

Community Benefits Agreement between Banc of California, N.A. and the Greenlining Institute and the California Reinvestment Coalition

Introduction:

At Banc of California, N.A. (“Banc of California,” “we,” or the “Bank”), we believe that corporate social responsibility is a critical element in building a healthy and sustainable company over the long term. Our goal is to bring value to all of our employees, clients, shareholders, and the communities we serve. Through various initiatives, we seek to make a positive impact on our communities through financial literacy, affordable housing, community services and economic growth. Banc of California is focused on California and we proudly invest, lend and volunteer in the communities we serve, donating our dollars, time and resources to organizations that align with our mission and vision of being California’s Business Bank.

Accordingly, in consultation with the Greenlining Institute and the California Reinvestment Coalition (“CRC”), and in connection with the recently announced merger with Pacific Mercantile Bank, Banc of California provides the following five year California community commitments and goals.

Banc of California is proud of its demonstrated track record of commitment to meeting the convenience and needs of the communities it serves as well as its strong relationships with the community groups and partners who advocate for these communities. Banc of California looks forward to working with these groups to enhance our efforts and ensure that our business model and core commitment to community development continue to be relevant and continue to make a difference in the communities we serve.

Banc of California embraces its commitment to meeting the investment, lending and financial product and service needs of low- and moderate-income ("LMI") and majority-minority communities, including these communities' individual and business needs. We recognize that our company and the nation as a whole progress when communities of color thrive and where race is never a barrier to economic opportunity. The Bank is prepared at this juncture to make certain commitments

and to establish certain goals that we believe are reasonably and fairly designed to help meet the needs of the communities for which the CRC and the Greenlining Institute strongly advocate and which we believe are earmarks of good responsible corporate citizenship. These commitments and goals were developed based upon feedback from community organizations and are indicative of our mutually aligned goals. The Bank is committed to pursuing these goals prudently, in concert with Banc of California's commitment to its shareholders, and consistent with the principles of safe and sound banking.

A copy of these commitments and goals will be provided to the Bank's federal banking regulators in connection with Banc of California's application to acquire Pacific Mercantile Bank.

Beginning in 2022 and extending over the next five years and subject to the completion of the Pacific Mercantile Bank acquisition, Banc of California pledges to increase its overall qualified CRA lending, investment, charitable contribution, supplier diversity, and related activities as described herein, during this five-year period.

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

Community Development:

- Increase Community Development ("CD") lending commitment to \$1.4 billion over 5 years, inclusive of the following:
 - The Bank will commit to \$200 million of CD lending for deed restricted affordable housing over 5 years to help preserve long-term affordability in the Bank's assessment area.
 - At least 50% of CD lending will be targeted to economic development efforts.
 - The Bank will commit to increase CD lending participation with economic development CDFIs and other mission-driven groups serving the community, and ensure loan terms are reasonable and competitive, with an increase of 50% of 2021 baseline year during the first year of the terms, and increases of 10% every year thereafter.

- \$125 million in community development investments over 5 years, inclusive of the following:
 - The Bank will commit to support nonprofit, community land trust and community efforts to acquire and preserve distressed assets, consistent with recently passed legislation (SB 1079-Skinner), which creates a nonprofit right to purchase single family homes at foreclosure auction, as well as related state budget allocations meant to support nonprofit purchase of 1 to 25 unit dwellings in foreclosure or distress. The Bank will make a commitment to equity equivalent investments of \$1 million and capacity building grants of \$100,000 (through charitable contributions) for such efforts, in each case over 5 years.
- Creation of at least one Special Purpose Credit Program with an aspirational target of \$100 million committed for such a program. The Bank will commit to the creation of a Special Purpose Credit Program to enable disadvantaged class access to capital. The Bank will consult with Greenlining and CRC members about the design and goals of the SPCP.
- The Bank agrees to review its policies, procedures and practices to see how they align with CRC's Anti Displacement Code of Conduct, and agrees to discuss ways to support the reduction of involuntary displacement of LMI individuals and people of color. In addition, the Bank will support nonprofit legal services and fair housing organizations in its service areas to help prevent and address evictions and discrimination.

Small Business Lending

- In recognition of the Bank's new product line, the Bank will commit to increasing its Small Business Lending with a target of achieving 30% of the number of its Small Business Loans (“SBLs”) provided to businesses with less than \$1 million in revenue by Year 3 of the term, with continuing efforts to increase such amount. The Bank has set an aspirational target by Year 5 of achieving 45% of its SBLs (by count) to businesses of \$1 million or less in revenue.

- The Bank will commit to increasing its Small Business Lending with a target of achieving 30% of SBLs (by count) in amounts less than \$150,000 by Year 3 of the term, with continuing efforts to increase this percentage.
- The Bank will commit to developing a formalized referral program for small business loan declinations. This would be achieved by working with a wide range of CDFI and other micro-lenders that operate in the Bank's assessment area. The Bank will make a good faith effort to refer all SBL declinations and at a minimum will commit to refer at least 20% of loan declinations to nonprofit CDFIs, community lenders and technical assistance providers that might be able to provide assistance.
- The Bank is committed to expanding its utilization of SBA and State Guarantee Loan programs, including targeted support in LMI neighborhoods. Our goal is to increase new loan originations by 50% each year for the first 3 years of the term (\$15 million, \$22 million, \$33 million) and 10% in years 4 and 5 (\$36 million, \$40 million), for a total of approximately \$150 million.
- The Bank will explore in good faith the development of a small business loan product available to borrowers utilizing Individual Tax Identification Numbers (ITINs), including by researching already existing models used by other banks.

Mortgages

- The Bank will commit to purchasing or originating \$50 million in single family mortgages in California in LMI communities and if possible, in neighborhoods of color and from mission driven non-profits, over 5 years.

Consumer

The Bank agrees to:

- Develop, implement, actively market and service an account that serves the banking needs of the unbanked, underbanked, and low-to-moderate income communities within its assessment areas within six months from the date of

this commitment. This will be done in accordance with the BankOn program.

- Continue to waive out-of-network surcharges for California public assistance recipients who use Electronic Benefits Transfer Cards (EBT).
- For consumer accounts, the Bank will reduce the number of overdrafts permitted per day to two and limit daily negative balance fees to a max of \$15/month. The Bank will also waive OD fees for debit purchases under \$35 for consumer accounts.

Charitable Donations

The Bank commits to increasing its annual contributions budget to no less than \$1 million per year (a 70% increase over 2020 baseline), inclusive of the following:

- Supporting homeownership counseling and foreclosure prevention recognizing that homeownership is a primary need for LMI communities and communities of color in the Bank's assessment area. The Bank will commit to 15% of annual contributions to efforts that support housing programs, homeownership counseling and foreclosure prevention efforts.
- In light of the need of homeownership and the generational wealth gaps that exist within the Bank's assessment area, the Bank is committed to participate in the WISH and IDEA grant programs (if selected) . The Bank will also seek to deepen existing relationships as well as foster new partnerships that provide housing counseling, foreclosure prevention and preservation of affordable housing.
- Address homelessness. The Bank has already identified this as a critical need of the community and is committed to devote a portion of contributions and CD loans to address homelessness, supportive and transitions housing. The Bank has been considering a special initiative to address homelessness, and such an initiative will be on top of any commitments outlined in this Community Benefits Agreement.

- Recognize the need to support Mom-and-Pop landlords and will source partnerships and opportunities that tackle this issue. The Bank has taken steps to support our borrowers through COVID and commit to working with our borrowers on an as-needed basis. We are open to discuss how we can support non-profits or initiative to support smaller landlords who are struggling due to COVID related constraints.
- Funding and volunteer engagement with more faith-based CDCs, including support for capacity-building grants for faith based organizations engaged in community development and advocacy efforts. The Bank has been committed to working with faith-based organizations and will seek to foster new partnerships in this space.
- Increasing support for small business owners specifically in underserved communities. The Bank will commit to 15% of annual contributions toward the stabilization and growth of small businesses in the Bank's Assessment Area.
- The Bank will commit to increasing its support for technical assistance (“TA”). This will be achieved by engaging and supporting non-profits and CDFIs that provide TA to small businesses as well as utilizing the Bank's own technical expertise when applicable. This should be inclusive in the 15% of annual contributions toward small businesses.
- Begin to track CRA eligible philanthropic support to organizations led by women and people of color, and:
 - Commit to increasing the amount of support for these organizations over the term.
 - Support capacity-building efforts for such non-profit organizations.
 - Increase general operating support, with a priority on increasing this support for such organizations.
- Commit that at least 50% of contributions will be for housing, economic development, financial capability, fair housing, and legal services.

Supplier and Board Diversity

- The Bank commits to doubling its sourceable procurement spend from 4% to 8% to diverse businesses over 5 years, with an aspirational target of 10% by Year 5. Additionally, the Bank will track and set goals for spend with ethnic media outlets.
- Board diversity. This is already a priority area for the Bank and it is working hard to meet the targets set by California laws by the end of 2022.

Oversight/Compliance

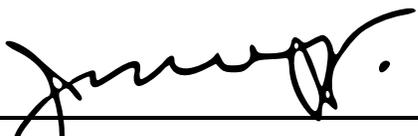
- The Bank will commit to meeting annually with CRC and Greenlining and share data showing compliance to CBA commitments. The CEO of the Bank will attend the annual meeting.

Conclusion: Banc of California is committed to continuing to meet the CRA needs of the diverse communities it serves. This commitment is the result of active consultation and dialogue with the Greenlining Institute, the California Reinvestment Coalition and their members.

This Community Benefits Agreement will be submitted to the Federal Reserve Board of Governors, the Federal Reserve Bank of San Francisco, and the Office of the Comptroller of the Currency in connection with the applications by Banc of California to acquire Pacific Mercantile Bank. Simultaneously with the execution of this Community Benefits Agreement, each of the Greenlining Institute and the CRC agrees to submit a letter to the Federal Reserve Board of Governors, the Federal Reserve Bank of San Francisco, and the Office of the Comptroller of the Currency withdrawing their opposition to the proposed acquisition.

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Signed:



CEO, Banc of California



CEO, The Greenlining Institute

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Executive Director, The California Reinvestment Coalition