

# Acquisition of El Dorado Savings Bank, F.S.B.

September 12, 2018



# Forward-Looking Statements

This communication contains certain forward-looking information about PacWest, El Dorado, and the combined company after the close of the transaction that is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. Such statements involve inherent risks, uncertainties, and contingencies, many of which are difficult to predict and are generally beyond the control of PacWest, El Dorado and the combined company. We caution readers that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. In addition to factors previously disclosed in reports filed by PacWest with the Securities and Exchange Commission (“SEC”), risks and uncertainties for each institution and the combined institution include, but are not limited to: lower than expected revenues; credit quality deterioration or a reduction in real estate values could cause an increase in the provision for credit losses and allowance for credit losses and a reduction in net earnings; increased competitive pressure among depository institutions; the ability to complete the proposed transaction, including obtaining regulatory approvals and approval by the stockholders of El Dorado, or any future transaction, successfully integrate such acquired entities, or achieve expected beneficial synergies and/or operating efficiencies, in each case within expected time-frames or at all; regulatory approvals may not be received on expected timeframes or at all; the possibility that personnel changes/retention will not proceed as planned; the possibility that a change in the interest rate environment may increase funding costs and reduce net interest margins; higher than anticipated operating expenses; the effectiveness of our risk management framework; asset/liability re-pricing risks and liquidity risks; the costs and effects of legal, compliance, and regulatory actions, changes and developments, including the impact of adverse judgments or settlements in litigation, the initiation and resolution of regulatory or other governmental inquiries or investigations, and/or the results of regulatory examinations or reviews; general economic conditions, either nationally or in the market areas in which the entities operate or anticipate doing business, are less favorable than expected; and other risk factors described in documents filed by PacWest with the SEC.

All forward-looking statements included in this communication are based on information available at the time of the communication. Pro forma, projected and estimated numbers are used for illustrative purposes only and are not forecasts, and actual results may differ materially.

We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

# Transaction Highlights

## Strategic Rationale

- Geographically expands PacWest's community bank franchise into Northern California and Northern Nevada with the acquisition of a high-quality, 60 year-old, privately held community bank
- Enhances core funding with \$2.0 billion in stable, granular, low cost deposits
  - 91% core deposits<sup>(1)</sup> and a 0.13% cost of total deposits
  - No brokered or wholesale deposits
- Strengthens PacWest's balance sheet liquidity
  - 29.4% loan-to-deposit ratio
  - \$1.6 billion in cash and investments consisting of short duration, high cash flow GSE securities
  - Provides margin expansion opportunities by redeploying excess liquidity into community banking loans (not modeled)
- Limited execution risk, as efficient operating platform with a 56% efficiency ratio and a 1.57% operating expense ratio allow for low cost savings
  - No anticipated branch closures or reduction in customer-facing employees
- Achieves significant deposit market share in the banking markets served
- Provides a platform to expand commercial banking activities in Northern California and Northern Nevada
- Provides revenue opportunities by enhancing product offerings and lending limits to current customers (not modeled)

## Transaction Metrics

- GAAP EPS: neutral to 2019 and 2020 earnings
- Cash EPS<sup>(2)</sup>: Accretion of ~1% in 2019 and 2020 respectively
  - Incremental Cash EPS on shares issued: exceeds \$4.50 and \$5.20 in 2019 and 2020 respectively
- Tangible Book Value Earnback: < 3.5 years
- Core Deposit Premium<sup>(1)</sup>: 13.3%
- Internal Rate of Return: > 17%
- Pro forma regulatory capital ratios remain strong



Note: Financial data as of or for the three months ended June 30, 2018 or an otherwise denoted quarter.

(1) Defined as total deposits less time deposits with balances greater than \$100,000.

(2) Calculated by adjusting GAAP EPS for merger adjustments.

# El Dorado Savings Bank, F.S.B. Overview

## Corporate Overview

- **Headquarters:** Placerville, CA
- **Branches:** 35 in Northern CA and Northern NV
- **Focus:** Core deposits gathering

## Financial Overview

- **Total Assets:** \$2.2 billion
- **Total Loans:** \$0.6 billion
- **Total Deposits:** \$2.0 billion

## Business Highlights

### Attractive, Low-Cost, Stable Deposit Franchise

- Core Deposits-to-Deposits: 91%
- 2016Q4 – 2018Q2 Deposit Beta: (1.3%)<sup>(2)</sup>

### Low-Risk Loan Portfolio

- Single family mortgages: 99% of total loans
- CRE Loans: < 1.0% of total loans
- NPA / Assets: 0.47%; 0.21% excluding TDRs
- No OREO

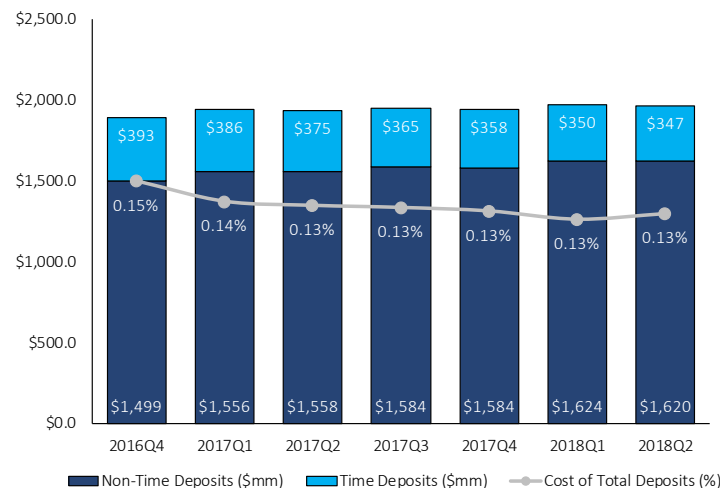
### Highly Liquid Balance Sheet

- Loan-to-Deposit: 29.4%
- Cash and Securities: \$1.6 billion

### Efficient Operating Platform

- Efficiency Ratio: 56.1%
- Operating Expense Ratio: 1.57%

## Historic Deposit Trends<sup>(1)</sup>



## El Dorado CA Market Share by County<sup>(3)</sup>

County	Rank	Deposits (\$mm)	Mkt. Share (%)	Population	Median HHI
Sacramento, CA	10	458	1.4	1,533,688	64,639
Placer, CA	24	38	0.3	385,681	84,704
El Dorado, CA	2	682	22.4	186,428	84,483
Nevada, CA	6	112	5.6	99,056	60,412
Tuolumne, CA	7	51	4.4	53,813	56,501
Calaveras, CA	1	180	34.2	45,131	59,459
Amador, CA	1	203	27.1	37,399	61,392
Inyo, CA	2	102	23.1	18,227	51,804



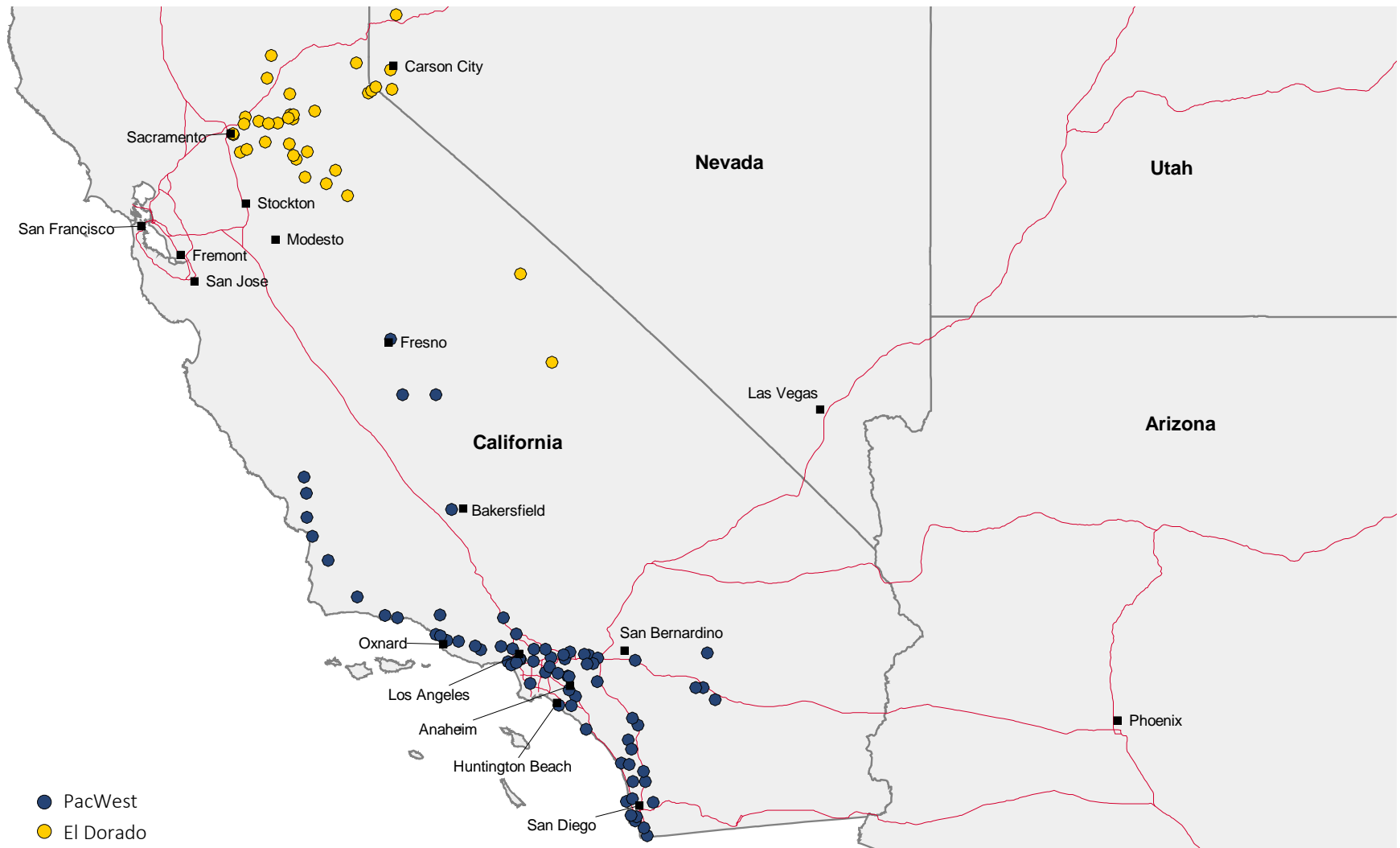
Note: Financial data as of or for the three months ended June 30, 2018 unless otherwise noted.

(1) As of or for the three months ended for each respective quarter.

(2) Calculated as the change in the cost of interest bearing deposits divided by the change in the federal funds rate.

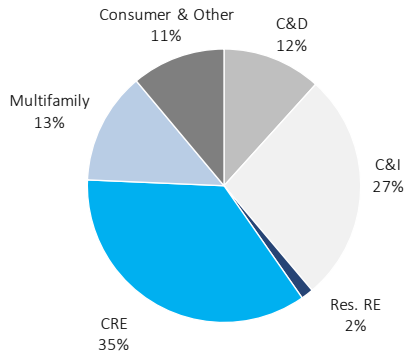
(3) FDIC Summary of Deposits as of June 30, 2017.

# Pro Forma Community Bank Franchise



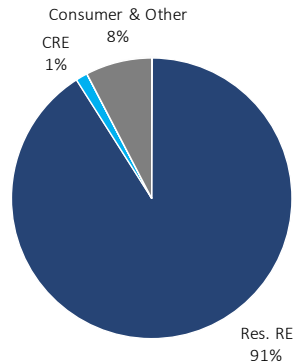
# Pro Forma Loan and Deposit Composition

## PacWest



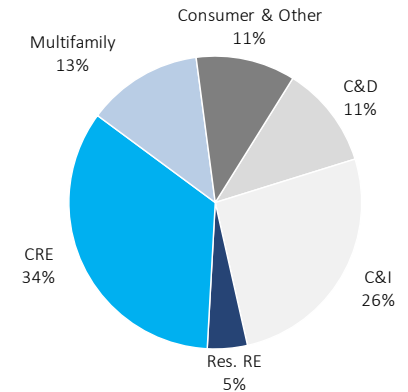
Gross Loans: \$16.9 billion  
Yield on Loans: 6.28%

## El Dorado



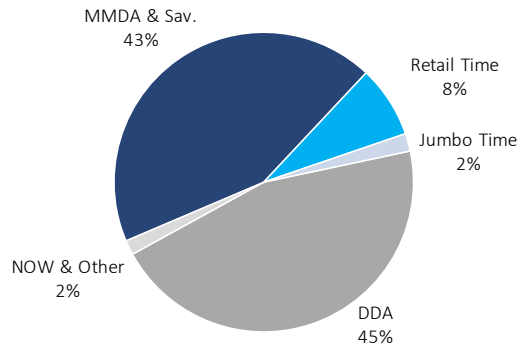
Gross Loans: \$0.6 billion  
Yield on Loans: 3.28%

## Pro Forma<sup>(1)</sup>



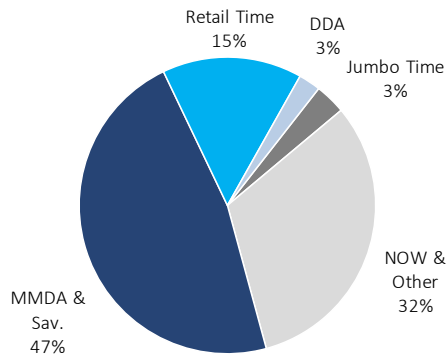
Gross Loans: \$17.5 billion  
Yield on Loans: 6.20%

## PacWest



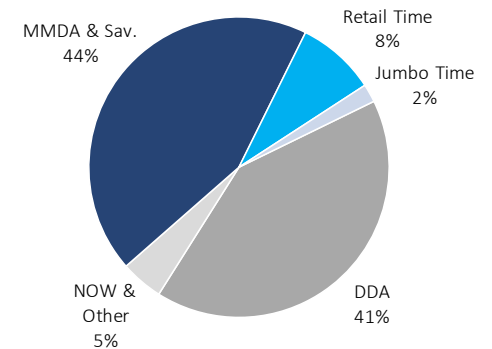
Total Deposits: \$17.9 billion  
Cost of Deposits: 0.36%

## El Dorado



Total Deposits: \$2.0 billion  
Cost of Deposits: 0.13%

## Pro Forma<sup>(1)</sup>



Total Deposits: \$19.9 billion  
Cost of Deposits: 0.34%



Note: Data as of or for the three months ended June, 30, 2018.

(1) Excludes purchase accounting and other merger-related adjustments.

# Transaction Summary

## Consideration and Deal Value<sup>(1)</sup>

- Aggregate Deal Value: \$466.7 million; \$59.8 million in cash and \$406.9 million in stock
- PACW Shares Issued: ~8.1 million
- Cash Per Share: \$427.92
- Pro Forma El Dorado Stockholders Ownership: ~ 6.2%

## Transaction Multiples<sup>(1)</sup>

- Price / Tangible Book Value per Share: 2.05x
- Price / LTM EPS: 27.3x
- Price / 2019 EPS: 22.9x
- Core Deposit Premium<sup>(2)</sup>: 13.3%

## Required Approvals

- Regulatory Approvals: FDIC and California DBO
- Stockholder Vote: El Dorado stockholders

## Other

- Will operate as a new region under Pacific Western Bank's Community Bank Division
- John Cook, President of El Dorado, will serve as Central Valley–Sierra Regional President
- Expected closing: Q1 2019



Note: Estimated financial impact is presented solely for illustrative purposes based on consensus analyst estimates for PACW and preliminary estimates for El Dorado. Includes estimated purchase accounting and other merger-related adjustments.

(1) Based on the fixed exchange ratio, fixed cash amount and PACW's closing stock price of \$50.04 on September 11, 2018.

(2) Defined as total deposits less all time deposits with balances greater than \$100,000.

# Financial Impact and Key Assumptions

## Financial Impact

- GAAP EPS: neutral to 2019 and 2020 earnings
- Cash EPS: Accretion of ~1% in 2019 and 2020 respectively
  - Incremental Cash EPS on shares issued: exceeds \$4.50 and \$5.20 in 2019 and 2020 respectively
- Tangible Book Value Earnback: < 3.5 years
- Core Deposit Premium: 13.3%
- Internal Rate of Return: > 17%

## Key Assumptions

- Cost Savings: Approximately 17% of El Dorado's noninterest expense base
  - 100% phase-in for 2019
- Gross Loan Mark: \$16.2 million; accreted straight-line over 5 years
- Securities Mark: \$35.0 million
  - \$1.6 billion in cash and securities repositioned at a 3.75% average yield
- Fixed Assets: \$21.0 million write-up; \$10.5 million depreciated straight-line over 23 years
- Core Deposit Intangibles: \$74.1 million or 4.4% of non-time deposits; amortized SYD over 10 years
- Durbin Amendment: \$2.0 million annual interchange revenue loss
- Revenue Synergies: Not modeled
- Restructuring Costs: \$35.1 million total pre-tax
- Effective Tax Rate: 29.6%





# Pro Forma Capital Ratios

	PacWest (6/30/2018)	El Dorado (6/30/2018)	Pro Forma At Close
Tangible Common Equity to Tangible Assets	9.9%	10.3%	9.4%
Common Equity Tier 1 Ratio	10.6%	33.7%	10.8%
Leverage Ratio	10.3%	10.2%	9.7%
Tier 1 Capital Ratio	10.6%	33.7%	10.8%
Total Risk-Based Capital Ratio	13.5%	34.5%	13.5%



Note: Estimated financial impact is presented solely for illustrative purposes based on consensus analyst estimates for PACW and preliminary estimates for El Dorado. Includes estimated purchase accounting and other merger-related adjustments.

# Additional Information About the Transaction and Where to Find It

Stockholders of El Dorado are urged to carefully review and consider each of PacWest's public filings with the SEC, including but not limited to its Annual Reports on Form 10-K, its proxy statements, its Current Reports on Form 8-K and its Quarterly Reports on Form 10-Q. The documents filed by PacWest with the SEC may be obtained free of charge at PacWest's website at [www.pacwestbancorp.com](http://www.pacwestbancorp.com) or at the SEC's website at [www.sec.gov](http://www.sec.gov). These documents may also be obtained free of charge from PacWest by requesting them in writing to PacWest Bancorp, 9701 Wilshire Boulevard, Suite 700, Beverly Hills, CA 90212; Attention: Investor Relations, by submitting an email request to [investor-relations@pacwestbancorp.com](mailto:investor-relations@pacwestbancorp.com) or by telephone at (310) 887-8521.

PacWest intends to file a registration statement with the SEC which will include a proxy statement of El Dorado and a prospectus of PacWest, and will file other documents regarding the proposed transaction with the SEC. Before making any voting or investment decision, stockholders of El Dorado are urged to carefully read the entire registration statement and proxy statement/prospectus, when they become available, as well as any amendments or supplements to these documents, because they will contain important information about the proposed transaction. A definitive proxy statement/prospectus will be sent to the stockholders of El Dorado seeking any required stockholder approvals. Stockholders of El Dorado will be able to obtain the registration statement and the proxy statement/prospectus free of charge from the SEC's website or from PacWest by writing to the address provided in the paragraph above.