

# 2015 CALIFORNIA COMMUNITY COMMITMENT & GOALS

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In consultation with City National Bank's many community group partners in the California communities we serve, and in connection with the recently announced merger with the Royal Bank of Canada, we provide the following five-year California community commitments and goals.

Beginning in 2015 and extending over the next five years, City National pledges to increase its overall qualified Community Reinvestment Act (CRA) lending, investment, charitable contribution, supplier diversity and related activities as described below, to achieve a minimum of \$11 billion in cumulative qualified CRA activity as defined below during this five-year period.

To achieve this cumulative commitment, we have identified the following aspirational goals for each of the key components of our CRA-qualified activity. Over the term of City National's commitment, our goal is to achieve the following:

- \$4.2 billion in small-business loans of \$1 million or less;
- \$4.4 billion in qualified CRA community development loans;
- \$1.6 billion in qualified CRA investments;
- \$700 million in residential mortgage loans funded for minority borrowers;
- Over \$80 million in minority and woman-owned business (MWBE) supplier diversity expenditures; and
- \$30 million in charitable contributions.

City National's \$11 billion commitment is expected to also correspond to our goal of consistently increasing annual qualified CRA-related activity to strive to achieve a level of 15% of our normalized California deposits (which excludes only those deposits associated with the bank's unique non-consumer and non-retail Specialty and Treasury Services Divisions) by year-end 2021.

To achieve these extraordinary commitments and goals, City National will build on its significant past accomplishments and successes to develop and implement even more effective CRA strategies in the years to come. Going forward, we will continue to actively work with our community group and faith-based partners to provide qualified CRA lending, investment, charitable contributions, supplier diversity and related activities, with special emphasis on small-business and community development loans and including CRA-qualified investments, equity equivalent investments in California CDFIs, Community Development Corporations, nonprofit community development funds, microloan funds, small-business investment companies and other related economic development-focused small-business initiatives. These commitments and goals are expected to be achieved with special attention to the following identified strategies, which have been developed in collaboration with our community group and faith-based partners in meetings over the last few years.

## ECONOMIC DEVELOPMENT

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City National's successful CRA activities will remain highly focused on small-business and community development lending. We are a recognized leader in CRA-reportable community development loans in California within the "economic development" or low-to moderate-income (LMI) job creation areas, as defined by the Office of the Comptroller of the Currency, with a greater percentage of reportable loans than our peer institutions.

Combined with our overall small-business lending, over 50% of which are loans of less than \$100,000 and over one-third of which are in LMI census tracts, City National exceeded \$1.5 billion in CRA-qualified loans in 2013 and 2014. To achieve our future commitments and goals, we will aspire to remain a leader in California small-business lending, and in particular we will maintain our focus on smaller-dollar loans by continuing to have 50% or more of our CRA-reportable small-business loans (by number) in the amount of \$100,000 or less.

In pursuit of this commitment, City National will:

- Establish an annual pool of \$14 million for lending to Community Development Financial Institutions, Community Development Corporations, transit-oriented development (TOD) projects and other nonprofit community development funds that benefit small-business, housing and economic development in low-income and/or underserved communities to include EQ2 financing, initiated through formal broad-based "request for proposal" (RFP) processes. City National commits to no more than \$2 million annually to any one organization.
- Invest \$10 million annually in CRA-qualified small-business investment companies (SBICs), with 20% targeted for minority enterprises.
- We will take affirmative steps to work with and support African-American, Latino, Asian and other minority groups, including faith-based organizations, to identify, support, and participate in their affordable housing and economic development sponsored initiatives consistent with our community commitment and goals.
- We will actively consider opportunities for City National to participate in and provide leadership in connection with "new models" introduced by community and faith-based groups, including, for example, multi-bank consortia to fund capacity building grants within our aggregate commitment and goal amounts.
- To increase access to credit for smaller businesses (for businesses with less than \$1 million in revenue) and to increase lending to diverse businesses in our California communities, City National commits to the following:
  - Our CRA-qualified charitable contributions will remain "unrestricted" as in the past.
  - We will continue to support small-business technical assistance provided by nonprofit and faith-based providers that help to improve and enhance access to capital. In addition, we commit to specifically allocate \$300,000 annually for small-business pre- and post-loan technical assistance and supplier development and \$200,000 annually for loan-loss reserve funding, with emphasis on SBA micro-lenders doing loans less than or equal to \$50,000. This will be on top of the 1.5% of net income before taxes that we allocate for philanthropy generally. The bank will develop a plan for a formalized selection and implementation process for its technical assistance and loan-loss reserve program with community input.
  - We will take steps to formalize our current informal declined-loan referral programs
  - Through the use of broader-based RFPs with local CDFIs, technical assistance providers and other organizations that improve and enhance access to capital in minority and low-income communities.
  - We will refer a minimum of 20% of small-business loan denials to local technical assistance providers, CDFIs and other community development lenders in our assessment areas, subject as always to the willingness of declined clients to be referred.
  - We will continue to actively participate in the California state-guaranty program and commit to increasing participation in other related programs.
  - City National is a Preferred SBA lender. SBA lending represents about 5% of all our CRA-qualified loans at present. Beginning in 2016, we commit to increasing our overall SBA lending to \$140 million a year during the commitment period and to taking appropriate steps to increase our SBA production throughout our assessment areas. Of the total commitment of \$140 million for SBA lending, 50% each year shall be made available to underserved communities and low- and moderate-income census tracts, and a goal of 40% each year shall be made available to minority business enterprises.

Additionally, \$5 million of SBA lending annually shall be made available in loan amounts of \$150,000 or less.

- We will actively review the impact and results of our existing “advisory board” structure to explore, refine and improve our strategy for enhancing successful market penetration, notably within African-American, Asian, Latino and faith-based communities. We aspire to increase our market penetration to equal the availability of businesses in LMI census tracts as tracked by census business data and the PCI Wiz program.

## HOUSING

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City National expects to remain an “accommodation” lender relative to residential mortgage loans, and we do not compete in the open market for residential loans to non-clients. We will aspire to consistently collect racial and ethnic data for the majority of our borrower loan applications. The bank actively targets affordable housing residential mortgage loans for its LMI communities via CRA-qualified investments and sponsorships for AHP grants on behalf of nonprofits to the Federal Home Loan Bank of San Francisco. We commit to enhance our annual support of affordable housing by purchasing between \$50 million and \$100 million per year of LMI residential loans, emphasizing LMI borrowers, using well-established for-profit and not-for-profit residential mortgage lending CDFIs and reputable mission-driven mortgage companies on a servicing retained basis. We plan to hold these acquired loans in our loan portfolio and not to treat them as available for resale. Within these commitments and goals, we will also actively consider participation in innovative and “pilot” low and moderate income home ownership lending programs targeted at minority LMI borrowers, sponsored or developed by U.S. federal agencies including Treasury, FHFA, Freddie Mac and other agencies.

City National currently originates \$30 million per year in community development loans for affordable housing in its LMI communities. Our goal is to increase this annual amount by considering the market opportunity for the development of a one-stop, construction-to-permanent- loan product for multi-family housing and a line-of-credit facility for nonprofit housing developers. City National will explore the transit-oriented development market opportunities for lending within its assessment areas and maintain a goal of \$5 million annually.

## CONSUMER

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We will develop, implement, actively market and service an account that serves the banking needs of the unbanked, underbanked and low- to moderate-income communities within our assessment areas within one year from the date of this commitment. This will be done in accordance with the Model Safe Account guidelines developed by the FDIC and will include savings, checking and cash-secured credit card features. We also commit to reconfigure our ATMs to waive out-of-network surcharges for California public-assistance recipients who use Electronic Benefits Transfer (EBT) cards.

## CHARITABLE DONATIONS

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City National has a strong, longstanding and proud tradition of making charitable contributions to worthy causes in need of financial assistance. From 2008 through 2014, we made charitable donations of \$23.7 million – representing approximately 1% of net income before taxes – to communities in need in our California assessment areas. Unlike most banks, we have consistently maintained our charitable contribution levels despite the financial crisis that started in 2008.

City National is committing to increase its charitable contributions to a level representing 1.5% of net income before taxes per year over the next five years, significantly increasing our commitment to our communities. In no event will our annual charitable contributions for California be less than \$4.6 million during the term of this commitment. In addition, we commit that 80% of this .5% increase in annual contributions will be dedicated exclusively to CRA-qualified affordable housing and economic development, with the remaining 20% targeting financial education and financial literacy initiatives for low- to moderate- income and underserved communities.

## SUPPLIER DIVERSITY

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Since 2010, City National’s discretionary supplier spending has totaled between \$70 million and \$80 million per year. Of this amount, approximately 12% to 15% has been spent on minority- and women-owned businesses. Historically, these MWBE supplier diversity expenditures have not been included in the bank’s CRA commitment calculation. With the elevated significance and positive impact of supplier

diversity expenditures, we will include supplier diversity spending in our future commitment calculation. Moreover, we commit to increase our MWBE discretionary spending in California to 20% annually by 2019, and we will evenly balance spending between MBEs and WBEs and report the data in accordance with best practices.

### FINANCIAL EDUCATION AND LITERACY

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City National has maintained a longstanding commitment to financial education and literacy through its *Reading is The way up*® program and through other charitable and community service related programs. Within our stated commitment amounts, City National will provide up to \$250,000 annually to specifically target, sponsor and support these efforts within our LMI and underserved communities.

### QUARTERLY OPEN COMMUNITY MEETINGS

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During the term of this commitment, City National will conduct quarterly community meetings which will be open for participation by all interested community groups and faith-based organizations. These meetings will provide updates on our progress under our commitments and goals and our most recent related initiatives, and report on our future plans. These meetings will provide technical assistance on a wide range of areas, including our small business lending, community development lending, investment and charitable contribution program criteria, assistance on how community organizations can qualify and better meet these program criteria, as well as technical assistance and information on how community groups and faith-based groups can achieve designated non-profit, CDFI, CDC and SBIC status.

These meetings will also provide opportunities for City National to gain direct input and insights from community and faith-based groups on our progress under our new commitment and goals, and on opportunities to better meet the needs of our communities within the context of the commitment and our goals.

### USE OF STRATEGIC ALLIANCES FOR OUTREACH & BUSINESS DEVELOPMENT

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City National will strive to use innovative strategic alliances and business referral programs with community groups, faith-based organizations, and interested enterprises, such as public utilities operating within our assessment areas, to implement effective small business lending outreach efforts, provide technical assistance on small business lending, and develop business referral programs to enhance identification and development of banking relationships for City National with credit-worthy MWBE small business borrowers, with particular emphasis on LMI and underserved communities.

### CONCLUSION

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City National Bank is committed to continuing to meet the CRA needs of the diverse communities it serves. Our five-year, \$11 billion commitment replaces the 10-year, \$17.5 billion commitment that we made in 2007. This commitment represents the culmination of extensive consultation, meetings and discussions with many interested community groups. Over the years, our community group partners have provided constructive advice and insight, which has contributed significantly to the bank's accomplishments to date.

Similarly, this new 2015 commitment is the result of active consultation and dialogue with several California community advocacy organizations and many other interested community groups. Over the term of this new commitment, representatives of the bank will meet annually with each of our willing and interested community group partners, or more frequently as needed, to review and discuss our progress in fulfilling these new commitments and goals, and to gain the benefit of their unique insights on opportunities to enhance effectiveness in meeting our goals and fulfilling our commitments. We hope and believe that the fulfillment of these commitments and goals will result in City National being recognized as an outstanding advocate and supporter of our communities.

This plan will be submitted to the Federal Reserve Board and Office of the Comptroller of the Currency as part of the applications by Royal Bank of Canada to acquire City National Bank.