

CRA COMMUNITY BENEFIT PLAN

2020-2022





BUILDING STRONGER COMMUNITIES

Annually, Pacific Western Bank (“PWB” or the “Bank”) establishes a Community Reinvestment Act (“CRA”) Community Benefit Plan (the “Plan”) to guide its efforts towards an overall “Outstanding” rating. The goals in the Plan build upon identified credit needs and the Bank’s efforts aimed at establishing products and services that can address as many of those needs as possible. This year’s Plan continues to reflect the Bank’s commitment to making credit accessible to low- and moderate-income (“LMI”) individuals, to small businesses, and to community development organizations.

This Plan outlines the Bank’s CRA goals and strategies for the three-year period ending December 2022. It is a forward-looking, living document updated at least annually based on community feedback, changes within the Bank, and local economic trends.

The Bank’s commitment to the goals herein reflect qualifying CRA-related statewide activities in California, Colorado and North Carolina based on assumptions related to capital and operational capacities. The goals express the Bank’s aspirations with respect to each community it serves, and align with the Bank’s business strategy, its operational focus, capacity and constraints.

Outcome of 2019 Activity

PWB’s success in meeting the needs of its communities is evident in this Plan. Historical performance was strong, and now the Plan shows upward adjustments of annual goals commensurate with community needs, the Bank’s desire to continuously improve its level of community development activity, and the overall strategy and capacity of the Bank.

Looking Forward

PWB will commit \$3.50 billion in community development and small business loan capital over the next three years. The Bank will achieve the following (rounded numbers):

- \$1.3 billion in small business loans of \$1 million or less;
- \$1.93 billion in qualified community development loans;
- \$269 million in new community development investments; and
- \$10.5 million in charitable contributions.

PWB is proud to invest in the communities where it conducts business and it understands that contributing to the economic vitality of its communities has a positive and measurable effect on the growth and prosperity of those communities and more importantly - makes good business sense!

Credit Needs Assessment

An integral part of this Plan is a community needs assessment conducted annually by the Bank to ascertain the current and urgent needs within each community, while ensuring the Bank is adequately addressing those needs. The 2020 Community Needs Assessment conducted in January included input from forty-nine community organizations representing communities served by the Bank in California and North Carolina. The Bank expects to address many of the needs ascertained, and will collaborate with community-based organizations in this effort.

The top five community needs identified were: Affordable rental housing for low-income families and special needs populations; job training or other self-sustaining programs to help low-income families improve their financial position; financial education and homebuyer programs for individuals and families; investment dollars to help preserve the existing affordable housing stock; and support for homeless shelters and transitional housing.

Plan Overview by Activity

Small Business Lending

Small Business lending continues to be a primary focus for PWB. In 2019, the Bank came very close to meeting established goals and has developed strategies to increase small business lending activity in 2020, including building on its existing community relationships to further promote the availability of its small business credit products. The outcome of these activities and relationships will be:

- At least 65% of the total number of small business loans originated will be in amounts of \$100,000 or less. At year-end 2019, the outcome was 69%.
- A minimum of 52% of the total number of small business loans originated will be made to businesses with gross annual revenues of \$1 million or less. At year-end 2019, the outcome was 60%.
- At least 30% of the total number of small business loans originated annually will be made to businesses located in high minority census tracts. At year-end 2019, the outcome was 47%.
- A minimum of 25% of the total number of small business loans originated annually will be made to businesses located in low- and moderate-income census tracts. At year-end 2019, the outcome was 24%.

Focused on establishing long-lasting relationships with its customer base, the Bank will continue its discussions with local CDFIs, small business technical assistance providers and other community development lenders to ensure near-bankable quality businesses have access to alternative sources of capital.

The Bank will continue to deliver to the market a competitive and flexible line of credit product designed specifically for businesses with gross annual revenues of \$1 million or less. PWB will continue to support small business technical assistance provided by nonprofit and faith-based organizations to help improve and enhance access to capital.

Community Development Lending

PWB is a recognized leader in community development lending. The Bank's success in this area of lending will continue to be highly focused on affordable housing, economic development and community service initiatives. To further this work, the Bank commits to the following:

- The Bank will finance or invest in transactions that support the development and retention of affordable multi-family rental housing units, and whenever possible provide affordable housing developers access to the Federal Home Loan Bank's Affordable Housing Program.
- The Bank will make direct investments in loan funds designed to address affordable housing and economic development activity within the Bank's assessment area.
- The Bank will continue to provide access to the Federal Home Loan Bank's Workforce Initiative Subsidy for Homeownership program in support of first-time homebuyers.

Community Development Investments

PWB remains committed to investing and making charitable contributions in support of worthy community development initiatives. The Bank will demonstrate this commitment as follows:

Annual Investments

The Bank is committed to annually directing dollars for community development initiatives. These initiatives include affordable housing, small business development, and community development services (such as health, education and social programs) that improve the lives of LMI individuals. In addition, the Bank will continue to support self-sufficiency programs and credit stabilization programs that improve the lives of LMI individuals.

Charitable Contributions

The Bank is committed to setting aside \$10.5 million in support of affordable housing, economic development and other initiatives that promote the health and welfare of low- and moderate-income populations, including initiatives that prevent homelessness by removing barriers to housing opportunities. Annually, between 2020 and 2022, the Bank will fund \$3.5 million in support of qualified community organizations. Included in this total, at least \$300,000 will be set aside annually for small business lending loan loss reserves, technical assistance and for targeted community initiatives that advance small business development. In 2020, \$100,000 will be set aside to support initiatives that prevent homelessness by either removing barriers to housing or advancing financial education. During 2019, the Bank funded over \$3.5 million in community development qualified charitable contributions.

Access to Banking Services

As a commercial financial institution, the Bank continuously explores the need to enhance existing business deposit products in response to the deposit needs of the small business community. For consumer customers, the Bank will continue, as a participant in the MoneyPass® network, to offer surcharge-free ATM services to recipients of California public assistance.

Diversity & Inclusion

The Bank's inclusion@work initiative helps the Bank build and support communities, and reflects its values about doing the right thing. The Bank is committed to improving upon its Supplier Diversity Program for non-bank infrastructure products and services from certified diverse suppliers.

Annual Open Community Meetings

PWB has a robust community development program with a history of supporting local communities. PWB values and takes into consideration the input it receives from the community. It is for this purpose the Bank hosts at least one meeting annually with various organizations serving small businesses and LMI individuals and communities. The meetings enable the Bank to gather additional information useful for its CRA Program planning.

Summary of 2019 Results Compared to Goals / Future Commitments

Small Business Loan Originations (Loan Amount ≤ \$1Million)

	2019 ACTUAL RESULTS		2019 GOAL		2020		2021		2022	
	#	\$	#	\$	#	\$	#	\$	#	\$
CALIFORNIA	2,494	\$405,532,000	2,528	\$478,000,000	2,544	\$414,000,000	2,594	\$422,000,000	2,644	\$430,000,000
NORTH CAROLINA	29	\$2,308,000	35	\$5,500,000	35	\$3,000,000	40	\$3,250,000	45	\$3,500,000
COLORADO	N/A	N/A	N/A	N/A	10	\$3,700,000	15	\$5,500,000	20	\$7,300,000
TOTAL	2,523	\$407,840,000	2,563	\$483,500,000	2,589	\$420,700,000	2,649	\$430,750,000	2,709	\$440,800,000

The Bank's commitments for 2020 through 2022 reflect:

- Annual increases in the total number and dollar amount of loan originations.
- Business Credit Line and Small Business Credit Line products (loans \$100,000 or less) will make up the majority of small business lending.
- Continuation of working with community partners in support of small business referral programs.
- Achieving at least 52 % of the total number of small business loans to businesses with GAR ≤ \$1mm.
- Achieving at least 25% of the total number of small business loans to businesses using proceeds in LMI census tracts.
- Achieving at least 30% of the total number of small business loans to businesses located in high minority census tracts.

Community Development Loans

	2019 ACTUAL RESULTS	2019 GOAL	2020	2021	2022
	CALIFORNIA	\$580,296,664	\$600,000,000	\$625,000,000	\$630,000,000
NORTH CAROLINA	\$8,000,000	\$1,000,000	\$5,000,000	\$7,500,000	\$10,000,000
COLORADO	N/A	N/A	\$4,000,000	\$4,400,000	\$6,550,000
TOTAL	\$588,296,664	\$601,000,000	\$634,000,000	\$641,900,000	\$651,550,000

The Bank's commitments for 2020 through 2022 reflect:

- Originating \$1.927 billion in community development loans.
- Loan origination activity will include financing the preservation of affordable housing, construction of affordable multifamily properties, and Tax Exempt Bond financing of affordable housing and other community development projects.
- An aggressive pursuit of Community Development Loans in all assessment areas and a broader statewide region.

Community Development Investments

	2019 ACTUAL RESULTS		2019 GOAL		2020		2021		2022	
	DONATIONS	EQUITY & OTHER TYPES ¹	DONATIONS	EQUITY & OTHER TYPES ¹	DONATIONS	EQUITY & OTHER TYPES ²	DONATIONS	EQUITY & OTHER TYPES ²	DONATIONS	EQUITY & OTHER TYPES ²
CALIFORNIA	\$2,801,987	\$423,347,000	\$2,550,000	\$398,000,000	\$2,500,000	\$52,000,000	\$2,500,000	\$55,000,000	\$2,500,000	\$58,000,000
NORTH CAROLINA	\$754,050	\$59,803,000	\$750,000	\$39,000,000	\$750,000	\$13,000,000	\$750,000	\$13,000,000	\$750,000	\$13,000,000
COLORADO	\$15,500	\$18,175,378	N/A	\$3,000,000	\$250,000	\$20,000,000	\$250,000	\$20,000,000	\$250,000	\$20,000,000
TOTAL	\$3,571,537	\$501,325,378	\$3,300,000	\$440,000,000	\$3,500,000	\$85,000,000	\$3,500,000	\$88,000,000	\$3,500,000	\$96,000,000

¹Portfolio Balance as of FYE. ²New investments for the year.

The Bank's commitments for 2020 through 2022 reflect:

- Investing \$269 million of new money in support of qualified community development initiatives.
- \$10.5 million for charitable contributions with community development merit.
- A balanced investment record over time to achieve a high level of performance.

Community Development Services

	2019 ACTUAL VOLUNTEER HOURS	2019 GOAL VOLUNTEER HOURS	2020 VOLUNTEER HOURS	2021 VOLUNTEER HOURS	2022 VOLUNTEER HOURS
CALIFORNIA	3,772	3,600	3,700	3,800	3,900
NORTH CAROLINA	303	200	250	275	300
COLORADO	N/A	N/A	50	75	100
TOTAL	4,075	3,800	4,000	4,150	4,300

The Bank's commitments for 2020 through 2022 reflect:

- Increase the number of employees providing community development services by 10%.
- Continue to be a leader in providing community development services.
- Continual focus on promoting financial education and other programs that help LMI individuals become more economically stable.

Conclusion

This Plan outlines Pacific Western Bank's commitment to achieve community development goals for the benefit of communities it serves. The Plan is an internal document subject to change at the discretion of the Bank and will be available to the public. It offers communities served by the Bank with tangible, measurable and meaningful benefits to small businesses, consumers, nonprofit and for-profit community-based organizations, and others involved in furthering community and economic development initiatives.