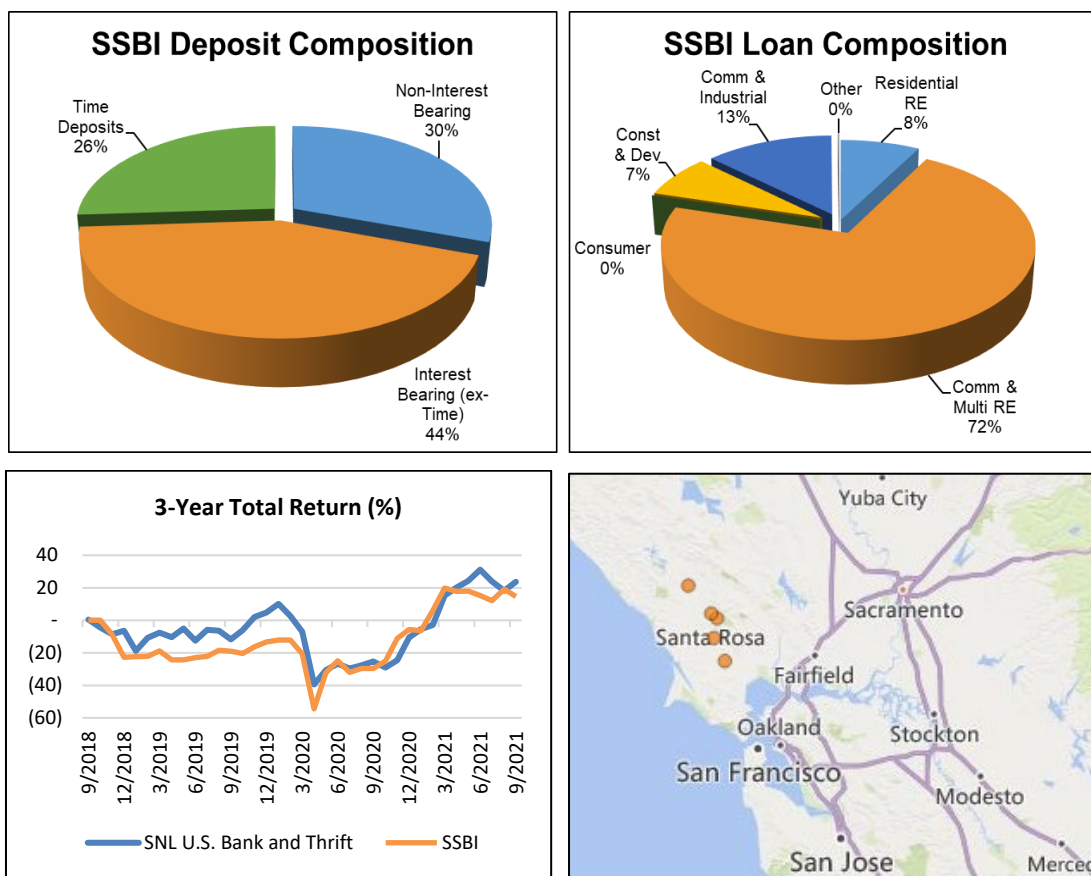
Sierra uses the incurred loss method of accounting for loan losses, and as of June 30, 2021, the loan loss reserve was \$16.4 million, or 0.77% of total loans, compared with \$13.6 million, or 0.61%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 77%, loans were 76% of total assets, and tangible common equity was 10.1% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$3.3 billion, \$2.8 billion, and \$357.7 million, respectively.



Source: S&P Global Market Intelligence

Summit State Bank (NASDAQ: SSBI). Headquartered in Santa Rosa (Sonoma County), Summit has five branches and a regional small business lending group in Roseville, California. Summit's SBA loan sales and servicing income have boosted its noninterest revenue stream over the past few years. The company's loan portfolio is concentrated in Sonoma County, which has the 15th highest household income in California. Insiders own approximately 26% of the outstanding shares.

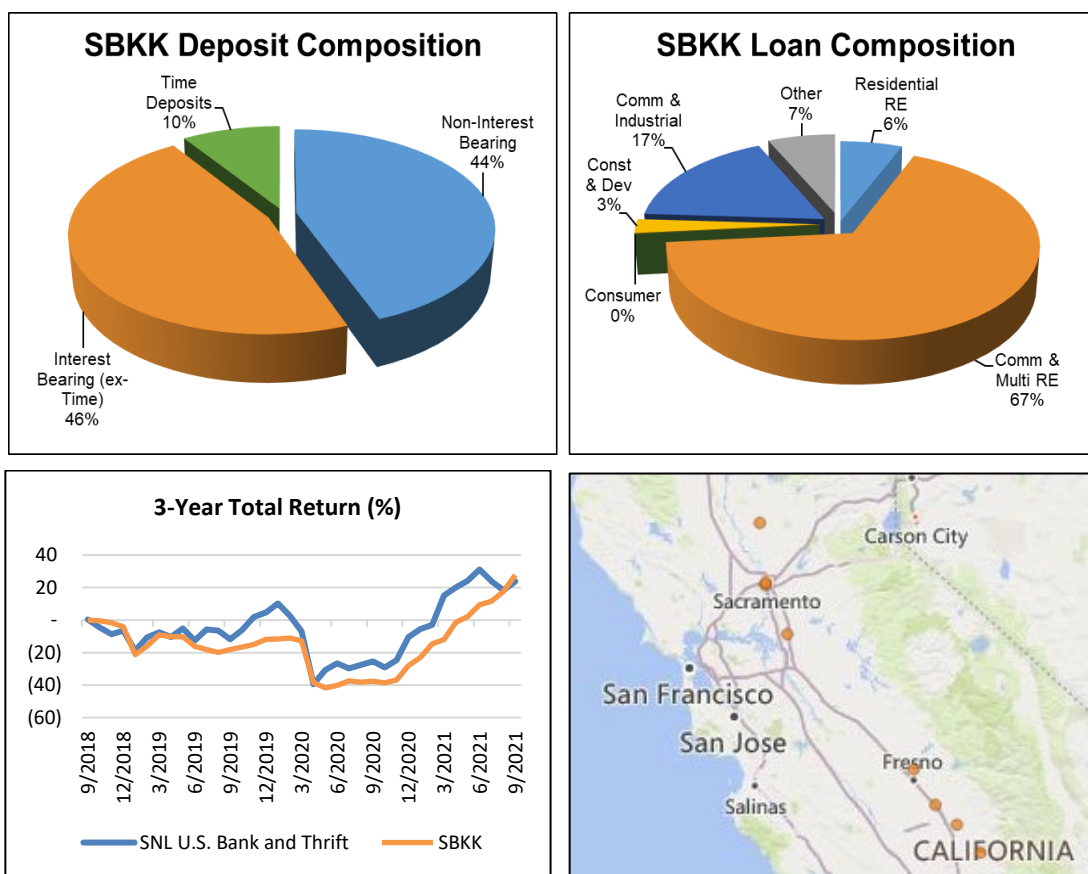
Summit uses the CECL method and as of June 30, 2021, the loan loss reserve was \$11.5 million, or 1.50% of total loans, compared with \$7.9 million, or 1.11%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 100%, loans were 85% of total assets, and tangible common equity was 8.2% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$901.6 million, \$764.0 million, and \$79.0 million, respectively.



Source: S&P Global Market Intelligence

Suncrest Bank (OTCQX: SBKK). Headquartered in Visalia (Tulare County), Suncrest offers a full range of commercial, small business and agribusiness loans, cash management services and personal deposit products throughout the Central Valley. On July 27, 2021, Suncrest agreed to be acquired by Ontario, CA-based, CVB Financial Corp. (NASDAQ: CVBF) in a cash and stock deal valued at approximately \$205 million. At the time of announcement, the deal value equated to 162% of tangible book value and 14.1 times trailing 12-month earnings. The core deposit premium was 7.4%. The deal is expected to close in the fourth quarter or early next year.

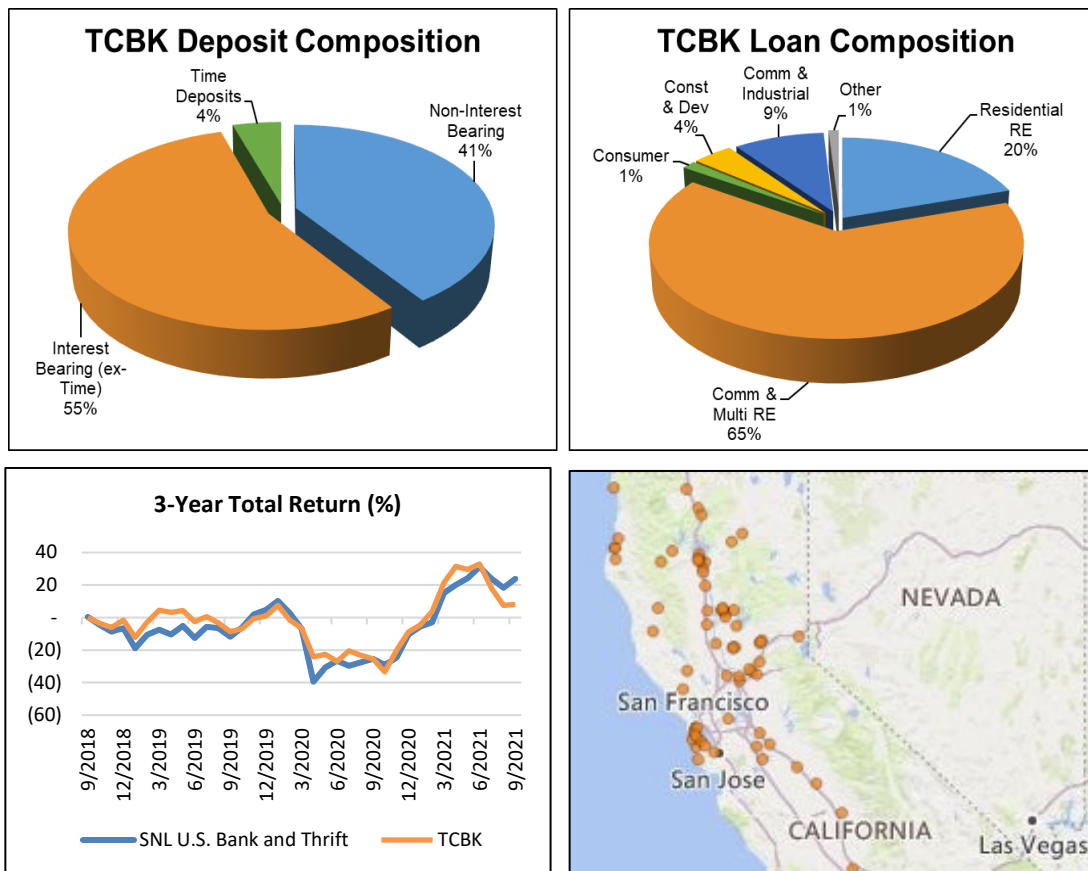
Suncrest uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$8.5 million, or 0.98% of total loans, compared with \$7.3 million, or 0.90%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 73%, loans were 63% of total assets, and tangible common equity was 9.9% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.4 billion, \$1.2 billion, and \$172.5 million, respectively.



Source: S&P Global Market Intelligence

TriCo Bancshares (NASDAQ: TCBK). Headquartered in Chico, Tri Counties Bank was established in 1975, and provides customers with 72 branches in communities throughout Northern and Central California. TriCo is an experienced acquirer having purchased numerous banks since 2000. Its most recent transaction was announced on July 27, 2021, when the company agreed to acquire Bakersfield-based, Valley Republic Bancorp (OTCQX: VLLX). The aggregate deal value of the all-stock deal was approximately \$166 million, which equated to 157% of tangible book value and 10.9 times trailing 12-month earnings. In July 2018, TriCo acquired South San Francisco-based, FNB Bancorp (total assets \$1.2 billion) in an all-stock deal.

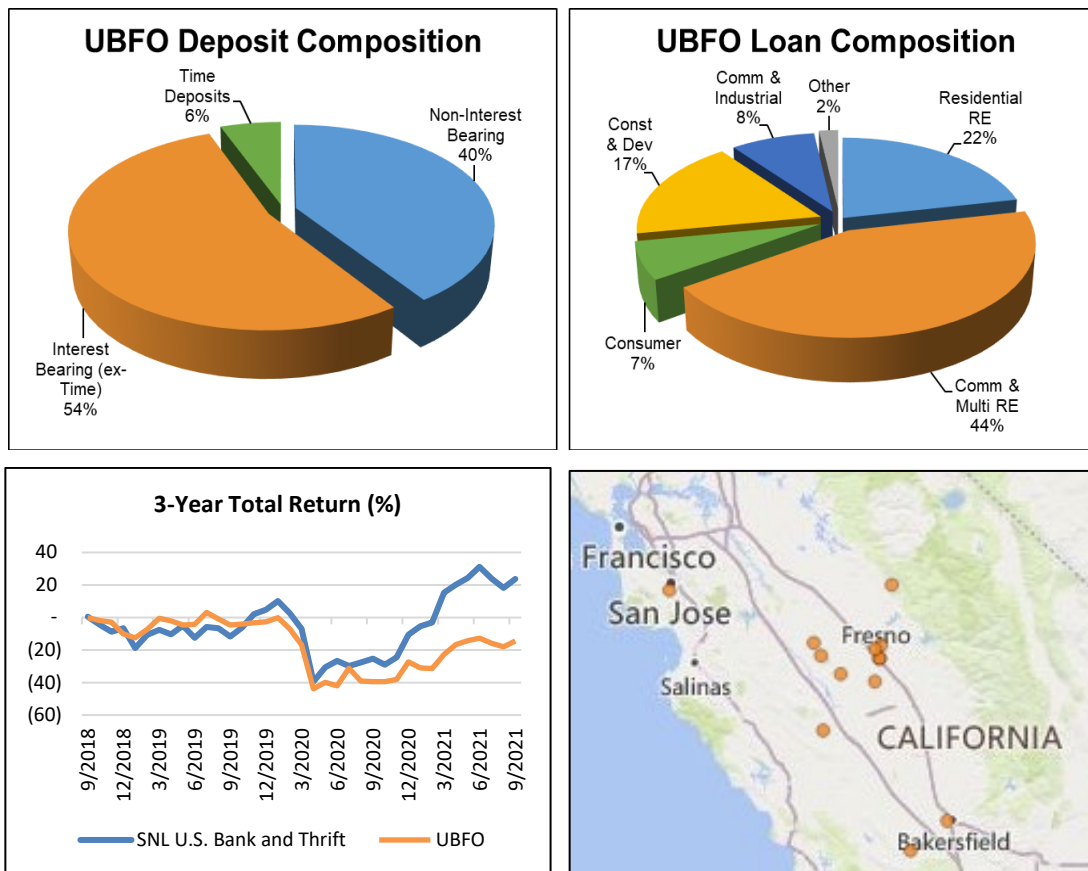
TriCo uses the CECL method of accounting for loan losses, and as of June 30, 2021, the loan loss reserve was \$86.1 million, or 1.74% of total loans, compared with \$79.7 million, or 1.66%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 71%, loans were 61% of total assets, and tangible common equity was 9.2% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$8.2 billion, \$7.0 billion, and \$966.8 million, respectively.



Source: S&P Global Market Intelligence

United Security Bancshares (NASDAQ: UBFO). Founded in 1987, United Security is headquartered in Fresno and operates 12 full-service branches in Northern and Central California. The company provides a range of commercial banking services to the business and professional community, and individuals in California.

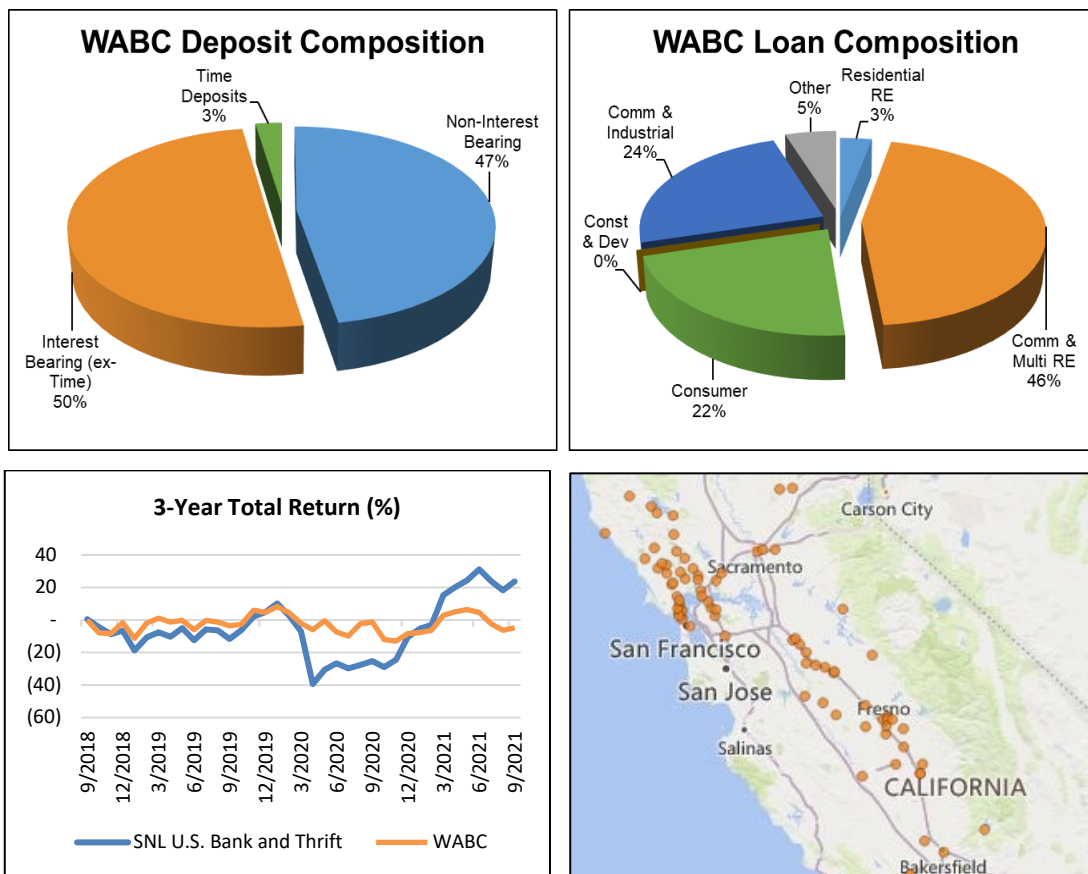
United Security uses the incurred loss method and as of June 30, 2021, the loan loss reserve was \$9.3 million, or 1.09% of total loans, compared with \$8.9 million, or 1.37%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 77%, loans were 68% of total assets, and tangible common equity was 9.3% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.2 billion, \$1.1 billion, and \$118.4 million, respectively.



Source: S&P Global Market Intelligence

Westamerica Bancorporation (NASDAQ: WABC). Headquartered in San Rafael (Marin County), Westamerica operates 80 commercial banking and trust offices throughout Northern and Central California. Founded in 1972, the company's strategic focus is on the banking needs of small businesses. Westamerica has the fifth largest deposit market share (7.5%) in Marin County.

Westamerica uses the CECL method and as of June 30, 2021, the loan loss reserve was \$23.7 million, or 1.99% of total loans, compared with \$24.5 million, or 1.86%, as of June 30, 2020. As of June 30, 2021, the loan-to-deposit ratio was 20%, loans were 17% of total assets, and tangible common equity was 10.2% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$7.1 billion, \$6.1 billion, and \$842.2 million, respectively.



Source: S&P Global Market Intelligence

Investment Summary

Profitability

Second quarter, 2021 earnings for our highlighted group were generally solid and beat conservative forecasts. A challenge for most is to profitably invest excess liquidity. As banks seek to increase the yield on floating rate assets, there has been considerable interest in swaps that use a receive-fixed swap strategy. Depending on the specific institution and the amount of floating rate assets, this can improve yields on those loans (or bonds). Many banks are concerned about the “lower for longer” problem with the Fed still committed to near-zero rates for an extended period and believe that if and when the Fed does start to increase rates, deposit betas will be low (i.e. deposit rates will lag market rate increases).

The “receive-fixed swap” strategy allows banks to take advantage of the current low short-term rates, upward sloping yield curve, significant increase in longer-term rates, and the market’s rate expectations that exceed the Fed’s projected rate path. Banks can do this and continue to offer the same loan/swap products to price/structure loans competitively, maintain continuity with lending products, and generate loan-swap fees. Please contact your PNC representative for more information regarding the Derivatives Product Group.

Solid credit quality helped drive second quarter earnings. Many of our highlighted banks reported lower, or even negative, loan loss provisions citing stable asset quality and better economic forecasts, which included stronger employment levels and improved GDP growth. Under CECL, economic forecasts have outsized influence on the determination of loan loss reserves when compared with incurred loss method

In addition to good credit quality, other positive second quarter attributes included solid capital levels, strong mortgage banking, and several stock buyback announcements and dividend affirmations/increases. Revenue growth, however, remains challenging, largely due to lackluster loan growth and net interest margin pressure.

Institutional Use Only

Figure 7

Institution	Ticker	ROAA (%)	ROAE (%)	ROATCE (%)	NIM (%)	Eff. Ratio (%)	Inv Sec/ Assets (%)	Avg Inv Sec Yld (%)	Loans/ Assets (%)	Loan/ Dep. (%)	Loan Yld (%)
1867 Western Fin'l Corp.	WFCL	2.23	13.8	14.6	2.85	45	40	1.75	42	52	4.73
1st Capital Bancorp	FISB	0.75	8.2	8.2	3.51	65	NA	1.61	63	71	4.50
Avidbank Holdings, Inc.	AVBH	0.76	8.8	8.8	3.27	66	NA	NA	63	71	4.79
Bank of Commerce Holdings	BOCH	1.03	10.5	11.9	3.15	55	31	1.82	56	64	4.39
Bank of Marin Bancorp	BMRC	1.12	9.5	10.8	3.41	57	23	2.22	65	75	4.14
BayCom Corp.	BCML	0.78	6.9	9.2	3.28	64	7	3.35	68	81	4.71
California BanCorp	CALB	0.48	6.7	NA	2.97	68	NA	2.67	72	80	4.17
Central Valley Comm. Bncp	CVCY	1.28	11.0	14.6	3.59	56	42	2.38	47	54	5.04
Communities First Fin'l Corp.	CFST	1.83	23.8	23.8	4.20	34	26	2.79	70	81	4.73
Exchange Bank	EXSR	1.07	11.2	11.2	2.89	58	33	1.43	48	54	4.50
Farmers & Merchants Bncp	FMCB	1.40	14.9	15.6	3.51	62	18	1.89	61	69	4.80
First Northern Comm. Bncp	FNRN	0.77	8.8	8.8	2.78	66	31	1.37	48	53	4.49
Five Star Bancorp	FSBC	NA	28.7	NA	3.47	40	7	1.49	68	77	4.73
Heritage Commerce Corp.	HTBK	0.90	7.4	11.5	2.99	68	12	1.81	55	65	4.80
Luther Burbank Corp.	LBC	0.88	10.1	10.1	2.31	34	10	1.29	88	119	3.42
Mechanics Bank	MCHB	0.87	6.6	12.2	3.64	51	30	1.28	59	70	4.97
Oak Valley Bancorp	OVLY	1.08	13.0	13.4	3.09	60	14	2.76	53	58	4.40
Plumas Bancorp	PLBC	1.47	16.9	17.2	3.39	42	20	1.86	58	64	4.91
River City Bank	RCBC	1.25	15.2	15.2	2.64	37	22	0.80	72	81	3.82
Santa Cruz County Bank	SCZC	1.39	12.1	14.9	4.11	43	5	1.44	78	86	4.64
Sierra Bancorp	BSRR	1.32	12.3	13.8	3.59	57	NA	NA	65	77	4.57
Summit State Bank	SSBI	1.52	17.4	18.8	4.12	48	8	2.48	84	100	5.04
Suncrest Bank	SBKK	1.23	9.6	13.2	3.81	50	28	2.38	63	73	4.80
TriCo Bancshares	TCBK	1.34	11.1	15.7	3.57	51	26	1.66	60	71	4.85
United Security Bncshs	UBFO	0.73	7.0	7.3	3.21	55	14	1.59	68	77	4.58
Westamerica Bancorp	WABC	1.30	11.9	14.3	2.70	44	66	2.69	17	20	4.84
Median		1.12	11.1	13.3	3.34	55	22	1.82	63	71	4.72

Financial data as of or for the 12 months ending June 30, 2021.

Source: S&P Global Market Intelligence

Contact PNC
FIG Advisory:

1-610-351-1633

Lending Activities

As is the case with most community banks and thrifts, NorCaL banks depend on interest income from loans for revenue growth. Net interest income represents 80-85% of total revenue for the highlighted banks in this report. These community banks have generally benefited from solid loan demand, a local presence and focus on niche business/ethnic community relationships.

Figure 8

Institution	Ticker	Residential Real Estate (%)	Commercial & Multifamily Real Estate (%)	Consumer (%)	Const. & Dev. (%)	Comm. & Industrial (%)	Other (%)
1867 Western Fin'l Corp.	WFCL	13	50	13	5	13	7
1st Capital Bancorp	FISB	14	56	4	2	22	2
Avidbank Holdings, Inc.	AVBH	1	40	0	19	40	0
Bank of Commerce Holdings	BOCH	9	73	2	3	13	1
Bank of Marin Bancorp	BMRC	12	63	1	5	15	4
BayCom Corp.	BCML	8	70	0	1	19	1
California BanCorp	CALB	1	45	5	3	46	0
Central Valley Comm. Bncp	CVCY	5	63	4	6	19	4
Communities First Fin'l Corp.	CFST	3	46	0	4	40	8
Exchange Bank	EXSR	24	46	3	5	19	3
Farmers & Merchants Bncp	FMCB	12	54	0	6	17	11
First Northern Comm. Bncp	FNRN	11	60	0	1	24	5
Five Star Bancorp	FSBC	2	76	0	5	16	1
Heritage Commerce Corp.	HTBK	12	55	1	5	25	2
Luther Burbank Corp.	LBC	30	69	0	0	0	0
Mechanics Bank	MCHB	17	41	30	1	9	1
Oak Valley Bancorp	OVLY	3	68	0	3	20	5
Plumas Bancorp	PLBC	6	55	13	4	18	3
River City Bank	RCBC	8	80	0	1	10	2
Santa Cruz County Bank	SCZC	7	52	0	9	31	1
Sierra Bancorp	BSRR	7	74	0	3	7	9
Summit State Bank	SSBI	8	72	0	7	13	0
Suncrest Bank	SBKK	6	67	0	2	17	7
TriCo Bancshares	TCBK	20	65	1	4	9	1
United Security Bncshs	UBFO	22	44	7	18	8	2
Westamerica Bancorp	WABC	3	45	22	0	24	5
Median		8	58	1	4	18	2

Financial data as of or for the 3 months ending June 30, 2021.

Source: S&P Global Market Intelligence.

Asset Quality and Loan Growth

Asset quality generally remained very good although borrowers could be stressed should the economy falter or interest rates rise significantly.

Figure 9

Institution	Ticker	Reported NPAs (\$000s)	NPAs/ Assets (%)	NPAs/ Loans & REO (%)	NCOs/ Avg Loans (%)	Loan Loss Prov./ NCO (%)	Loan Loss Reserves/ Total Loans (%)	LTM Loan Growth (%)
1867 Western Fin'l Corp.	WFCL	NA	NA	NA	-0.05	NM	3.66	-9.49
1st Capital Bancorp	FISB	2,161	0.23	0.36	-0.01	NM	1.45	-2.58
Avidbank Holdings, Inc.	AVBH	3,326	0.21	0.33	0.00	NA	1.24	1.27
Bank of Commerce Holdings	BOCH	3,813	0.20	0.35	-0.06	NM	1.58	-9.42
Bank of Marin Bancorp	BMRC	NA	NA	NA	-0.01	NM	0.95	-5.09
BayCom Corp.	BCML	8,929	0.38	0.56	0.00	NM	1.06	-7.23
California BanCorp	CALB	1,234	0.07	0.09	0.07	NM	0.98	4.17
Central Valley Comm. Bncp	CVCY	2,035	0.09	0.19	0.04	NM	0.98	-4.97
Communities First Fin'l Corp.	CFST	1,018	0.10	0.15	0.04	NM	1.34	19.87
Exchange Bank	EXSR	NA	NA	NA	-0.06	NM	2.61	-8.53
Farmers & Merchants Bncp	FMCB	1,421	0.03	0.05	-0.01	NM	1.99	-1.02
First Northern Comm. Bncp	FNRN	16,529	0.90	1.86	0.14	0	1.73	-10.66
Five Star Bancorp	FSBC	431	0.02	0.03	0.03	0	1.40	4.34
Heritage Commerce Corp.	HTBK	6,180	0.12	0.22	-0.02	NM	1.55	5.14
Luther Burbank Corp.	LBC	707	0.01	0.01	0.00	NM	0.64	2.59
Mechanics Bank	MCHB	NA	NA	NA	0.11	126	1.18	-0.26
Oak Valley Bancorp	OVLY	362	0.02	0.04	-0.01	NM	1.21	-5.76
Plumas Bancorp	PLBC	7,348	0.58	1.00	0.05	298	1.38	-0.78
River City Bank	RCBC	NA	NA	NA	-0.01	NM	2.43	0.64
Santa Cruz County Bank	SCZC	98	0.01	0.01	0.00	NM	1.20	14.78
Sierra Bancorp	BSRR	8,050	0.25	0.38	-0.04	NM	0.77	-3.10
Summit State Bank	SSBI	464	0.05	0.06	0.00	NM	1.50	7.86
Suncrest Bank	SBKK	4,800	0.35	0.55	0.00	0	0.98	7.97
TriCo Bancshares	TCBK	34,952	0.43	0.71	-0.02	NM	1.74	2.93
United Security Bncshs	UBFO	16,586	1.35	1.96	0.09	472	1.09	29.82
Westamerica Bancorp	WABC	4,383	0.06	0.37	-0.08	NM	1.99	-9.23
Median		3,326	0.12	0.33	0.00	63	1.36	-0.52

Financial data as of or for the 12 months ending June 30, 2021.

Source: S&P Global Market Intelligence.

Deposits:

We believe the crown jewels of a company's franchise value rests in its core deposit base. As shown in the figure below, the median core deposit ratio for the highlighted banks was about 95%, and non-interest-bearing deposits were 42% of total deposits. We define core deposits as all deposits excluding certificates of deposit.

Figure 10

Institution	Ticker	Non-Interest Bearing Deposits (\$000s)		Interest Bearing (ex-Time) Deposits (\$000s)		Time Deposits (\$000s)		Total Deposits (\$000s)
1867 Western Fin'l Corp.	WFCL	1,177,795	34%	2,099,140	60%	234,588	7%	3,511,523
1st Capital Bancorp	FISB	412,108	48%	427,761	50%	13,761	2%	853,630
Avidbank Holdings, Inc.	AVBH	728,522	51%	571,683	40%	126,972	9%	1,427,177
Bank of Commerce Holdings	BOCH	627,911	37%	932,529	55%	136,898	8%	1,697,338
Bank of Marin Bancorp	BMRC	1,460,076	54%	1,128,149	42%	95,350	4%	2,683,575
BayCom Corp.	BCML	727,663	37%	1,024,587	52%	225,988	11%	1,978,238
California BanCorp	CALB	791,580	47%	710,658	42%	177,534	11%	1,679,772
Central Valley Comm. Bncp	CVCY	899,406	45%	989,883	50%	89,805	5%	1,979,094
Communities First Fin'l Corp.	CFST	527,259	61%	249,411	29%	87,877	10%	864,547
Exchange Bank	EXSR	1,217,718	40%	1,680,363	55%	179,650	6%	3,077,731
Farmers & Merchants Bncp	FMCB	1,646,768	37%	2,363,757	54%	401,539	9%	4,412,064
First Northern Comm. Bncp	FNRN	744,432	45%	865,003	52%	53,792	3%	1,663,227
Five Star Bancorp	FSBC	829,036	40%	1,182,575	57%	54,674	3%	2,066,285
Heritage Commerce Corp.	HTBK	1,840,516	42%	2,345,312	54%	158,644	4%	4,344,472
Luther Burbank Corp.	LBC	127,810	2%	2,501,920	46%	2,772,242	51%	5,401,972
Mechanics Bank	MCHB	7,508,991	47%	7,476,401	47%	991,950	6%	15,977,342
Oak Valley Bancorp	OVLY	NA	NA	NA	NA	39,006	2%	1,614,480
Plumas Bancorp	PLBC	601,692	53%	488,728	43%	41,337	4%	1,131,757
River City Bank	RCBC	665,601	22%	2,281,309	75%	94,824	3%	3,041,734
Santa Cruz County Bank	SCZC	703,373	49%	606,430	42%	122,904	9%	1,432,707
Sierra Bancorp	BSRR	1,073,833	39%	1,321,190	48%	380,891	14%	2,775,914
Summit State Bank	SSBI	232,206	30%	333,201	44%	198,546	26%	763,953
Suncrest Bank	SBKK	528,013	44%	552,252	46%	111,583	9%	1,191,848
TriCo Bancshares	TCBK	2,843,783	41%	3,823,878	55%	324,392	5%	6,992,053
United Security Bncshs	UBFO	442,140	41%	585,201	54%	63,101	6%	1,090,442
Westamerica Bancorp	WABC	2,872,920	47%	3,049,892	50%	153,577	3%	6,076,389
Median		744,432	42%	1,024,587	50%	131,935	6%	1,978,666

Financial data as of or for the 3 months ending June 30, 2021, or if not available, March 31, 2021.

Source: S&P Global Market Intelligence.

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