

CRA COMMUNITY BENEFIT PLAN

2021–2023





BUILDING STRONGER COMMUNITIES

INTRODUCTION AND EXECUTIVE SUMMARY

Pacific Western Bank (“PWB” or the “Bank”) has established a Community Reinvestment Act (“CRA”) Community Benefit Plan (the “Plan”) to guide its efforts towards an overall “Outstanding” rating, which the Bank has successfully achieved for its last two CRA exams in 2018 and 2021. 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. The 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 2023. It is a forward-looking document 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 2020 ACTIVITY

Despite the unexpected economic challenges of COVID-19 in 2020, PWB was again successful in meeting the needs of its communities, as revealed in the Bank’s 2020 Corporate Social Responsibility report. Historical performance was strong, and now this Plan shows adjustments of goals commensurate with community needs, the Bank’s desire to build upon its level of community development activity, and the overall strategy and capacity of the Bank.

LOOKING FORWARD

PWB seeks to commit approximately \$3.8 billion in community development capital over the next three years. The Bank’s goal is to achieve the following (rounded numbers):

- \$1.32 billion in small business loans of \$1 million or less;
- \$2.19 billion in qualified community development loans;
- \$277 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. 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 the Bank's ongoing efforts to ascertain the current and urgent needs of the community while ensuring the Bank is adequately addressing those needs. This entails the use of periodic surveys sent to a variety of community organizations within our assessment areas, as well as through continual communication and one-on-one meetings with such organizations by the Bank.

The following community needs remain a priority for PWB: 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. The Bank has developed strategies to increase small business lending activity in 2021 through 2023, including building on its existing community relationships to promote the availability of its small business credit products. The desired 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 2020, the outcome was 63%.
- 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 2020, the adjusted outcome was 60%.
- 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 2020, 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 impactful 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 2021 and 2023, 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 addition, \$100,000 will be set aside annually to support initiatives that prevent homelessness by either removing barriers to housing or advancing financial education.

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.

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 periodic meetings 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 GOALS

The Bank's goals for 2021 through 2023 reflect:

- Annual increases in the total number and dollar amount of loan originations.
- Business Credit Line product (loans \$100,000 or less) will make up the majority of small business lending.
- Collaboration with community partners to increase small business loan referrals.
- 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.

SMALL BUSINESS LOAN ORIGINATIONS (LOANS <=\$1MM)

	2021-2023	
	#	\$
CALIFORNIA	7,950	\$1,290,000,000
NORTH CAROLINA	135	\$10,800,000
COLORADO	60	\$22,400,000
TOTAL	8,145	\$1,323,200,000

The Bank's goals for 2021 through 2023 reflect:

- Originating \$2.19 billion in community development loans.
- Loan origination and purchase activity that includes financing for creating and sustaining jobs, capital for small businesses, creation and preservation of affordable housing, and other community development initiatives.
- An aggressive pursuit of Community Development Loans in all assessment areas and broader statewide regions.

COMMUNITY DEVELOPMENT LOANS

	2021-2023 \$
CALIFORNIA	\$1,905,000,000
NORTH CAROLINA	\$180,000,000
COLORADO	\$105,000,000
TOTAL	\$2,190,000,000

The Bank's goals for 2021 through 2023 reflect:

- Investing \$277 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 INVESTMENTS

	2021-2023	
	DONATIONS	EQUITY & OTHER TYPES
CALIFORNIA	\$8,100,000	\$174,000,000
NORTH CAROLINA	\$1,350,000	\$42,000,000
COLORADO	\$1,050,000	\$61,000,000
TOTAL	\$10,500,000	\$277,000,000

The Bank's goals for 2021 through 2023 reflect that the Bank:

- Is conservatively projecting service goals given the uncertainty around employee service opportunities and COVID-19.
- Will continue to be a leader in providing community development services.
- Will continue to focus on promoting financial education and other programs that help LMI individuals become more economically stable.

COMMUNITY DEVELOPMENT SERVICES

	2021-2023
CALIFORNIA	9,000
NORTH CAROLINA	785
COLORADO	300
TOTAL	10,085

CONCLUSION

This Plan expresses Pacific Western Bank's commitment to community development efforts within the 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 organizations, and others involved in building stronger communities.