
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 28, 2020

PACIFIC MERCANTILE BANCORP
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction
of incorporation)

0-30777
(Commission
File Number)

33-0898238
(IRS Employer
Identification No.)

949 South Coast Drive, Costa Mesa, California
(Address of principal executive offices)

92626
(Zip Code)

Registrant's telephone number, including area code: (714) 438-2500

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	"PMBC"	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

Pacific Mercantile Bancorp (Nasdaq: PMBC), the holding company of Pacific Mercantile Bank (the “Bank”), a wholly owned banking subsidiary, today announced that Brad Dinsmore, President & Chief Executive Officer and Curt Christianssen, Executive Vice President & Chief Financial Officer, will participate in the 2020 Janney West Coast CEO Forum being held in Phoenix on January 29-30, 2020.

During the conference, the management team will hold a series of meetings with institutional investors. A copy of the presentation slides, updated with the Company’s financial results for the three months and year ended December 31, 2019, substantially in the form expected to be used in such presentations and meetings, is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The information contained in this report and in the exhibit hereto is intended to be “furnished” and shall not be deemed to be “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of this section.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits. The following exhibit is being furnished pursuant to Item 2.02 above.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Fourth Quarter 2019 Investor Presentation
99.2	Press release on January 28, 2020 announcing participation in an upcoming investor conference

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PACIFIC MERCANTILE BANCORP

Date: January 28, 2020

By:

/s/ Bradford R. Dinsmore

Bradford R. Dinsmore,
President and Chief Executive Officer



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January 2020

INVESTOR PRESENTATION

FORWARD LOOKING STATEMENTS

This presentation contains statements regarding our expectations, beliefs and views about our future financial performance and our business, trends and expectations regarding the markets in which we operate, and our future plans. Those statements constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, can be identified by the fact that they do not relate strictly to historical or current facts. Often, they include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "project," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may". Forward-looking statements are based on current information available to us and our assumptions about future events over which we do not have control. Moreover, our business and our markets are subject to a number of risks and uncertainties which could cause our actual financial performance in the future, and the future performance of our markets (which can affect both our financial performance and the market prices of our shares), to differ, possibly materially, from our expectations as set forth in the forward-looking statements contained in this presentation. In addition to the risk of incurring loan losses, which is an inherent risk of the banking business, these risks and uncertainties include, but are not limited to, the following: the risk that the economic recovery in the United States, which is still relatively fragile, will be adversely affected by domestic or international economic conditions, which could cause us to incur additional loan losses and adversely affect our results of operations in the future; the risk that our results of operations in the future will continue to be adversely affected by our exit from the wholesale residential mortgage lending business and the risk that our commercial banking business will not generate the additional revenues needed to fully offset the decline in our mortgage banking revenues within the next two to three years; the risk that our interest margins and, therefore, our net interest income will be adversely affected by changes in prevailing interest rates; the risk that we will not succeed in further reducing our remaining nonperforming assets, in which event we would face the prospect of further loan charge-offs and write-downs of other real estate owned and would continue to incur expenses associated with the management and disposition of those assets; the risk that we will not be able to manage our interest rate risks effectively, in which event our operating results could be harmed; the prospect that government regulation of banking and other financial services organizations will increase, causing our costs of doing business to increase and restricting our ability to take advantage of business and growth opportunities. Additional information regarding these and other risks and uncertainties to which our business is subject are contained in our Annual Report on Form 10-K for the year ended December 31, 2018 which is on file with the SEC as well as subsequent Quarterly Reports on Form 10-Q that we file with the SEC. Due to these and other risks and uncertainties to which our business is subject, you are cautioned not to place undue reliance on the forward-looking statements contained in this news release, which speak only as of its date, or to make predictions about our future financial performance based solely on our historical financial performance. We disclaim any obligation to update or revise any of the forward-looking statements as a result of new information, future events or otherwise, except as may be required by law.



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CORPORATE OVERVIEW

Pacific Mercantile Bank is a full service business bank serving Southern California

- Bank founded in 1999
- \$1.4 billion in total assets
- 7 locations in Southern California
- Focused on middle-market businesses with revenues between \$10 to \$75 million



CORPORATE HEADQUARTERS
COSTA MESA, CALIFORNIA



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INVESTMENT HIGHLIGHTS

- Growing commercial bank operating in attractive Southern California markets
- New CEO hired in September 2019 to accelerate growth and profitability
- Well defined value proposition drives new client acquisition without compromising on pricing and terms
- Favorable shifts in loan and deposit mix adding to franchise value
- Disciplined expense management driving improved efficiencies
- Attractive valuation trading at 1.10x tangible book value⁽¹⁾

(1) Based on closing price on January 27, 2020



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OFFICE LOCATIONS



Newport Beach

Century City

Irvine Spectrum

Costa Mesa

La Habra

Ontario

San Diego



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EXECUTIVE MANAGEMENT TEAM

Name	Title	Financial Services Experience	Tenure at PMB	Select Experience
Brad R. Dinsmore	President & Chief Executive Officer	~32 years	Started in Sep. 2019	<ul style="list-style-type: none"> Corporate EVP at SunTrust Banks Head of U.S. Retail Banking at Citigroup Orange County Market President at Bank of America
Curt A. Christianssen	Executive Vice President & Chief Financial Officer	~22 years	~5 years	<ul style="list-style-type: none"> EVP & CFO of Carpenter Community BancFund Interim CFO at Manhattan Bancorp CFO and Director of Corporate Development for Dartmouth Capital Group and Eldorado Bancshares
Robert Anderson	Executive Vice President & Interim Chief Credit Officer	~23 years	~6 years	<ul style="list-style-type: none"> Chief Banking Officer at Pacific Mercantile Bank Various positions at Silicon Valley Bank including head of Orange County office
Curtis Birkmann	Executive Vice President & Chief Technology Officer	~9 years	~4 years	<ul style="list-style-type: none"> Chief Information Officer at Bank of Manhattan Senior Software Engineer and Senior Program Manager at Corcen Data International
Maxwell G. Sinclair	Executive Vice President & Chief Compliance Officer	~23 years	~8 years	<ul style="list-style-type: none"> Vice President/Compliance and BSA Manager at California Bank & Trust



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BOARD OF DIRECTORS

Name	Title	Tenure	Select Experience
Edward J. Carpenter	Chairman of the Board	~6 years	<ul style="list-style-type: none"> Founder, Chairman, Chief Executive Officer and Principal of Seapower Carpenter Capital, Inc. Founder, Chairman, Chief Executive Officer and Principal of Carpenter & Company
James Deutsch	Director	~2 years	<ul style="list-style-type: none"> Partner, Patriot Financial Partners President and Chief Executive Officer of Team Capital Bank
Brad R. Dinsmore	Director	Added in Sep 2019	<ul style="list-style-type: none"> President and CEO of Pacific Mercantile Bancorp
Shannon F. Eusey	Director	Added in May 2019	<ul style="list-style-type: none"> Co-Founder, President and Chief Executive Officer of Beacon Pointe Advisors Managing Director and Portfolio Manager at Roxbury Capital Management
Michael P. Hoopis	Director	~6 years	<ul style="list-style-type: none"> Chief Executive Officer and President of Targus Group International, Inc.
Denis P. Kalscheur	Director	~4 years	<ul style="list-style-type: none"> Vice Chairman and Chief Executive Officer of Aviation Capital Group Corp.
Michele S. Miyakawa	Director	Added in May 2019	<ul style="list-style-type: none"> Managing Director of Moelis & Company Investment banking positions at UBS and Donaldson, Lufkin & Jenrette
David J. Munio	Director	~3 years	<ul style="list-style-type: none"> Chief Credit Officer of Wells Fargo & Company Various executive positions at First Interstate Bank
Stephen P. Yost	Director	~5 years	<ul style="list-style-type: none"> Principal of Kestrel Advisors Regional Chief Credit Officer for Comerica Bank



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MARKET POSITIONING

Differentiating Strategy to Target Business Clients

“We Help Companies Succeed”



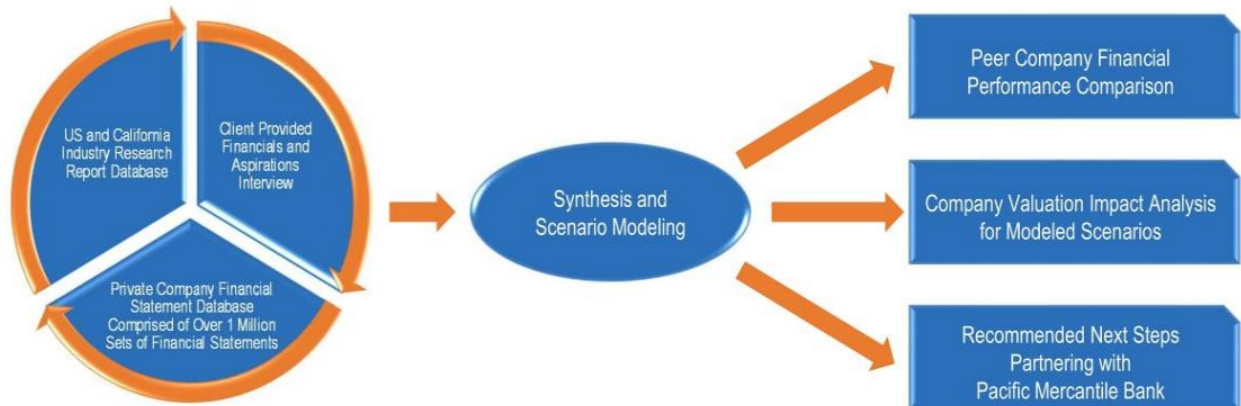
Majority of new relationships being brought into the Bank are C&I operating companies



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HORIZON ANALYTICS®

A unique, game-changing tool that provides a deeper understanding of a Client's company and industry, which enables us to tailor business discussions to Client needs



- Competitive advantage with 70% success rate when using Horizon Analytics
- Relationships include loans, deposits and treasury management services
- Streamlines underwriting and allows loan pricing flexibility (+25 to 50 bps)
- Increases retention by providing ongoing analysis and recommendations



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OPERATING COMPANY HIGHLIGHTS

- Target operating companies with annual revenues between \$10 million and \$75 million
- Identified industry verticals for which there are over 20,000 businesses in service area
- Primarily manufacturing, distribution and service industries
- Operating company characteristics:
 - Total loans and deposits of at least \$1.0 million;
 - Average loan commitment of ~\$2.5 million;
 - 30% - 40% self funded in core deposits



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SOCAL REPRESENTS LARGEST MARKET FOR OPERATING COMPANIES

MARKET COMPARISONS FOR OPERATING COMPANIES



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ENHANCING BANKER PRODUCTIVITY

More effectively leverage Horizon Analytics®

- All C&I bankers being trained in Horizon Analytics®
- Horizon Analytics® incorporated into all business development efforts
- Horizon Analytics® increases win rate and improves loan pricing

Dedicated CRE and small business lending groups created

- 30% of assets will be managed by 20% of bankers
- Enables 80% of sales force to focus solely on operating companies

Increase time spent on business development

- Reduced administrative responsibilities for relationship managers
- Allows C&I bankers to spend more time with existing clients and new prospects

Align development goals and incentives

- More focus on operating companies
- Higher variable opportunity for top performers



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FINANCIAL PERFORMANCE OVERVIEW

Adjusted Pre-Tax Pre-Provision Income*



Adjusted Return on Average Assets*



Adjusted Return on Average Equity*

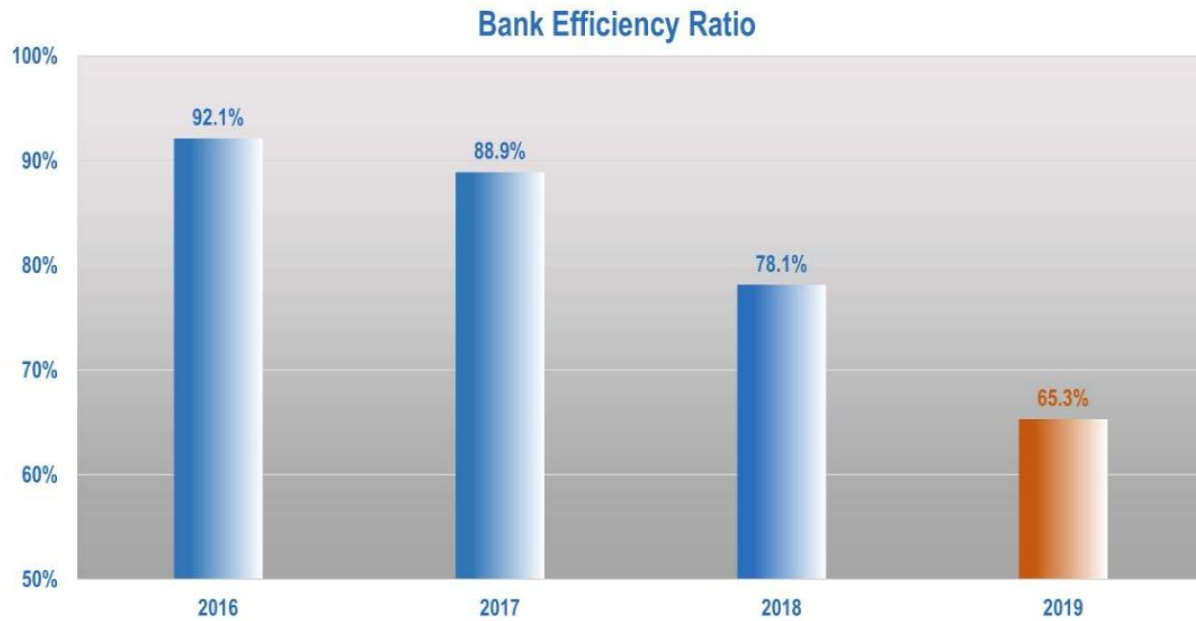


*2018 figures exclude income from PMAR and the reversal of the valuation allowance against the Company's deferred tax assets (\$11.1 million), applying a normalized tax rate of 30.0%; see Non-GAAP reconciliation table in appendix



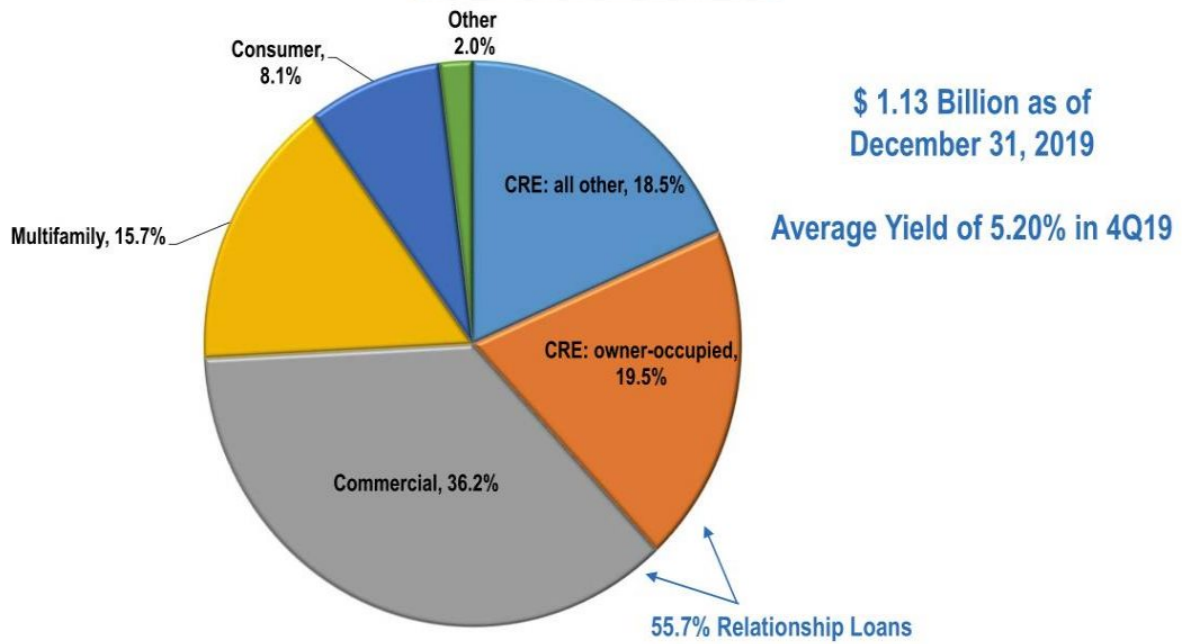
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IMPROVING OPERATING LEVERAGE



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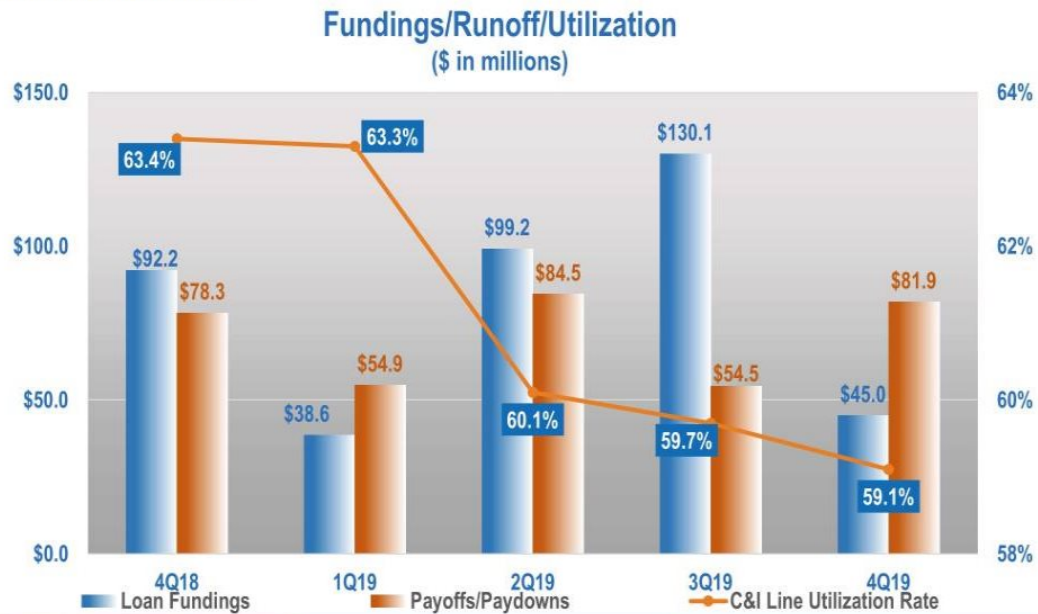
LOAN PORTFOLIO FOCUS ON RELATIONSHIP LENDING



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LOAN PRODUCTION TRENDS

- Focused sales execution and leveraging the competitive advantages of Horizon Analytics
- Growth in core portfolios (C&I and owner-occupied CRE) mitigated by payoffs and reducing exposure to entertainment-related loans



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DRIVERS OF LOAN GROWTH

- Focus on operating companies driving growth in C&I and CRE-Owner Occupied loan portfolios over the longer-term
- 2019 outstanding balances in operating company loans impacted by exit of business line (\$25mm), lower line utilization (\$30mm), and payoffs (\$35mm) stemming from imprudent competition in our market (credit structures and pricing)
- Balance sheet management resulting in growth in other non-core loan categories

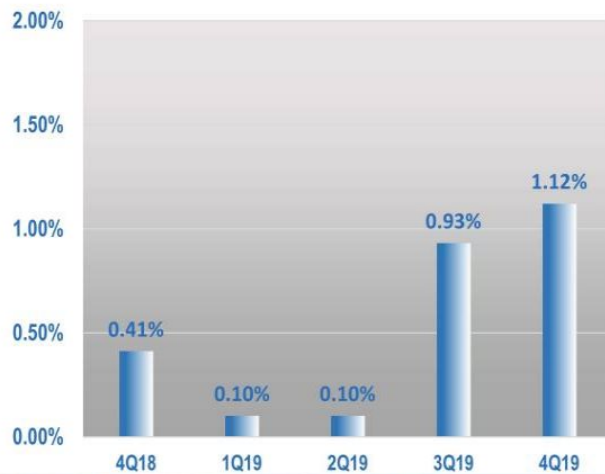


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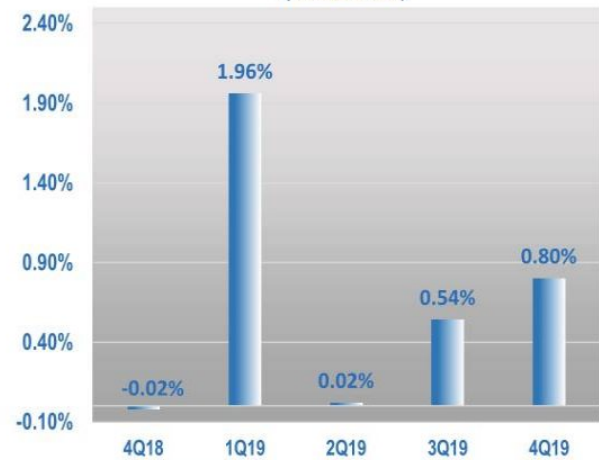
ASSET QUALITY

- Increase in NPAs and NCOs not centered in any specific industry classification
- Identified weaknesses are company specific (e.g., loss of key contracts and management changes)
- Comprehensive review of credit administration processes and loan portfolio largely completed

NPAs/Total Assets



**NCOs/Average Loans
(annualized)**



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DEPOSIT COMPOSITION FOCUSED ON CORE DEPOSITS

2019 Deposit Trends

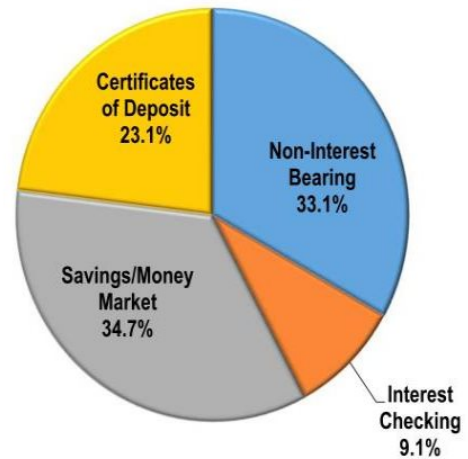
Checking accounts up 25%

Core deposits up 7%

Time deposits up 2%

Total deposits up 6%

\$1.20 Billion as of December 31, 2019
Average Cost of Total Deposits
of 1.08% in 4Q19



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NET INTEREST MARGIN

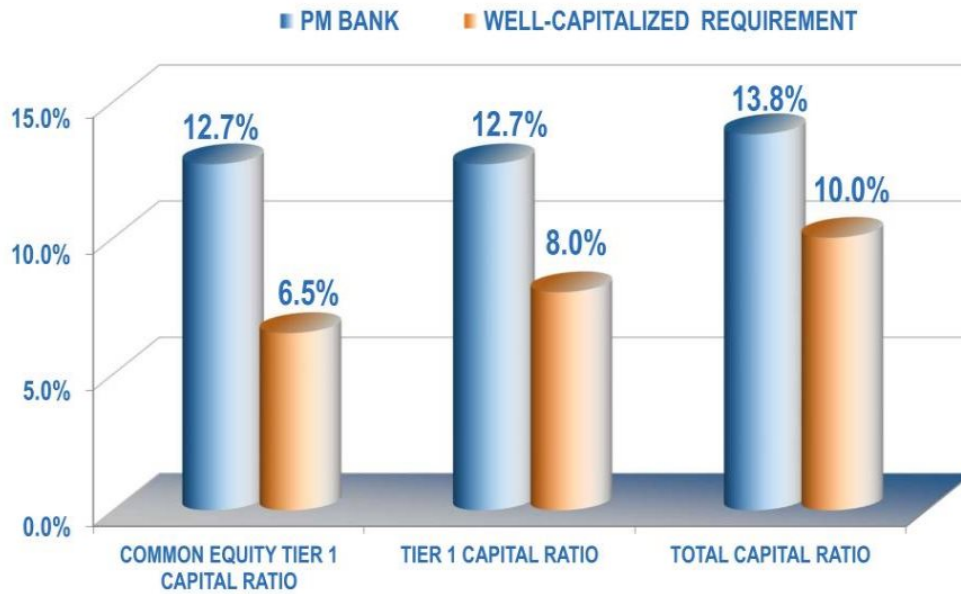
Well Positioned for Stable to Increasing Net Interest Margin

- Positive factors impacting cost of funds
 - Growth in DDAs allowing for reduced reliance on time deposits
 - Continued opportunities to reduce rates on non-maturity deposits
 - Approximately 2/3 of CD portfolio will mature in 2020 (current rates approximately 70 bps lower than maturing rates)
 - Deposit base has shifted to less rate sensitive clients over past two years
- Positive factors impacting loan yields
 - New loan production focused on higher yielding C&I loans
 - Repricing from recent Fed Funds rate cuts largely complete
 - 60% of total loans are fixed rate
 - \$120 million of variable rate loans within 0-50 bps of floors at 12/31/19
 - \$140 million of variable rate loans within 50-100 bps of floors at 12/31/19



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STRONG CAPITAL POSITION



As of December 31, 2019



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Strategic Priorities

- Accelerate growth and profitability – double acquisition of new operating companies 2019-2020
- Increase business development productivity through realignment of resources to allow bankers more time to spend with clients and new prospects
- Leverage success in winning deposit relationships to expand lending opportunities with high quality operating companies
- Continue to improve deposit mix with increases in core deposits and reduced reliance on CDs
- Maintain stable to increasing net interest margin
- Generate higher non-interest income through further growth in SBA gain on sale income
- Keep expenses stable to generate increasing operating leverage
- Maintain strong asset quality with manageable credit costs



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Investor Relations:
Curt Christianssen
(714) 438-2531
Curt.christianssen@pmbank.com

Non-GAAP Reconciliation

	Q1:18	Q2:18	Q3:18	Q4:18	Q1:19	Q2:19	Q3:19	Q4:19	12M:18	12M:19
	(Dollars in thousands)									
A Net interest income	\$ 12,185	\$ 12,447	\$ 11,689	\$ 12,601	\$ 12,051	\$ 12,219	\$ 12,743	\$ 12,543	\$ 48,922	\$ 49,556
B PMAR interest recoveries	791	811	32	-	-	-	-	-	1,634	-
C Adjusted net interest income (A - B)	11,394	11,636	11,657	12,601	12,051	12,219	12,743	12,543	47,288	49,556
D Non-interest income	1,055	1,136	1,115	1,329	1,490	1,386	1,342	1,369	4,635	5,588
E Non-interest expense	9,533	9,299	9,002	9,135	8,983	9,707	9,697	9,790	36,970	38,179
F Adjusted net income before provision for loan losses and taxes (C + D - E)	2,916	3,473	3,770	4,795	4,558	3,898	4,388	4,122	14,953	16,965
G Provision for loan losses	-	-	-	-	3,300	-	2,100	3,750	-	9,150
H Adjusted net income before tax (F - G)	2,916	3,473	3,770	4,795	1,258	3,898	2,288	372	14,953	7,815
I Normalized tax provision (H x 30%)	875	1,042	1,131	1,439	377	1,169	686	112	4,487	2,344
J Adjusted net income (H - I)	<u>\$ 2,041</u>	<u>\$ 2,431</u>	<u>\$ 2,639</u>	<u>\$ 3,356</u>	<u>\$ 881</u>	<u>\$ 2,729</u>	<u>\$ 1,602</u>	<u>\$ 260</u>	<u>\$ 10,466</u>	<u>\$ 5,471</u>
K Average assets	\$ 1,308,729	\$ 1,349,530	\$ 1,330,648	\$ 1,364,721	\$ 1,389,850	\$ 1,410,713	\$ 1,437,816	\$ 1,435,195	\$ 1,338,716	\$ 1,418,571
L Average equity	\$ 116,184	\$ 120,854	\$ 134,593	\$ 138,961	\$ 143,206	\$ 144,639	\$ 148,381	\$ 150,048	\$ 127,730	\$ 146,592
M Adjusted ROAA (J / K, annualized)	0.62%	0.72%	0.79%	0.98%	0.25%	0.77%	0.45%	0.07%	0.78%	0.39%
N Adjusted ROAE (J / L, annualized)	7.03%	8.05%	7.84%	9.66%	2.46%	7.55%	4.32%	0.69%	8.19%	3.73%



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**Pacific Mercantile Bancorp to Participate in the
2020 Janney West Coast CEO Forum**

Costa Mesa, CA.-January 28, 2020 - Pacific Mercantile Bancorp (NASDAQ: PMBC), the holding company of Pacific Mercantile Bank (the "Bank"), a wholly owned banking subsidiary, today announced that Brad R. Dinsmore, President & Chief Executive Officer, and Curt Christianssen, Executive Vice President & Chief Financial Officer, will participate in the 2020 Janney West Coast CEO Forum being held in Phoenix on January 29-30, 2020. During the conference, the management team will hold a series of meetings with institutional investors.

A copy of the investor presentation to be used during the meetings will be made available on the [Presentations](#) page of the Company's investor relations website.

About Pacific Mercantile Bancorp

Pacific Mercantile Bancorp (NASDAQ: PMBC) is the parent holding company of Pacific Mercantile Bank, which opened for business March 1, 1999. The Bank, which is an FDIC insured, California state-chartered bank and a member of the Federal Reserve System, provides a wide range of commercial banking services to businesses, business professionals and individual clients. The Bank is headquartered in Orange County and has seven locations in Southern California, located in Orange, Los Angeles, San Diego, and San Bernardino counties. The Bank offers tailored flexible solutions for its clients including an array of loan and deposit products, sophisticated treasury management services, and comprehensive online banking services accessible at www.pmbank.com.

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Contact:

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Chief Financial Officer
714-438-2500