



**STOCK OWNERSHIP AND CLAWBACK POLICY**

**POLICY 457**

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\*PacWest Bancorp's existing Executive Stock Grant Policy, Stock Ownership Guidelines and Clawback Policy were combined into this single document and approved by the CNG Committee and Bancorp Board on February 6, 2019.

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## **1. INTRODUCTION**

This Stock Ownership and Clawback Policy (the “Policy”) is an internal policy of PacWest Bancorp (“Bancorp”) and its subsidiaries including Pacific Western Bank (the “Bank”), (collectively referred to as the “Company”).

This Policy does not create rights or obligations to the Company's current or future customers or its shareholders. It is an internal document adopted in accordance with applicable laws and regulations. In accordance with these laws and regulations, this Policy may be modified, restated and/or amended at any time at the discretion of the Company.

The EVP, General Counsel and Corporate Secretary has authority to make non-material amendments to this Policy in her sole discretion and shall promptly report any such amendments to all employees whose responsibilities are affected by this Policy.

## **2. SCOPE**

All employees and non-employee directors of the Company whose responsibilities are affected by this Policy are required to maintain familiarity with the requirements of the regulations discussed herein and to comply with the procedures outlined in this Policy and any other policies, procedures or regulations referenced herein.

## **3. POLICY OBJECTIVE**

This Policy governs the Company's executive stock grant policy (“Executive Stock Grant Policy”), stock ownership guidelines (“Stock Ownership Guidelines”) and clawback policy (“Clawback Policy”).

The Compensation, Nominating and Governance Committee (the “CNG Committee”) of the Company Board of Directors (the “Company Board”) engages an independent consulting firm to evaluate the Company's compensation packages, policies and practices for its senior executives no less than every three (3) years. The Company program for its executive officers includes both retention (i.e. time-based restricted stock) and long-term incentive (i.e. performance-based restricted stock) components. This Policy is intended to implement such recommendations and to provide guidelines to the CNG Committee for grants to the Company's executive officers, or recommendations to the Company Board regarding grants to the chief executive officer (“CEO”), of time-based and performance-based restricted stock.

The Company believes that significant stock ownership by the Company's executive officers and non-employee directors will further align their interests with those of the Company's stockholders and will promote our long-term business objectives. This Policy establishes common stock ownership guidelines for executive officers and non-employee directors.

This Policy provides guidelines for the Company's recovery of Covered Awards from Covered Employees following the occurrence of a Clawback Event.

## **4. KEY TERMS**

**Covered Awards:** Any annual or long-term cash, equity or equity-based incentive or bonus compensation paid, provided or awarded to any Covered Employee on or after December 11, 2014 (each, a “Covered Award”).

**Covered Employee:** Any current or former executive officer of the Company for purposes of the Securities Exchange Act of 1934, as amended, and any other employee who is designated by the CNG Committee as a Covered Employee for purposes of the Clawback Policy discussed herein, as in effect from time to time.

**Clawback Event(s):** For purposes of the Clawback Policy, “Clawback Event” means the occurrence of any of the following events for a Covered Employee:

- (i) a restatement of all or a portion of the Company’s financial statements; or
- (ii) a financial statement, performance goal or metric that was materially inaccurate. For these purposes, a performance goal or metric includes any goal or metric, including, but not limited to, corporate or business unit financial results and business unit or individual performance goals or metrics, used directly or indirectly to determine whether or not incentive compensation is to be paid, provided or awarded to a Covered Employee (or group of Covered Employees and/or other employees) or to determine the amount of any such compensation.

## **5. GOVERNANCE AND STRATEGIC OBJECTIVES**

The Company’s Incentive Plan Compensation Committee, CNG Committee and the Company Board annually review and approve this Policy.

The CNG Committee, subject to the approval of the Company Board, reserves the right to change, amend, modify, suspend, continue or terminate all or any part of this Policy either in an individual case or in general, at any time without notice and without the consent of the Company’s shareholder’s or any employee; provided that any amendment to the Policy will not affect stock grants previously made under the Policy.

Nothing in this Policy will be deemed to limit or restrict the Company from providing for recoupment, repayment and/or forfeiture of compensation (including incentive compensation) under circumstances not set forth in this Policy.

## **6. POLICY**

### **A. STOCK GRANT POLICY**

#### **(i) PURPOSE OF STOCK GRANTS**

In granting stock to its executive officers, the Company intends to:

- align the interests of its executives with the interests of shareholders;

- provide competitive total compensation;
- retain key executives with opportunities to earn additional compensation by staying for the long-term with the Company;
- encourage growth and stability, while discouraging inappropriate risk; and
- provide a consistent and transparent program for granting stock compensation so that key executives can focus on their Company responsibilities without the distraction of concern about sufficiency or predictability of compensation.

To meet these objectives, the Company intends to make regular, periodic grants of both time-based and performance-based restricted stock. The grants of time-based restricted stock may be annual or less frequent but should provide for annual vesting components. Grants of performance-based restricted stock may be annual or less frequent and should be set based on obtainable but incentive-based objectives for a mid-term horizon of several years.

Together, the time-based and performance-based restricted stock components should provide meaningful upside components to compensation and satisfy the objectives set forth above.

In addition to the foregoing, the CNG Committee and/or the Company Board may determine from time to time that additional grants of long-term “package” grants are appropriate to key executives to ensure that the overall compensation and opportunities to the executive for financial success are appropriate, in light of incentive and retention goals. Package grants, which may include time-based and/or performance based restricted stock, will be evaluated in connection with annual review of total compensation of an executive and the vesting of previously-granted package grants, or overall changes in the Company or responsibilities of an individual key executive.

All stock grants shall be evaluated in light of the Company’s Stock Ownership Guidelines (see Section 6.B of this Policy), total compensation to any particular executive and the Company’s compensation objectives. All stock grants to executive officers granted after December 11, 2014 are subject to the Company’s Clawback Policy (see Section 6.C of this Policy).

Unless otherwise provided for in the resolutions approving of a particular grant, (1) all stock grants are granted with the right (i) to have the Company withhold from the shares of Company common stock otherwise deliverable upon the vesting of such award or portion of such award (or lapse of restrictions with respect thereto) a portion of those shares or (ii) to deliver to the Company at the time of such vesting (or lapse of restrictions with respect thereto) a number of shares of Company common stock, in each case in accordance with the terms of the Company’s stock incentive plan or plans and the applicable award agreement to satisfy the payment of tax withholding obligations (“Tax Withholding Rights”) in accordance with the terms of the Company’s stock incentive plan or plans and (2) the holders of such grants are authorized by the CNG Committee to exercise such Tax Withholding Rights upon any vesting (or lapse of restrictions with respect thereto) all or a portion of such grant.

**(ii) STOCK GRANT RECOMMENDATIONS**

All stock grants pursuant to this Policy shall be made by the CNG Committee or by the Company Board upon recommendation from the CNG Committee.

The CNG Committee may solicit recommendations from the Company's executive management on an annual or more frequent basis for any proposed stock grants pursuant to this Policy.

**(iii) NO RIGHT OF EMPLOYMENT**

The Policy does not give any employee any right to continue in the employment of the Company and does not constitute any contract or agreement of employment or interfere in any way with the right the organization has to terminate such person's employment. The Company is an "at will" employer and as such, can terminate an employment relationship between itself and any of its employees at will, with or without cause, and with or without notice.

**B. STOCK OWNERSHIP GUIDELINES**

**(i) EXECUTIVE OFFICERS**

Executive officers will be expected to own Company common stock having a value equal to at least five times base salary in the case of our CEO and three times base salary in the case of our other executive officers.

Executive officers will be expected to meet the applicable ownership threshold within five years of the later of December 11, 2014, the date of their appointment to the applicable position, or the date the executive officer otherwise becomes subject to these guidelines.

**(ii) NON-EMPLOYEE DIRECTORS**

Non-employee directors will be expected to own Company common stock having a value equal to at least five times their annual cash retainer.

Non-employee directors will be expected to meet the applicable ownership threshold within five years of the later of May 16, 2016 or the date of their election or appointment to the Company Board.

**(iii) STOCK OWNERSHIP GUIDELINES ADMINISTRATION**

The level of compliance with these Stock Ownership Guidelines will be determined on an annual basis by the CNG Committee and reported to the Company Board. For purposes of such determination, stock ownership will be determined from the totals on Table 1 of an SEC Form 4 other than unvested time-based restricted stock awards, and which excludes outstanding stock options and stock appreciation rights (whether or not vested). To calculate the value of an executive officer's or non-employee director's shares of common stock, this total shall be multiplied by the highest share price in the preceding 52 week period.

These stock ownership guidelines may be waived at the discretion of the CNG Committee with respect to any particular executive officer or non-employee director or based on bona fide personal financial need or hardship, other special circumstances or if compliance would prevent an Executive officer or non-employee director from complying with law, regulation or a court order, as in the case of a divorce settlement.

### **C. CLAWBACK POLICY**

#### **(i) CLAWBACK POLICY ADMINISTRATION**

This Clawback Policy addresses the repayment, recoupment and/or forfeiture of certain incentive-based compensation awards and payments under certain circumstances. This Clawback Policy is administered by the CNG Committee. The CNG Committee is authorized, subject to the provisions of this Clawback Policy, to make such determinations and interpretations and to take such actions in connection with this Clawback Policy, including implementing any repayment, recoupment and forfeiture procedures, in each case, as it deems necessary or advisable. Actions of the CNG Committee pursuant to this Clawback Policy may be taken by the vote of a majority of its members.

The Company Board may, in its sole discretion, at any time and from time to time, administer this Clawback Policy, in which case the Company Board will have all of the authority and responsibility granted to the CNG Committee herein. All determinations and interpretations made by the CNG Committee or the Company Board will be final, binding and conclusive.

#### **(ii) COVERED EMPLOYEES**

All Covered Employees are subject to this Clawback Policy. The Company's Corporate Secretary maintains a list of Covered Employees for the purposes of the Clawback Policy.

#### **(iii) DETERMINATION OF AMOUNT SUBJECT TO RECOUPMENT, REPAYMENT OR FORFEITURE**

If the CNG Committee determines, in its sole discretion, that a Clawback Event has occurred, the CNG Committee may require recoupment, repayment and/or forfeiture of the portion of any Covered Award that represents the excess over what would have been paid if such Clawback Event had not occurred as determined by the CNG Committee in its sole discretion.

Notwithstanding anything herein to the contrary, the CNG Committee retains the sole discretion to determine whether, and to what extent, to enforce such recoupment, repayment or forfeiture upon consideration of each situation based on its individual facts and circumstances and may make determinations that are not uniform among the Covered Employees.

### **7. AUDIT**

This Policy will be audited in accordance with the Internal Audit Plan and/or the external auditor and is subject to regulatory examination.

### **8. TRAINING**

The EVP, General Counsel and Corporate Secretary is responsible for providing this Policy to all executive officers, non-employee directors and other employees affected by this Policy upon hiring.