

Kick-starting Your CDFI Program

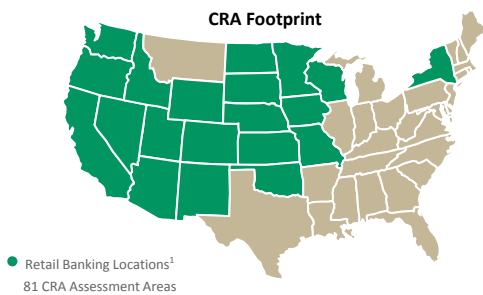
September 28, 2017



Joy Hoffmann, SVP Community Reinvestment, Bank of the West

Bank of the West Overview

Regional financial services company with community roots dating back more than 140 years



Market Profile

Diverse geographic footprint...

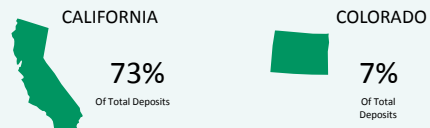
Ranging from vibrant, competitive and densely populated urban areas to remote, rural and sparsely populated regions.

Wide but shallow market presence...

More than 86% of the Bank's total deposits originate from 5 states (California, Colorado, Nebraska, Oregon, Minnesota).

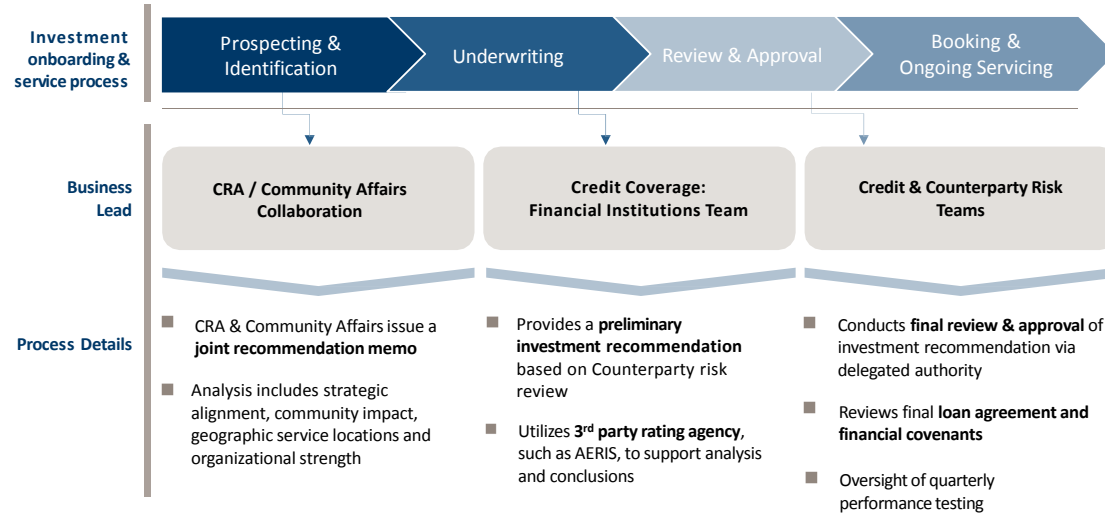
Western concentration...

California represents the Bank's largest market, followed by Colorado. Collectively, these states account for over half of the Bank's total CRA qualified lending activities.



¹ As of 6/30/2017

CDFI Investment Process



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SEPTEMBER 28, 2017

Doug Schaeffer, EVP CRA – Woodforest National Bank



WOODFOREST NATIONAL BANK

We opened our doors over 35 years ago in Houston, Texas

Over 700
Branches

17
States

Over 1.3
million
Customers

\$5 Billion
in total assets

Over 4,900
Employees




Business Strategy

- Launched a C&I Banking Group 2015
- Transforming the in-store banking experience (best lobby in Banking)
- Enhanced Retail credit products for Consumer and Small Business
- Expanded into Specialty Finance 2015
- We are **not** a mortgage originator

CRA Market Profile

A vast Retail footprint with shallow market share in states outside of Texas

- 85% of our Deposits are in Texas
- Outside of Texas our branches are all Walmarts
- Our Average Deposit Market Share outside of Texas is 0.02% (2 basis points)
- We are the smallest in 74% of our markets
- 204 CRA Assessment Areas**

CRA Strategy at Woodforest

Woodforest's Mission: To be the catalyst of change in the communities where we live

Woodforest's CRA Strategy: we believe supporting businesses is the way we can have the most impact helping our local economies (e.g., grow jobs). Our CRA strategies focus on (but are not limited to) driving Economic Development opportunities in all our CRA Assessment Areas. The Bank also provides effective Affordable Housing capital solutions; but not as a Mortgage Originator

Woodforest's Needed to:

- Significantly increase the Bank's Community Development Relations staff
- Build relationships with CDFIs serving local markets
- Build Bank's capacity to underwrite CDFIs
- Educate Bank's executive leadership on CDFI industry, impact and revenue models

CRA CDFI Strategy at Woodforest

- Expand relationships with existing CDFI partners (LiftFund, LISC, People Fund, CSBDF, etc.)
- Provide innovative source of patient capital to CDFIs through EQ2 – OFN
- Expanding second look capability for small businesses with Project C.U.E. – AEO
- Enhance CDFI liquidity sources
 - Continue to purchase seasoned small business loan portfolios – LiftFund
 - Special Purpose Vehicle (SPV) transaction (an asset based securitization option) – AEO, ACE
- Expand CDFI Products and Revenue sources by piloting a revolving line of credit product (RELI)
- Expand CDFIs capacity
 - Mentorship Network: leverage Woodforest's 19,000 hours per year of financial training
 - Innovate Technical Assistance: expand to entrepreneurs, open source, cohorts, W-Foundry, – AEO (*Trusted Guidance*), OFN, Family Promise, Operation Hope
- Trained Bank's credit team (in person and with EQ2) to underwrite CDFIs (CAMEL rating) – OFN
- Provided the Bank's Executive Leadership an overview of the CDFI industry – OFN
- Encourage collaboration between: CDFIs, Industry Associations, SBICs, etc.



CDFI Community Investment Fund, LLC



Equity Equivalent (EQ2) Innovative Capital

- Fund announced at OFN Conference October 2016 by Cathy Nash, President and CEO of Woodforest National Bank
- Fund Finalized December 2016
- OFN Managing Member
- CCIF Investment Committee: OFN (2), WNB (3)
- 10 Year Term
- Initial fund \$5MM, plan to increase up to \$20MM over 4 years
- Minimum Investment \$250M
- Round 1: 8 CDFIs approved, 9 more expected by 12/31/2017
- Interested? Contact Robin Odland rodland@ofn.org



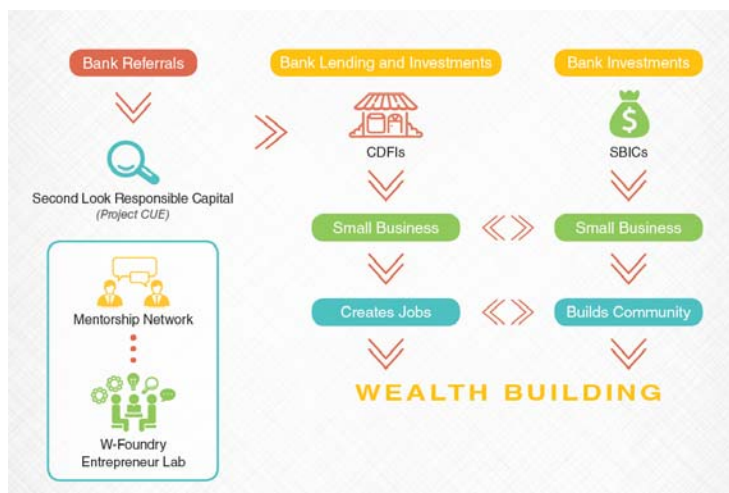
Project C.U.E. Project CUE: CONNECTING UNDERSERVED ENTREPRENEURS



- AEO, CDFI FUND 2015 Innovation Challenge Proposal Winner; a tested platform aimed at solving market failure for small businesses and increasing CDFI small business lending in low wealth communities
- WNB is the first and only bank to commit to and test / implement Project C.U.E. proof of concept resulting in other Banks committing capital (e.g., JPM \$1.9 mil); partnerships contracts are now in place
- WNB has been referring about 150-200 Applications per week to the platform (since May 1, 2017)
- Only about 30% chance are matched to a CDFI; WNB and AEO are working to engage customer follow up and participation
- Project C.U.E. / www.MyWaytoCredit.org will help small businesses find an alternative funding source to the applicant if they are declined by Woodforest for a small business loan
- Interested? Contact Tammy Halevy at AEO thalevy@aeoworks.org
- Project to will begin offering Trusted Guidance before end of year



Woodforest National Bank's CRA Small Business Strategy



Contact Us



BANK OF THE WEST
BNP PARIBAS

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