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CONSUMER COMPLIANCE EXAMINATIONS
FINANCIAL INSTITUTION SUPERVISION AND CREDIT

Transmitted by Secure Email

January 27, 2020

Board of Directors
Pacific Enterprise Bank
17748 Sky Park Circle, Suite 100
Irvine, California 92614

Members of the Board:

An on-site report of examination was sent to you on January 10, 2020. Subsequent to sending the letter, it was brought to my attention that the CRA rating on page 2 of the Public Evaluation is incorrect. The rating should be outstanding and not satisfactory. Other than the rating, there is no other change to the report.

An amended version of the Public Evaluation is attached for your records. Please replace the previous version with this one. My apologies for the oversight and any inconvenience this may have caused.

Please contact me should you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Patrick Weiss".

cc: California Department of Business Oversight

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PUBLIC DISCLOSURE

July 15, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pacific Enterprise Bank
RSSD # 3490871**

**17748 Sky Park Circle
Suite 100
Irvine, California 92614**

**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

Institution's Community Reinvestment Act (CRA) Rating

Pacific Enterprise Bank is rated "SATISFACTORY"

The following table shows the performance ratings for the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING		
SATISFACTORY	X	X
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- A reasonable loan-to-deposit ratio;
- A majority of loans originated within the bank's assessment area;
- An excellent geographic distribution of small business loans;
- An excellent distribution of small business loans to businesses of different sizes, and
- An adequate level of community development activities that support the need for small business lending and financial literacy.

INSTITUTION

Description of Institution

Pacific Enterprise Bank (PEB), headquartered in Irvine, California, reported total assets of \$502.2 million as of March 31, 2019. PEB is a wholly-owned subsidiary of Pacific Enterprise Bancorp, and commenced operations on

April 20, 2007. On June 1, 2015, the bank consolidated operations by relocating its single branch to its headquarters located a short distance away.

PEB is a full-service bank which specializes in lending to small- and medium-sized businesses. Loan products offered include commercial real estate loans, construction loans, term loans, and lines of credit. The bank offers financing through federal and state government sponsored programs such as the Small Business Administration (SBA) 504 and 7(a) loan programs, and the California Capital Access Program for Small Businesses (CalCAP).¹ Commercial insurance premium financing and merchant bankcard services are also available to PEB's commercial clients. Consumer products are offered as an accommodation to existing business clients, and include real estate and installment loans as well as checking, savings, money market, and individual retirement accounts, and certificates of deposits. Internet banking and mobile deposit services are available to customers; however, the bank does not operate automated teller machines.

As depicted in Exhibit 1 below, PEB's loan portfolio, as stated in its December 31, 2018, Consolidated Report of Condition and Income, reflects the bank's commercial lending focus.

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2018		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	351,993	89.5
Secured by 1-4 Family Residential Real Estate	28,163	7.2
Construction & Land Development	11,706	3.0
Multi-Family Residential Real Estate	1,461	0.4
Total (Gross)	393,323	100.0

PEB did not face any legal or financial impediments during the review period that would have prevented it from helping to meet the credit needs of its assessment area consistent with its business strategy, size, financial capacity, and local economic conditions. The prior CRA examination, conducted as of August 5, 2013, resulted in a outstanding rating and was conducted by the Federal Reserve Bank of San Francisco using the *Interagency Small Institution CRA Examination Procedures*.

¹ CalCAP is a California state-sponsored program that encourages financial institutions to make loans to small businesses that fall outside of conventional underwriting standards. The program provides a form of loan portfolio insurance, which can give lenders up to 100 percent coverage on certain loan defaults, available at <https://www.treasurer.ca.gov/cpcf/calcap>, (accessed July 15, 2019).

Description of Assessment Area

Description of Operations in Los Angeles-Orange-Riverside-San Bernardino

PEB has one assessment area which was expanded from Los Angeles and Orange counties at the prior examination, to now also include Riverside and San Bernardino counties. Los Angeles and Orange counties combine to form the Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (MSA), and Riverside and San Bernardino counties combine to form the Riverside-San Bernardino-Ontario, CA MSA. These areas are included in the Los Angeles-Long Beach, CA Combined Statistical Area.

Los Angeles County is located along the Pacific Coast in Southern California, south of Kern County and north of Orange County. Orange County is located south of Los Angeles County and is bordered by Riverside County and San Bernardino County to the east and San Diego County to the south. Riverside County is located south of San Bernardino County and north of San Diego and Imperial counties, bordering Orange County on the west. San Bernardino County borders Los Angeles, Orange and Riverside counties as well as Inyo and Kern counties to the north and west. In 2018, the four-county assessment area was home to more than 17 million people.² With a population of more than 10 million, Los Angeles is the most populous county in California and Orange County is the third most populous with over three million people.³ Riverside and San Bernardino counties are the fourth and fifth most populous respectively, with over two million people in each county.⁴

The assessment area had 132 Federal Deposit Insurance Corporation-insured commercial institutions operating 2,955 offices as of June 30, 2018. PEB maintained a small presence in the assessment area, operating one branch with total deposits of \$449.0 million, representing 0.08 percent of the market.⁵

Exhibit 2 on the following page presents key demographic and business information used to help develop a performance context for the assessment area.

² U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2017; available from: www.census.gov/quickfacts/.

³ Ibid.

⁴ Ibid.

⁵ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

EXHIBIT 2 ASSESSMENT AREA DEMOGRAPHICS LOS ANGELES-ORANGE-RIVERSIDE-SAN BERNARDINO ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	309	8.2	269,177	6.9	98,023	36.4	935,058	24.0
Moderate-income	1,067	28.4	1,044,583	26.8	230,327	22.0	639,938	16.4
Middle-income	1,061	28.3	1,122,058	28.8	123,275	11.0	680,284	17.5
Upper-income	1,254	33.4	1,453,291	37.3	67,502	4.6	1,637,447	42.1
Unknown-income	60	1.6	3,618	0.1	649	17.9	0	0.0
Total AA	3,751	100.0	3,892,727	100.0	519,776	13.4	3,892,727	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	415,832	76,659	2.6	18.4	308,387	74.2	30,786	7.4
Moderate-income	1,587,587	538,190	18.5	33.9	926,022	58.3	123,375	7.8
Middle-income	1,742,977	877,760	30.3	50.4	716,505	41.1	148,712	8.5
Upper-income	2,295,178	1,406,995	48.5	61.3	717,614	31.3	170,569	7.4
Unknown-income	21,070	2,079	0.1	9.9	15,768	74.8	3,223	15.3
Total AA	6,062,644	2,901,683	100.0	47.9	2,684,296	44.3	476,665	7.9
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	42,460	4.9	38,012	4.8	4,158	6.1	290	4.9
Moderate-income	180,125	20.9	162,808	20.7	16,206	23.7	1,111	18.9
Middle-income	236,350	27.4	214,086	27.2	20,806	30.4	1,458	24.8
Upper-income	390,900	45.3	363,332	46.1	24,699	36.1	2,869	48.8
Unknown-income	12,405	1.4	9,661	1.2	2,597	3.8	147	2.5
Total AA	862,240	100.0	787,899	100.0	68,466	100.0	5,875	100.0
% of Total Businesses				91.4		7.9		0.7
2018 Median Family Income ⁶				December 2018 Median Housing Value ⁷				
Los Angeles County			\$62,703	Los Angeles County			\$588,140	
Orange County			\$86,003	Orange County			\$785,000	
Riverside County			\$61,507	Riverside County			\$398,000	
San Bernardino County			\$61,507	San Bernardino County			\$295,000	
2018 Adjusted Median Family Income ⁸				2018 Unemployment Rate ⁹				
Los Angeles County			\$69,300	Los Angeles County			4.7%	
Orange County			\$92,700	Orange County			2.9%	
Riverside County			\$65,800	Riverside County			4.4%	
San Bernardino County			\$65,800	San Bernardino County			4.0%	

⁶ FFIEC Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

Economic Conditions

During the review period, the Los Angeles-Orange-Riverside-San Bernardino assessment area experienced overall economic growth. The assessment area's well-diversified economy and labor market growth contributed to its economic expansion; however, there is a marked contrast between the performance and impact of Los Angeles and Orange counties in comparison to Riverside and San Bernardino counties.

The expansion of technology companies served as a catalyst for Los Angeles County's economic recovery.¹⁰ Primary drivers of the economy were technology, tourism, trade, entertainment, and healthcare.¹¹ Construction rose through the development of new multi-family residential units; however, new single-family home and commercial construction experienced only modest growth.¹² The ports of Long Beach and Los Angeles are in the midst of a multiyear infrastructure expansion, which spurred investment and supported trade in the area.¹³ Silicon Beach, the hub of technology startup activity in Los Angeles, capitalized on the convergence of entertainment and technology.¹⁴ While Silicon Beach is a small portion of the economy, it contributes a large share of high-wage job growth and investment in the area.¹⁵ The Los Angeles area has now completed its cyclical economic recovery with current labor capacity constraints and land shortages ensuring elevated incomes and real estate prices.¹⁶

Key drivers of economic expansion in Orange County were healthcare and tourism, as well as biomedical, software, and aerospace in smaller sectors.¹⁷ Lower gas prices, stronger regional economies, and Disneyland factored into a boost in tourism,¹⁸ with visitation to Orange County hitting a four-year high in 2017.¹⁹ The area serves as the financial services hub of Southern California.²⁰ Additionally, the county's collection of biotech firms, technological equipment manufacturers, medical device makers, and pharmaceutical manufacturers flourished due to the highly educated population, and consumer and business demand for technology products.²¹ Residential construction increased with single-family permits reaching levels last seen in 2004-2005, and multifamily permits were well above the long-term average.²²

⁷ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes as of December 2018; available from: <https://www.car.org/marketdata/data/housingdata/>.

⁸ FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁹ Annual Unemployment Rate, U.S Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

¹⁰ Moody's Precis Report, Los-Angeles-Long Beach-Glendale CA, August 2014.

¹¹ Moody's Precis Report, Los Angeles-Long Beach-Glendale CA, November 2018.

¹² Moody's Precis Report, Los-Angeles-Long Beach-Glendale CA, December 2015.

¹³ Moody's Precis Report, Los-Angeles-Long Beach-Glendale CA, April 2016.

¹⁴ Moody's Precis Report, Los-Angeles-Long Beach-Glendale CA, August 2017.

¹⁵ Moody's Precis Report, Los Angeles-Long Beach-Glendale CA, November 2018.

¹⁶ Ibid.

¹⁷ Orange County Community Indicators Project, Community Indicators 2018; available from: <http://www.ocgov.com/about/infooc/facts/indicators>.

¹⁸ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2017.

¹⁹ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

²⁰ Moody's Precis Report, Santa Ana-Anaheim -Irvine CA, December 2014.

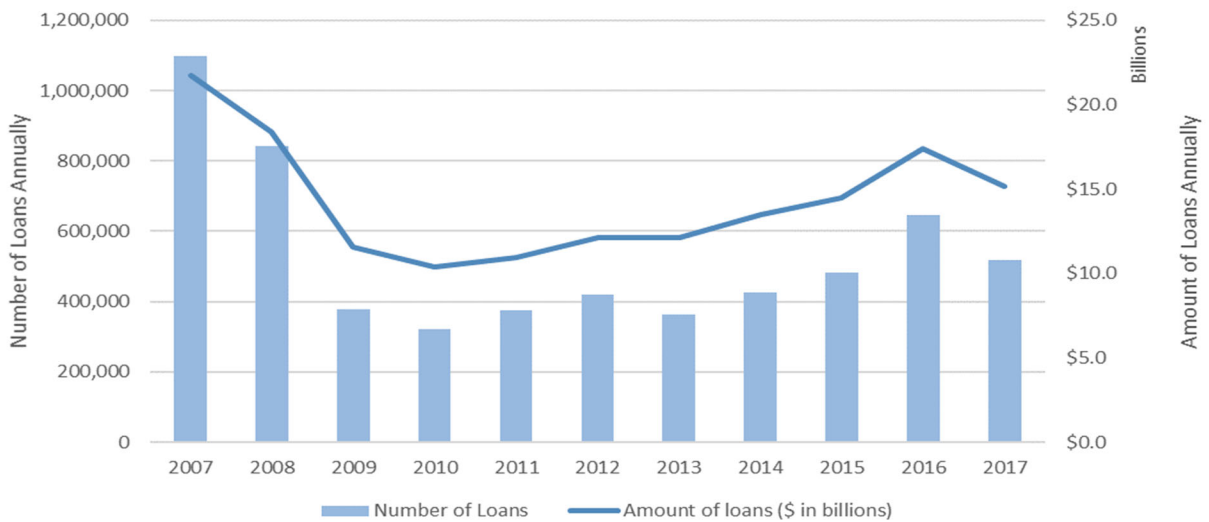
²¹ Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2015.

²² Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2017.

The Inland Empire, which includes Riverside and San Bernardino counties, experienced low-wage job growth and economic expansion due to consumer demand for logistics in transportation, distribution, and warehousing.²³ The Inland Empire acts as the logistics hub for the ports of Los Angeles and Long Beach, which are the largest entryways for consumer goods into the United States.²⁴ The metro area thrived because of its ability to receive imported goods from the ports, cheaply store them, and distribute them throughout the country.²⁵ The metro area relies more on middle-income industries than the rest of the region or nation.²⁶ Additionally, due to lower business and housing costs, the Inland Empire benefited from domestic migrants fleeing the exorbitant costs of Southern California.²⁷ Businesses came to the metro area to capitalize on its low-cost structure and proximity to major demand centers.²⁸ Low costs, available land, and proximity to cosmopolitan cities made housing a comparative advantage for the Inland Empire.²⁹

Economic improvements in the assessment area can be seen in small business lending. As depicted in Exhibit 3 below, a review of small business loan data reported by banks subject to the CRA shows that the number and amount of loans to small businesses in the assessment area slowly improved during the early portion of the review period, but levelled off in 2017 and remain depressed relative to levels achieved prior to the Great Recession. Lending to small businesses plays a critical role in the economy given that small businesses represented 91.4 percent of all businesses in the assessment area, as depicted in Exhibit 2 on page 4.

Exhibit 3
Loans to Small Businesses in Assessment Area³⁰
2007-2017



²³ Moody’s Precis Report, Riverside-San Bernardino-Ontario CA, November 2018.

²⁴ Ibid.

²⁵ Moody’s Precis Report, Riverside-San Bernardino-Ontario CA, April 2015.

²⁶ Moody’s Precis Report, Riverside-San Bernardino-Ontario CA, August 2014.

²⁷ Moody’s Precis Report, Riverside-San Bernardino-Ontario CA, November 2018.

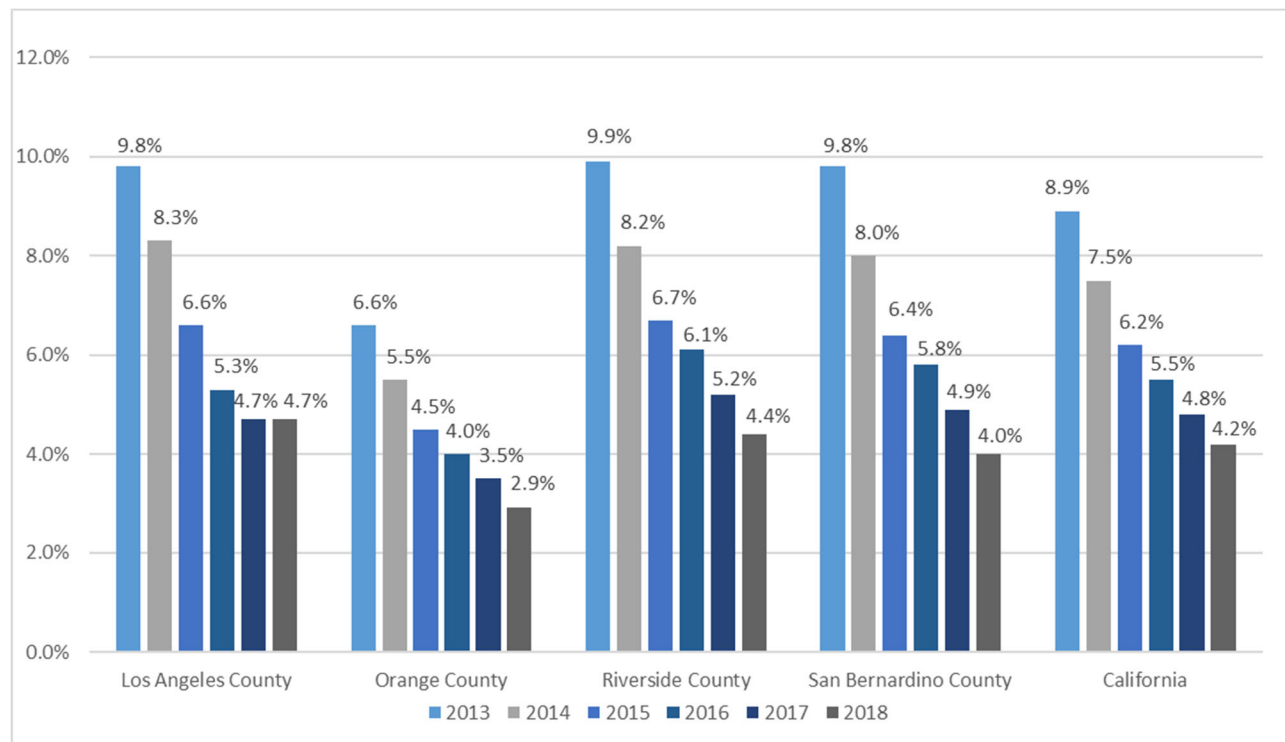
²⁸ Moody’s Precis Report, Riverside-San Bernardino-Ontario CA, April 2016.

²⁹ Moody’s Precis Report, Riverside-San Bernardino-Ontario CA, April 2015.

³⁰ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/national.aspx>.

As depicted in Exhibit 4 below, the unemployment rate of all four counties in the assessment area decreased steadily during the review period. Orange County’s annual unemployment rate was 2.9 percent in 2018, one of the lowest rates in the state of California.

Exhibit 4
Unemployment Rate³¹
2013-2018



As depicted in Exhibit 5 on the following pages, the percentage of people living below the poverty level declined while the percentage of households on food stamps in the assessment area increased during the review period. According to the Supplemental Poverty Measure (SPM), which factors in regional cost-of-living, government assistance programs and housing costs, an estimated 19 percent of people in California live in poverty.³² In Orange County, more residents are being pushed into poverty and homelessness due to the region’s housing crisis. In the past four years, there has been a 54 percent increase in homeless people living on the streets.³³ The liquid asset poverty rate represents the percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income.³⁴ In the greater Los Angeles Metro area, which includes both Los

³¹ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

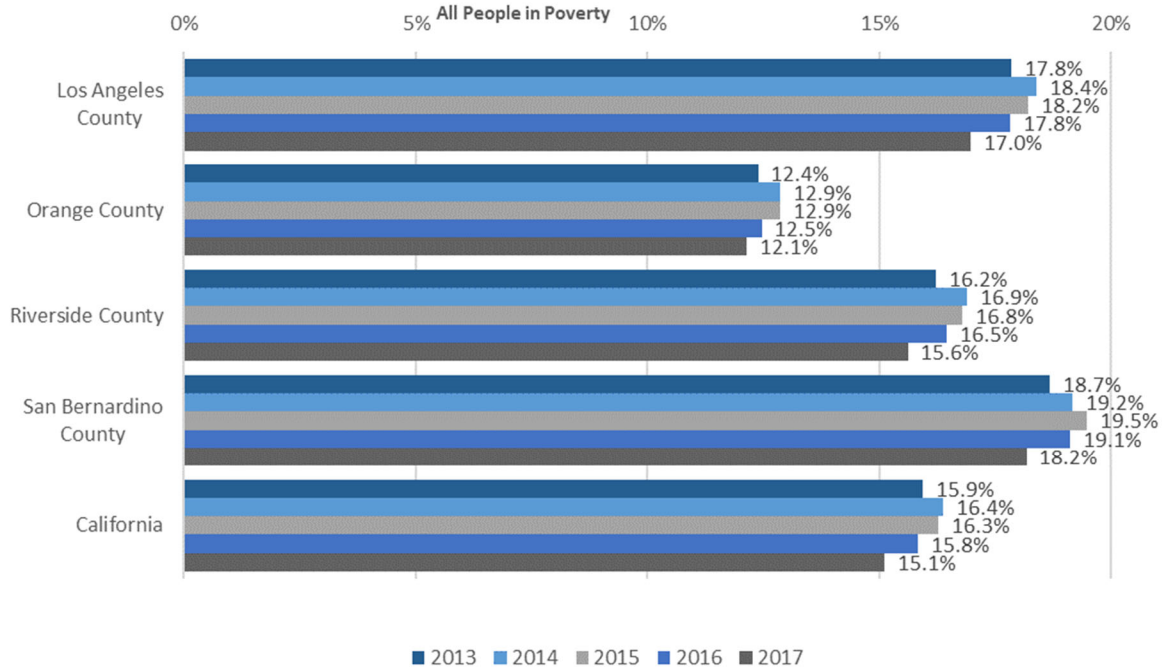
³² U.S. Census Bureau, The Supplemental Poverty Measure: 2017; available from: <https://www.census.gov/library/publications/2018/demo/p60-265.html>.

³³ Orange County Point in Time (PIT) Count 2017; available from: <http://www.ocgov.com/civicax/filebank/blobdload.aspx?BlobID=64596>.

³⁴ Prosperity Now, Scorecard, Los Angeles, CA Metro; available from: <https://scorecard.prosperitynow.org/data-by-location>.

Angeles and Orange counties, 40.6 percent of all households are liquid asset poor. Riverside County is similar with 40.8 percent of households deemed liquid asset poor;³⁵ however, the conditions in San Bernardino County are worse with 44.7 percent of households experiencing liquid asset poverty.³⁶

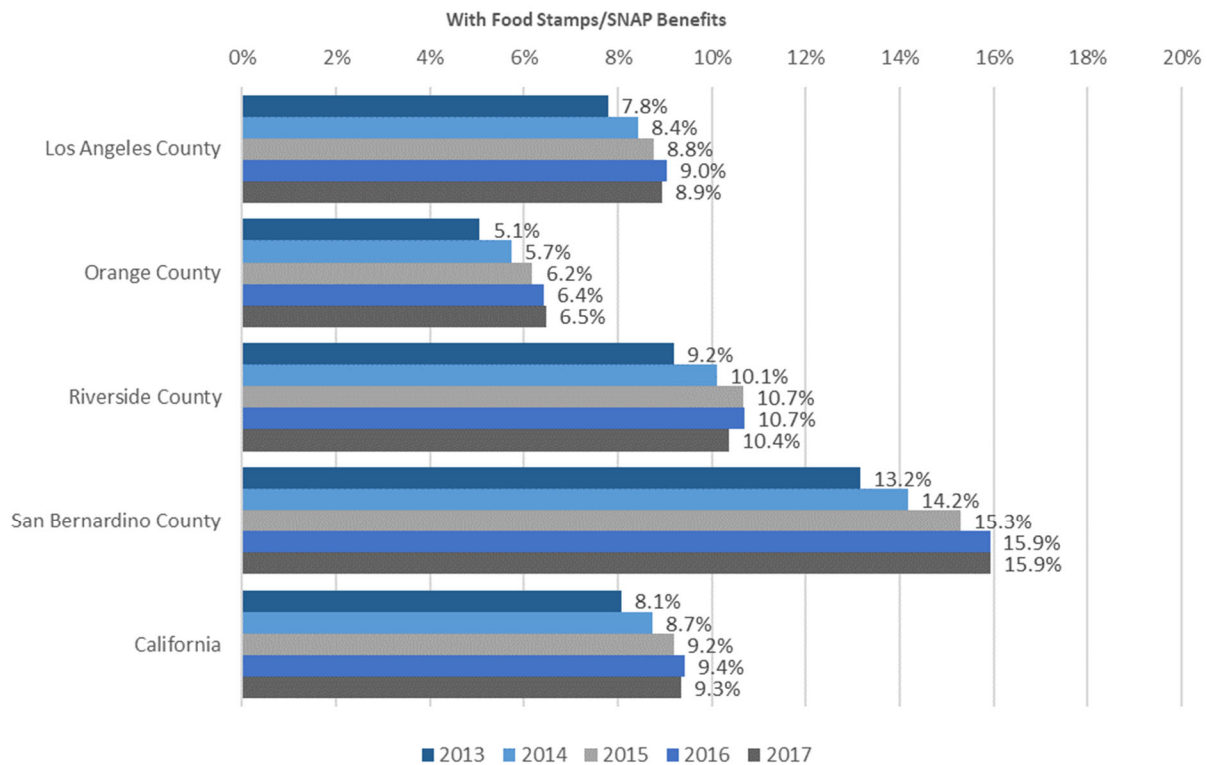
Exhibit 5
Poverty and Food Stamp Usage Rates³⁷
2013-2017



³⁵ Prosperity Now, Scorecard, Riverside County, CA; available from: <https://scorecard.prosperitynow.org/data-by-location>.

³⁶ Prosperity Now, Scorecard, San Bernardino County, CA; available from: <https://scorecard.prosperitynow.org/data-by-location>.

³⁷ Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.



Credit and Community Development Needs

The economic data, as well as feedback from community contacts, indicate that small businesses in the assessment area face challenges in accessing credit and that some level of small business credit needs remain unmet by area banks. As previously mentioned, CRA reportable small businesses lending levels are improving, but remain below levels experienced prior to the Great Recession. According to the 2018 Small Business Credit Survey (SBCS), 43 percent of employer firms applied for financing in the prior 12 months.³⁸ Less than half of the firms that applied for credit—47 percent—received all of the financing they sought.³⁹ A majority of firms applied for financing in amounts of less than \$100,000, and the majority of all applicants were also looking to expand their business or pursue a new opportunity.⁴⁰ Of the financing and credit products sought by businesses, 85 percent of applicants applied for either a business loan or line of credit.⁴¹ Applicants for loans, lines of credit, and cash advance products reported higher approval rates—60 percent—in the 2018 survey than in previous surveys.⁴² However, funding gaps were most acute for firms seeking \$100,000 to \$250,000, with 54 percent of these applicants receiving less than the full amount of financing sought.⁴³ Financing shortfalls were particularly pronounced among firms with weak credit profiles, unprofitable firms, younger firms, and

³⁸ Small Business Credit Survey, Report on Employer Firms 2019, available from: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

urban firms.⁴⁴ Overall, there is a general need for more access to credit and smaller dollar loans. Commercial real estate and microloans for working capital, tenant improvements, and equipment financing would also be impactful.

Finally, the prevalence of poverty highlights the importance of community service organizations within the bank's communities. There is an opportunity for banks to support a wide range of community needs in the assessment area by engaging in community development activities and/or partnering with organizations that address the needs of those most vulnerable in the community. The most impactful activities in these communities include advocacy work, classes, and education around financial literacy.

Scope of Examination

PEB's CRA performance was evaluated using the *Interagency Intermediate Small Institution CRA Examination Procedures*. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities.

LENDING TEST

The lending test portion of the evaluation was based upon the following performance criteria:

- Loan volume compared to deposits (Loan-to-Deposit Ratio);
- Lending inside versus outside of the assessment area (Lending in the Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Lending to businesses of different revenue sizes (Lending Distribution by Business Revenue).

PEB's responsiveness to consumer complaints was not evaluated as the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on small business loans originated from July 1, 2018, through December 31, 2018. A total of 156 small business loans were considered in the evaluation of Lending in the Assessment Area. Of that total, 101 small business loans extended within the bank's assessment area were used in the evaluation of the Lending Distribution by Geography and Lending Distribution by Business Revenue. Home mortgage loans were also considered during the review, however this product did not influence the overall assessment due to limited volume.

COMMUNITY DEVELOPMENT TEST

The community development test was based on qualified community development loans, investments, and services provided by the bank from August 6, 2013, through July 15, 2019. The community development test evaluates the bank's level of community development activities relative to assessment area credit needs and opportunities, as well as the bank's capacity to participate in such activities.

⁴⁴ Ibid.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Overall, PEB’s lending test performance is satisfactory. Lending levels relative to deposits are reasonable, and a majority of loans were originated inside the bank’s assessment area. Small business lending reflects excellent dispersion throughout the assessment area, especially in low-and moderate-income geographies. The distribution of lending to businesses of different revenue sizes is also excellent. The bank was specifically responsive to the need for smaller dollar loans in its assessment area.

LOAN-TO-DEPOSIT RATIO

PEB’s loan-to-deposit ratio is reasonable. The bank’s 22-quarter average loan-to-deposit ratio was 87.2 percent as of December 31, 2018. This exceeded the state of California average of 82.7 percent, as well as the national average of 79.8 percent.

LENDING IN ASSESSMENT AREA

A majority of small business loans evaluated were extended inside the bank’s assessment area, as depicted in Exhibit 6 below.

EXHIBIT 6 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS JULY 1, 2018 TO DECEMBER 31, 2018								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	101	64.7	8,795	76.0	55	35.3	2,782	24.0
Total Business Related	101	64.7	8,795	76.0	55	35.3	2,782	24.0
Total Loans	101	64.7	8,795	76.0	55	35.3	2,782	24.0

LENDING DISTRIBUTION BY GEOGRAPHY

PEB’s lending distribution by geography is excellent. As depicted in Exhibit 7 on the following page, the bank’s performance was particularly strong in low-and moderate-income areas. In these geographies, PEB’s lending is nearly double that of the aggregate lenders and far exceeds the total concentration of small businesses in these areas.

EXHIBIT 7 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Los Angeles-Orange-Riverside-San Bernardino Assessment Area 2018								
Bank Lending	9	8.9	40	39.6	25	24.8	27	26.7
Aggregate Lending ⁴⁵	22,911	4.5	103,796	20.5	139,410	27.5	240,081	47.4
Business Concentration	42,460	5.0	180,125	21.2	236,350	27.8	390,900	46.0

LENDING DISTRIBUTION BY BUSINESS REVENUE

PEB’s lending distribution by business revenue is excellent. As depicted in Exhibit 8 below, small business lending reflects excellent penetration among businesses of different sizes. PEB’s lending to businesses with revenues of \$1 million or less is substantially greater than the performance of aggregate lenders. Moreover, PEB originated a substantial portion of loans in smaller dollar amounts, which is responsive to community credit needs for small dollar loans.

EXHIBIT 8 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	101	77.2	91.4	52.7 ⁴⁶	69.3	20.8	9.9

RESPONSE TO COMPLAINTS

PEB did not receive any CRA-related complaints during the review period. Accordingly, the bank’s performance in responding to complaints was not considered in evaluating its overall CRA performance.

Community Development Test

Overall, PEB’s community development test performance is satisfactory. As depicted in Exhibit 9 on the following page, the bank provided an adequate level of community development loans, investments, and services to its assessment area. PEB also engaged in activities that benefitted a broader statewide or regional area. Community development activities were particularly responsive to the need for loans to small businesses and community services for low- and moderate-income individuals, including financial education. The bank reported no prior period investments as this was the bank’s first examination under the *Interagency Intermediate Small Institution CRA Examination Procedures*.

⁴⁵ 2017 aggregate data was utilized throughout this evaluation, as this was the most current information available.

⁴⁶ Ibid.

EXHIBIT 9 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Area	Loans		Investments				Services	
			Prior Period		Current Period			
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Los Angeles-Orange-Riverside-San Bernardino	33	30,932	NA	NA	13	2,257	30	205.5
Broader Statewide or Regional Area	15	10,539	NA	NA	3	735	0	0
Total	48	41,471	NA	NA	16	2,992	30	205.5

COMMUNITY DEVELOPMENT LENDING

PEB originated 48 community development loans totaling \$41.5 million. This included 33 SBA 504 loans totaling more than \$30.9 million which supported 320 jobs in the bank’s assessment area. In addition, PEB originated 15 SBA 504 loans totaling \$10.5 million which supported 116 jobs in the broader statewide or regional area. The bank’s community development lending enabled several small businesses to expand, hire additional employees, and pursue new opportunities, and was especially responsive to stated small business credit needs. Notable community development loans are highlighted below:

- A \$2.7 million loan to a real estate investment and development firm which assisted the company in expanding operations and retaining 21 employees.
- A \$2.1 million loan to a marketing manufacturer which supported the purchase of a permanent location for the business to operate from and hiring of 30 new employees.
- A \$1.9 million loan to a trucking services business that assisted the owner in purchasing a warehouse, retaining 16 employees, and creating one new job position.
- A \$1.0 million loan to a health care service provider that permitted the company to purchase a permanent location and expand business operations, including the hiring of an additional 30 employees.
- An \$877 thousand loan to an auto service business that allowed the owner to expand services, retain seven employees, and create 10 additional job positions.

COMMUNITY DEVELOPMENT INVESTMENTS

PEB made 16 investments and donations totaling approximately \$3.0 million. This includes nine investments totaling more than \$2.2 million and four donations totaling more than \$33 thousand in the bank’s assessment area, as well as three investments totaling \$735 thousand in the broader statewide or regional area. PEB’s investments supported six community development financial institutions (CDFI) located in the bank’s assessment area and broader statewide or regional area. Donations supported financial literacy programs at three high schools located in the bank’s assessment area.

COMMUNITY DEVELOPMENT SERVICES

PEB employees provided more than 205 service hours to three organizations and eight schools in its assessment area. Seven PEB employees provided more than 105 hours working in conjunction with a financial education organization that allowed 1,436 students at three high schools in its assessment area to participate in more than 6,600 hours of financial literacy sessions. Eight employees also provided 70 hours to a childhood education organization focused on providing services to low-and moderate income students throughout the bank's assessment area. In addition, one employee provided 14 hours serving as a board member for a local area CDFI.

Fair Lending or Other Illegal Practices Review

Concurrent with this CRA evaluation, a review of PEB's compliance with consumer protection laws and regulations was conducted. The review found no evidence of violations of the substantive provisions of anti-discrimination, fair lending, or other credit practice rules, laws, or regulations.

GLOSSARY OF TERMS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the lending and community development tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the lending and community development tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.