

# **PUBLIC DISCLOSURE**

December 6, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Peoples Bank  
Certificate Number: 6158

3100 Woburn Street  
Bellingham, Washington 98226

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

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 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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	12
BELLINGHAM MSA ASSESSMENT AREA– Full-Scope Review .....	13
SEATTLE-TACOMA CSA ASSESSMENT AREA – Full-Scope Review .....	26
OTHER ASSESSMENT AREAS – Limited-Scope Review.....	40
APPENDICES .....	45
LARGE BANK PERFORMANCE CRITERIA .....	45
SCOPE OF EVALUATION .....	47
DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREA .....	48
GLOSSARY .....	51

## INSTITUTION RATING

**INSTITUTION’S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

**The Lending Test is rated High Satisfactory.**

Lending levels reflect good responsiveness to assessment area credit needs. The institution makes a substantial majority of loans in the assessment area. The geographic distribution of loans reflects good penetration throughout the assessment area. The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and businesses of different sizes, given the product lines offered by the institution. The institution exhibits a good record of serving the credit needs of the most economically disadvantaged individuals of its assessment area, low-income individuals, and small businesses, consistent with safe and sound banking practices. The institution makes extensive use of innovative and flexible lending practices in order to serve assessment area credit needs. The institution made a relatively high level of community development loans.

**The Investment Test is rated High Satisfactory.**

The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The institution exhibits good responsiveness to credit and community development

needs. The institution occasionally uses innovative or complex investments to support community development initiatives.

**The Service Test is rated High Satisfactory.**

Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area. To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income individuals or geographies. Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly to low- and moderate-income individuals and geographies. The institution provides a relatively high level of community development services.

## **DESCRIPTION OF INSTITUTION**

Peoples Bank (PB) is a state-chartered, full-service bank headquartered in Bellingham, WA, wholly owned by Peoples Bancorp, a one-bank holding company in Bellingham. The bank began operations in 1921 in Lynden, WA, and currently conducts operations within the Bellingham, WA Metropolitan Statistical Area (MSA) #13380; a portion of the Seattle-Tacoma, WA Combined Statistical Area (CSA) #500; and the Wenatchee, WA MSA #48300. The bank has no lending affiliates; thus, all lending activities included in this evaluation were provided directly by PB.

The institution received a Satisfactory rating during its previous FDIC Performance Evaluation, dated January 14, 2019, based on Interagency Large Institution Examination Procedures.

PB operates 23 full-service branches, a loan production office, and 23 automated teller machines (ATMs) in the bank's assessment area in the northwestern and central part of WA. The bank primarily offers home mortgage loans, a majority of which are originated for sale on the secondary market. Personal banking customers have access to personal, home equity, marine, and consumer loans, while commercial clients may also obtain commercial, small business, and agricultural loans.

The institution offers a variety of deposit services including checking, savings, and certificates of deposit. The bank also offers investment advisory and treasury management services. PB's alternative banking services include internet and mobile banking, electronic bill pay, remote deposit capture, and access to proprietary ATMs. Since the previous evaluation, the bank relocated one branch within a middle-income census tract in the Seattle-Tacoma CSA assessment area, and there were no opening or closing of branches. There were also no merger or acquisition activities during the evaluation period.

PB's assets totaled approximately \$2.8 billion as of September 30 2021, and included total loans of \$1.8 billion and securities totaling \$172.7 million. The following table depicts the loan portfolio.

<b>Loan Portfolio Distribution as of 9/30/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	148,381	8.3
Secured by Farmland	55,112	3.1
Secured by 1-4 Family Residential Properties	272,583	15.3
Secured by Multifamily (5 or more) Residential Properties	191,115	10.8
Secured by Nonfarm Nonresidential Properties	674,709	37.9
<b>Total Real Estate Loans</b>	<b>1,341,900</b>	<b>75.4</b>
Commercial and Industrial Loans	172,012	9.7
Agricultural Loans	113,482	6.4
Consumer Loans	149,743	8.4
Other Loans	1,362	0.1
Less: Unearned Income	(0)	(0.0)
<b>Total Loans</b>	<b>1,778,499</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires financial institutions to define one or more assessment areas within which the FDIC will evaluate the CRA performance. Examiners evaluate the CRA performance based on the defined assessment areas. PB designates three assessment areas, which have not changed since the prior evaluation. These assessment areas include the following:

- Bellingham MSA #13380 (Bellingham MSA)
- Seattle-Tacoma CSA #500 (Seattle-Tacoma CSA)
- Wenatchee MSA #48300 (Wenatchee MSA)

Examiners refer these three assessment areas as the bank’s overall assessment area.

During the evaluation period, the U.S. Office of Management and Budget renamed the Seattle-Bellevue-Everett, WA #42644 to Seattle-Bellevue-Kent, WA Metropolitan Division (MD) #42644 in 2019.

There are no distressed or underserved middle-income nonmetropolitan geographies in the bank’s overall assessment area.

The following table shows the distribution of census tracts and branches within each designated area.

Description of Overall Assessment Area			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Bellingham MSA	Whatcom	34	9
Seattle-Tacoma CSA	Island, *King, Skagit, and Snohomish	444	13
Wenatchee MSA	Chelan and Douglas	22	1
<i>Source: Bank Data</i>			
<i>*Bank delineates partial county</i>			

Refer to subsequent Description of Assessment Area sections for additional economic and demographic data of each individual assessment area.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated January 14, 2019, to the current evaluation dated December 6, 2021. Examiners used the FFIEC’s Large Institution CRA Examination Procedures to evaluate PB’s CRA performance.

Examiners conducted a full-scope review for both the Bellingham MSA assessment area and the Seattle-Tacoma CSA assessment area, and a limited-scope review on the Wenatchee MSA assessment area. Although combined and presented as the Seattle-Tacoma CSA assessment area, the three assessment areas (Mount Vernon-Anacortes MSA, Seattle-Bellevue-Kent MD, and Island County Non-MSA) were separately analyzed. The Bellingham MSA assessment area carried the greatest weight in determining the overall CRA rating based on loan volume, deposits, and branches, out of the five separately analyzed assessment areas. Refer to the individual assessment area sections for additional details.

### **Activities Reviewed**

Examiners determined that major product lines include home mortgage and small business loans. This conclusion considered business strategy, loan composition, and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm loans, represent a major product line. Therefore, small farm loans provided no material support for conclusions and are not presented. PB did not request the inclusion of consumer loans; therefore, consumer loans were excluded from review.

For the Lending Test, examiners reviewed the universe of 2018, 2019, and 2020 home mortgage loans reported on the Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). Examiners also reviewed the universe of 2018, 2019, and 2020 small business loans reported on the CRA Loan Registers. During those 3 years, PB originated 4,660 home mortgage loans totaling approximately \$1.6 billion, and 2,786 small business loans totaling approximately \$431.7 million. Home mortgage loans contributed more weight to overall conclusions, due to the larger volume when compared to small business lending.

Examiners used the 2015 American Community Survey (ACS), and the 2018, 2019, and 2020 HMDA aggregate data as comparisons for the home mortgage lending performance. Examiners used the 2018, 2019, and 2020 D&B demographic data, and the 2018 and 2019 CRA aggregate data as comparisons for the small business lending performance. CRA aggregate data for 2020 was not available at the time of this evaluation.

With the exception of 2020, examiners did not identify any trends on the institution’s lending performance during the review period that materially affect conclusions. Therefore, except for the Assessment Area Concentration table, examiners present only 2019 and 2020 data under the Geographic Distribution and the Borrower Profile criteria due to the lending anomalies in 2020. In 2020, PB began offering Payment Protection Program (PPP) loans due to the COVID-19 pandemic (pandemic). Also, home mortgage loan originations increased dramatically due to the favorable interest rate environment in 2020.

Although this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans under the geographic distribution and borrower profile criteria because the number of loans is a better indicator of the number of businesses and individuals served.

The evaluation of community development loans, investments, and services includes all qualified activities since the previous CRA Evaluation dated January 14, 2019, through December 6, 2021.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Bellingham MSA	811,092	42.8	1,351,750	56.6	9	39.1
Seattle-Tacoma CSA	922,778	48.7	898,056	37.6	13	56.5
Mount Vernon-Anacortes MSA	419,262	22.1	390,915	16.4	4	17.4
Seattle-Bellevue-Kent MD	264,816	14.0	409,644	17.1	7	30.4
Island County Non-MSA	238,700	12.6	97,497	4.1	2	8.7
Wenatchee MSA	161,613	8.5	137,313	5.8	1	4.4
<b>Total</b>	<b>1,895,483</b>	<b>100.0</b>	<b>2,387,119</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>

*Source: Bank Data; FDIC Summary of Deposits (6/30/2021)*

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test performance in the bank’s overall assessment area is rated “High Satisfactory.” The institution’s performance is consistent in the Bellingham MSA assessment area. Performance in the Seattle-Tacoma CSA assessment area is inconsistent and below the overall performance. The Wenatchee performance is consistent with the overall performance conclusion.

### Lending Activity

The lending levels reflect good responsiveness to the bank’s overall assessment area credit needs. The consistent performance in the Bellingham MSA assessment area supports this conclusion. Performance in the Seattle-Tacoma CSA assessment area is inconsistent and below the overall performance, and performance in the Wenatchee MSA is consistent with the overall performance conclusion. Refer to each respective analysis for details.

### Assessment Area Concentration

PB made a substantial majority of loans in its overall assessment area. This conclusion is based on a substantial majority of home mortgage loans and small business loans originated within the overall assessment area by both number and dollar volume. The following table shows the lending activity by loan category during the review period.

<b>Lending Inside and Outside of the Assessment Area</b>											
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>	
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>		
Home Mortgage											
2018	960	92.0	83	8.0	1,043	312,391	91.5	28,847	8.5	341,238	
2019	1,197	93.6	82	6.4	1,279	448,415	93.2	32,477	6.8	480,892	
2020	2,190	93.7	148	6.3	2,338	728,275	94.3	43,634	5.7	771,909	
<b>Subtotal</b>	<b>4,347</b>	<b>93.3</b>	<b>313</b>	<b>6.7</b>	<b>4,660</b>	<b>1,489,082</b>	<b>93.4</b>	<b>104,957</b>	<b>6.6</b>	<b>1,594,039</b>	
Small Business											
2018	397	94.7	22	5.3	419	83,895	93.8	5,555	6.2	89,450	
2019	340	95.2	17	4.8	357	82,410	94.5	4,799	5.5	87,209	
2020	1,887	93.9	123	6.1	2,010	240,096	94.2	14,919	5.9	255,015	
<b>Subtotal</b>	<b>2,624</b>	<b>94.2</b>	<b>162</b>	<b>5.8</b>	<b>2,786</b>	<b>406,401</b>	<b>94.1</b>	<b>25,273</b>	<b>5.9</b>	<b>431,674</b>	
<b>Total</b>	<b>6,971</b>	<b>93.6</b>	<b>475</b>	<b>6.4</b>	<b>7,446</b>	<b>1,895,483</b>	<b>93.6</b>	<b>130,230</b>	<b>6.4</b>	<b>2,072,264</b>	
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>											

### Geographic Distribution

Geographic distribution of loans reflects good penetration throughout its assessment area. PB’s performance is consistent in the Bellingham MSA assessment area and below performance in the Seattle-Tacoma CSA assessment area. Performance in the Wenatchee MSA assessment area is consistent with the overall performance conclusion. Refer to each respective analysis for details.

### Borrower Profile

The distribution of borrowers reflects, given the product lines offered by PB, adequate penetration among retail customers of different income levels and businesses of different sizes. PB’s performance was consistent in the Bellingham MSA assessment area and Seattle-Tacoma CSA



assessment area, and inconsistent but exceeded performance in the Wenatchee MSA assessment area. Refer to each respective analysis for details.

### **Innovative or Flexible Lending Practices**

PB makes extensive use of innovative or flexible lending practices in order to serve assessment area credit needs. The institution continues to offer loan products and programs that serve the needs of low- and moderate-income borrowers, small businesses, and address community development needs in its assessment area. The overall utilization of the programs increased significantly compare to the previous evaluation of a 24-month period of 629 innovative loans totaling \$176.0 million. While loans originated under the PPP are included in this analysis and contributed to a significant increase in innovative and flexible lending, without PPP loans the institution still makes extensive use of innovative or flexible lending programs to serve assessment area credit needs. Below descriptions are some examples of the innovative or flexible lending programs.

#### **Small Business Association (SBA) Loans**

PB offers SBA 504, 7a, and PPP loans for business borrowers. PB has helped a number of small businesses expand operations through access to long-term, fixed-rate financing for long-term assets through the SBA 504 and 7a programs. These programs allow borrowers to acquire property and/or a business with a lower down payment. During the review period, SBA 504 and 7a lending grew more than \$50 million in combination.

PPP is also an SBA-backed loan program that helped businesses to keep their workforce employed during the pandemic. The program began in April 2020 and ended in May 2021. PPP lending totaled more than \$348 million during the review period.

#### **HomeStyle Renovation Program**

The HomeStyle Renovation Program is through the Federal National Mortgage Association. The program allows borrowers to make renovations up to 75.0 percent of the purchase price plus renovation costs or the as-completed appraised value of the property with a first mortgage. Rates are typically lower than of those for a home equity line of credit or personal loan. Lending under this program grew 87.0 percent since the previous evaluation (\$8.0 million).

#### **Veterans Affairs Home Loans**

The U.S. Department of Veterans Affairs offers guaranteed loans issued by private lenders to help returning service members purchase homes with the flexibility of not needing a down payment or excellent credit for qualification. During the evaluation period, the bank made 149 loans totaling \$54.0 million.

#### **Fair Housing Administration Loans**

Fair Housing Administration loans provide federal assistance to lower-income, first time homebuyers for a first home purchase. The bank made 126 loans totaling \$32.0 million during the evaluation period.

Innovative or Flexible Lending Programs Overall Assessment Area										
Type of Program	2018		2019		2020		2021 YTD		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA PPP	-	-	-	-	1,824	231,000	1,143	117,300	2,967	348,300
SBA 504	6	8,650	6	16,680	14	17,500	14	27,200	40	70,030
SBA 7a	2	164	3	414	2	944	6	5,500	13	7,022
FSA	1	950	-	-	1	1,400	-	-	2	2,350
First Time Homebuyer	163	45,655	168	51,850	143	45,363	34	12,084	508	154,952
Veterans Affairs	49	17,998	63	21,031	53	20,433	33	12,860	198	72,322
Shelter Bay Tribal Lease Program	26	4,370	45	10,014	77	16,877	52	11,713	200	42,974
Federal Housing Administration	24	6,008	37	8,980	61	15,455	28	7,619	150	38,062
HomeReady	34	9,117	33	10,280	25	7,616	18	6,566	110	33,579
HomeStyle Renovation	21	5,024	19	4,991	27	6,734	25	5,424	92	22,173
USDA Rural Home Program	17	4,508	10	3,375	10	3,453	10	4,396	47	15,732
WA Housing Home Advantage	9	2,254	6	1,772	13	4,132	1	120	29	8,278
Refi Now	8	1,024	11	1,157	15	2,064	5	298	39	4,543
Home Possible	-	-	-	-	-	-	2	401	2	401
<b>Totals</b>	<b>360</b>	<b>105,722</b>	<b>401</b>	<b>130,544</b>	<b>2,265</b>	<b>372,971</b>	<b>1,371</b>	<b>211,481</b>	<b>4,397</b>	<b>820,718</b>

Source: Bank Data

### **Community Development Loans**

PB has made a relatively high level of community development loans throughout the assessment areas. Performance was consistent in the Bellingham MSA assessment area and Seattle-Tacoma CSA assessment areas. Performance in the Wenatchee MSA assessment area is inconsistent and below the overall performance conclusion.

During the 36 month evaluation period, by year, community development loan activity was consistently throughout the assessment area, consisting of 9 community development loans totaling \$27.0 million in 2019, 15 community development loans approximately totaling \$43.3 million in 2020, and 15 community development loans totaling \$38.8 million in 2021. This level of activity represented 5.0 percent of average total assets and 6.6 percent of average total loans. This is an increase from the previous evaluation, when community development loans totaled approximately \$63.7 million, representing 3.9 percent of average total assets and 4.7 percent of average total securities. The majority of community development lending supported economic development followed by affordable housing, demonstrating good responsiveness to the primary credit needs within the assessment area. The following table presents community development loans by purpose and assessment area.

<b>Community Development Lending by Assessment Area</b>										
<b>Overall assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Bellingham MSA	-	-	3	4,335	8	14,604	1	2,810	<b>12</b>	<b>21,749</b>
Seattle-Tacoma CSA	5	7,968	-	-	9	32,125	3	5,032	<b>17</b>	<b>45,125</b>
Wenatchee MSA	-	-	-	-	10	41,701	-	-	<b>10</b>	<b>41,701</b>
Statewide Activities	-	-	-	-	-	-	-	-	-	-
Regional Activities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>7,968</b>	<b>3</b>	<b>4,335</b>	<b>27</b>	<b>88,430</b>	<b>4</b>	<b>7,842</b>	<b>39</b>	<b>108,575</b>
<i>Source: Bank Data</i>										

Refer to each full-scope analysis for examples of community development loans provided by the bank during the evaluation period.

## **INVESTMENT TEST**

The Investment Test is High Satisfactory. The performance in the Bellingham MSA assessment area and Seattle-Tacoma CSA assessment is consistent with this conclusion, and performance in the Wenatchee MSA assessment area is inconsistent and below the overall performance conclusion.

### **Investment and Grant Activity**

PB has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. Overall, the bank more than doubled community development qualified investments since the prior evaluation, which then reported \$12.2 million. The new qualified investments totaled \$5.9 million in 2019, \$5.2 million in 2020, and \$7.1 million in 2021, and \$7.8 million of prior period investments. Total qualified investments represents 1.2 percent of average total assets and 26.1 percent of average total securities. Compared to the previous evaluation with qualified investments represented 0.7 percent of average total assets and 60.6 percent of average total securities.

Similar to the previous evaluation, management continues to support affordable housing needs as the majority of qualified investments benefited affordable housing, followed by community services. The following table details qualified investments and grants by assessment area and community development type.

Community Development Qualified Investments by Assessment Area										
Overall Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bellingham MSA	14	8,564	14	3,981	3	15	-	-	31	12,560
Seattle-Tacoma CSA	17	9,966	17	3,784	-	-	-	-	34	13,750
Wenatchee MSA	6	33	6	10	-	-	-	-	12	43
Statewide Activities	-	-	-	-	-	-	-	-	-	-
Regional Activities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>37</b>	<b>18,563</b>	<b>37</b>	<b>7,775</b>	<b>3</b>	<b>15</b>	-	-	<b>77</b>	<b>26,353</b>

*Source: Bank Data*

Refer to each full-scope analysis for examples of community development investments and donations provided by the bank during the evaluation period.

**Responsiveness to Credit and Community Development Needs**

The institution exhibits good responsiveness to the credit and community development needs in the bank’s overall assessment area. Examiners identified 70 new qualified investments, grants, and donations totaling \$18.5 million over the evaluation period. The majority by dollar volume of the new activity directly benefited all assessment areas. In addition, management maintained 7 qualified prior period investments totaling approximately \$7.8 million.

Management continued its commitment to support affordable housing needs that benefitted low- and moderate-income individuals throughout the assessment area. These investments are long-term and highly responsive to the identified community development need for affordable housing in most of the assessment area. This responsiveness aligns to the needs identified by performance context and the community contacts.

**Community Development Initiatives**

The institution occasionally uses innovative or complex investments to support community development initiatives. While a majority of investments consisted of mortgage-backed securities and revenue bonds supporting community development investment activities, management also invested in a low-income housing tax credit project in King County. Also, prior period investments consisted of long-term investments that are still active. The majority of these investments support affordable housing throughout the overall assessment area.

**SERVICE TEST**

The Service Test is rated High Satisfactory. The performance in the Bellingham MSA assessment area and Seattle-Tacoma CSA assessment area is consistent with this conclusion. The performance in the Wenatchee assessment area is inconsistent and below the overall performance.

**Accessibility of Delivery Systems**

The institution’s retail delivery systems are reasonably accessible to essentially all portions of the assessment area. PB operates a comprehensive branch structure that consists of 23 full-service branches with 23 ATMs, along with a loan production office located throughout the assessment area.

The operation of two branches located in low-income census tracts is well above both demographic and aggregate data by 4.8 percentage points and by 3.7 percentage points, respectively. Conversely, the operation of three branches in moderate-income tracts is below demographic and aggregate data by 3.8 percentage points and by 11.3 percentage points, respectively for the overall assessment area. The following table provides details regarding the distribution of branches and ATMs within the bank’s overall assessment area.

<b>Branch and ATM Distribution by Geography Income Level</b>												
<b>Overall Assessment Area</b>												
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>		<b>Open Branches</b>		<b>Closed Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	18	3.6	95,959	3.9	2	8.7	2	8.7	0	0.0	0	0.0
Moderate	85	17.0	418,234	16.8	3	13.0	3	13.0	0	0.0	0	0.0
Middle	216	43.2	1,115,232	44.9	15	65.2	15	65.2	0	0.0	0	0.0
Upper	173	34.6	845,970	34.0	2	8.7	2	8.7	0	0.0	0	0.0
NA	8	1.6	9,533	0.4	1	4.4	1	4.4	0	0.0	0	0.0
<b>Totals</b>	<b>500</b>	<b>100.0</b>	<b>2,484,928</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>0</b>	<b>100.0</b>	<b>0</b>	<b>100.0</b>
<i>Source: 2015 ACS &amp; Bank Data Due to rounding, totals may not equal 100.0%</i>												

**Changes in Branch Locations**

To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or individuals. During the evaluation period, the institution relocated the Oak Harbor Branch in Island County and Edmonds Branch in Snohomish County within a middle-income tract in the Seattle-Tacoma CSA assessment area, and did not open or close any branches in the bank’s overall assessment area.

**Reasonableness of Business Hours and Services**

Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. The branches generally have the same product offerings and services, and branch locations have similar hours that vary slightly according to assessment area needs. Extended Saturday hours are offered at 17 of the 23 branches, including a call center. The Fairhaven Branch

(Whatcom County) in the Bellingham MSA assessment area and the Evergreen Way Branch (Snohomish County) in the Seattle-Tacoma CSA assessment area are located in low-income tracts. The Mt. Vernon Financial Center (Skagit County), Everett Financial Center (Snohomish County) and Burlington Branch (Skagit County) are located in moderate-income tracts in the Seattle-Tacoma CSA assessment area. Please refer to each respective full-scope assessment area analysis for complete details.

**Community Development Services**

The institution continues to provide a relatively high level of community development services in the bank’s overall assessment area. During the evaluation period, 443 bank employees provided financial expertise or technical assistance to 32 various organizations throughout the assessment area; specifically, 1,415 hours in 2019, 898 hours in 2020, and 336 hours in 2021, equating to 6.0 hours per full-time employee. The majority of community development service hours were community development service activities targeted to low- and moderate-income individuals and families, followed by community development affordable housing activities benefitting low- and moderate-income individuals and families. This level of commitment reflects sufficient responsiveness to assessment area credit needs.

This level of performance marks an increase since the previous evaluation, when the bank provided 2,057 community development service hours. The performance varied throughout the bank’s overall assessment area, with the strongest performance in the Bellingham MSA assessment area, where the majority of branches are located. The following table details community services by assessment area, showing the number of hours of such services. For complete details, please refer to the respective full-scope analysis.

<b>Community Development Qualified Services</b>					
<b>Overall Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Bellingham MSA	285	1,141	96	-	<b>1,522</b>
Seattle-Tacoma CSA	244	687	-	-	<b>931</b>
Wenatchee MSA	1	182	-	-	<b>183</b>
Statewide Activities	11	2	-	-	<b>13</b>
Regional Activities	-	-	-	-	-
<b>Total</b>	<b>541</b>	<b>2,012</b>	<b>96</b>	-	<b>2,649</b>
<i>Source: Bank Data</i>					

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the overall CRA rating.

## BELLINGHAM MSA ASSESSMENT AREA– Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN BELLINGHAM MSA ASSESSMENT AREA

PB operates nine full-service branches in the Bellingham MSA assessment area, which is comprised of Whatcom County. There have been no changes to the assessment area since the previous evaluation.

The demographics of the assessment area include the following income census tracts:

- 1 low-income census tract;
- 2 moderate-income tracts;
- 25 middle-income tracts;
- 5 upper-income tracts; and
- 1 tract with no income designation.

#### **Economic and Demographic Data**

The following table shows select demographic characteristics of the Bellingham MSA assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Bellingham MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	34	2.9	5.9	73.5	14.7	2.9
Population by Geography	207,100	3.4	7.5	74.3	14.0	0.8
Housing Units by Geography	91,911	3.5	6.7	74.8	14.0	1.0
Owner-Occupied Units by Geography	50,359	1.0	4.1	77.8	17.0	0.1
Occupied Rental Units by Geography	29,408	8.5	13.1	65.0	10.7	2.6
Vacant Units by Geography	12,144	1.8	1.8	85.8	9.7	0.9
Businesses by Geography	24,828	1.7	5.3	72.3	15.2	5.5
Farms by Geography	1,111	0.6	2.3	82.1	14.7	0.4
Family Distribution by Income Level	49,259	20.8	17.1	22.5	39.6	0.0
Household Distribution by Income Level	79,767	25.4	15.8	17.0	41.9	0.0
Median Family Income MSA - 13380 Bellingham, WA MSA		\$68,376	Median Housing Value			\$276,439
			Median Gross Rent			\$938
			Families Below Poverty Level			10.1%
<i>Source: 2015 ACS and 2020 D&amp;B Data                      Due to rounding, totals may not equal 100.0%                      (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2018, 2019, and 2020 Federal Financial Institutions Examination Council FFIEC-updated MFI to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Bellingham, WA MSA Median Family Income (13380)</b>				
2018 (\$77,500)	<\$38,750	\$38,750 to <\$62,000	\$62,000 to <\$93,000	≥\$93,000
2019 (\$79,100)	<\$39,550	\$39,550 to <\$63,280	\$63,280 to <\$94,920	≥\$94,920
2020 (\$86,300)	<\$43,150	\$43,150 to <\$69,040	\$69,040 to <\$103,560	≥\$103,560
<i>Source: FFIEC</i>				

According to Moody’s Analytics as of December 12, 2021, employment is still below pre-pandemic level and job growth is weaker than the state and national averages. Leisure and hospitality has been a key support while most other private industries have either stagnated or experienced declines in employment. Manufacturing continues to underperform, hurt by global supply chain and rising costs. The outside state government, anchored by Western Washington University, is holding up better and has largely recovered jobs lost in 2020. Labor supply issues remain because healthcare concerns and childcare issues. The housing market is booming, rapid population growth and low mortgage rates have led to soaring price gains, on par with those of state of Washington. Housing affordability is lower than the national average. Also, costs of business operation are lower than the state of Washington and the nation.

Top employers in the assessment area are St. Joseph Hospital, Lummi Nation, Western Washington University, BP Cherry Point, Matrix Service Incorporated, and Haggen Incorporated.

Per D&B as of June 2020, service industries represent the largest portion of businesses at 36.3 percent; followed by non-classifiable establishments at 22.8 percent; retail trade at 9.9 percent; finance, insurance and real estate at 8.9 percent; and construction at 6.9 percent. In addition, 62.3 percent of area businesses have four or fewer employees and 94.0 percent operate from a single location.

Per Bureau of Labor Statistics (BLS) data, the average unemployment rates remained stable in 2018 and 2019, and increased in 2020 due to the pandemic. The unemployment rates in the assessment area were slightly higher than the state of Washington and the national average rates.



<b>Unemployment Rates</b>			
<b>Area</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Whatcom County	4.7	5.0	9.3
State of Washington	4.4	4.1	8.4
National Average	3.9	3.7	8.1
<i>Source: Bureau of Labor Statistics</i>			

**Competition**

The bank operates in a moderately competitive financial services environment. The FDIC’s June 2021 Deposit Market Share Report shows that PB ranks 1st out of 14 FDIC insured institutions competing within the counties in which PB operates, with a total of 24.8 percent of the deposit market share. According to the same data, the bank has 9 out of 48 branches in the assessment area.

**Community Contact**

As part of the evaluation process, examiners make contacts with local community groups and organizations to assist in identifying the credit and community development needs within the assessment area. Examiners reviewed information from a recent community contact in the assessment area in the FDIC’s database.

The most recent community contact within the FDIC’s database was with a representative of an organization that provide quality, affordable housing through rental assistance programs in Whatcom County. The contact noted that affordable housing in the local area is the community development need, especially when early retirees from higher-cost areas are retiring in Whatcom County thus driving home prices up.

Examiners reviewed the records for a community contact conducted with an organization focused on small business and economic development in the Bellingham MSA assessment area. The contact stated that the conditions in the local area are good for businesses, which are growing and thriving. Additionally, the contact noted that the low unemployment rates have created challenges for finding and hiring qualified workers for various jobs causing those that require construction to face delays. The contact explained that affordable housing is in great demand due to pressures from the thriving Canadian economy to the north and high-technology expansion in Seattle, which has forced workers further out to find affordable housing alternatives due to the unprecedented, escalating rate of housing prices.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary credit need for the assessment area. Also, a community contact from a housing organization advocating affordable housing initiatives coupled by the high cost of housing and relatively high level of unemployment support this conclusion. Small business loans, particularly those for start-up businesses, are also in high demand. The significant percentage of businesses with gross annual revenues of \$1 million or less and the large number of businesses with four or fewer employees offer further evidence that opportunities for financing small businesses exist.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BELLINGHAM MSA ASSESSMENT AREA**

### **LENDING TEST**

Lending levels within the Bellingham MSA assessment area reflect good responsiveness. The geographic distribution of loans reflects good penetration throughout the assessment area. The distribution of borrowers reflect adequate penetration. The bank made a relatively high level of community development loans in the assessment area.

#### **Lending Activity**

The lending levels reflect good responsiveness to the Bellingham MSA assessment area credit needs. For 2018, 2019, and 2020, PB originated 1,690 home mortgage loans totaling approximately \$600.9 million, and 1,317 small business loans totaling approximately \$210.2 million, and 12 community development loans totaling \$21.7 million during the evaluation period. Lending activity remained stable and consistently trended upward across the evaluation period. Performance in 2020 was an exception whereby lending increased by 156.4 percent by number and 109.5 percent by dollar amount compared to 2018 and 2019 combined. This is due to a favorable low interest rate environment. It is important to note considerable competition in the assessment area, especially with the large number of mortgage companies.

According to peer home mortgage data, in 2018, PB ranked 5<sup>th</sup> out of 262 lenders that reported 6,970 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 5.0 percent by number with 347 originations. In 2019, PB ranked 5<sup>th</sup> out of 312 lenders that reported 9,387 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 5.0 percent by number with 468 originations. In 2020, PB ranked 4<sup>th</sup> out of 340 lenders that reported 15,292 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 5.8 percent by number with 888 originations.

According to aggregate small business data, in 2018, PB ranked 9<sup>th</sup> out of 59 lenders that reported 4,703 small business loans in the assessment area, giving the bank a market share of 4.2 percent by number with 195 originations. In 2019, PB ranked 8<sup>th</sup> out of 60 lenders that reported 5,066 small business loans in the assessment area, giving the institution a market share of 3.5 percent by number with 176 loans. Although the bank's small business lending activity performance slightly declined in 2019 compared to 2018, the performance level in 2020 accounted for 946 loans, more than doubled compared to prior two years combined. The PPP loan program mostly contributed to the significant increase. Institutions that rank higher than PB are primarily national lenders.

Top lenders in the market share ranks are large national lenders or large institutions such as Umpqua Bank and Banner Bank.

## **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. Good penetration of home mortgage loans and adequate penetration of small business loans support this conclusion; given that home mortgage lending carried more weight.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. The performance level in the only one low-income tract was comparable to aggregate and ACS data in 2018, slightly below aggregate; however, comparable to ACS data in 2019, and exceeded both aggregate and ACS data in 2020. The performance level in the two moderate-income tracts consistently exceeded both aggregate and ACS data in 2018, 2019 and 2020. Although the performance in moderate-income tract experienced a declining trend, it aligned with a steady decline of aggregate performance. This level of performance is good penetration as housing within the moderate-income tracts is 33.9 percent owner-occupied, 62.7 percent rental-occupied and 3.4 percent vacant.

According to peer home mortgage data, in 2018, PB ranked 7<sup>th</sup> out of 30 lenders that reported 94 originated or purchased home mortgage loans in the low-income tract. In 2019, PB ranked 9<sup>th</sup> out of 43 lenders that reported 123 originated or purchased home mortgage loans; and in 2020, PB ranked 4<sup>th</sup> out of 43 lenders that reported 157 originated or purchased home mortgage loans.

Similarly, for the moderate-income tracts, in 2018, PB ranked 4<sup>th</sup> out of 64 lenders that reported 307 originated or purchased home mortgage loans. In 2019, PB ranked 4<sup>th</sup> out of 70 lenders that reported 412 originated or purchased home mortgage loans. In 2020, PB ranked 4<sup>th</sup> out of 87 lenders that reported 646 originated or purchased home mortgage loans. Market share data also supports good penetration. Although PB is not a market leader, other financial institutions are less comparable with very few percentage of the market share. Top leaders in the market share ranks are large national lenders or large institutions such as Umpqua Bank and Banner Bank.

Geographic Distribution of Home Mortgage Loans							
Assessment Area: Bellingham MSA							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2019	1.0	1.3	4	0.9	13,420	7.1
	2020	1.0	1.0	13	1.5	4,092	1.4
Moderate							
	2019	4.1	4.4	22	4.8	7,045	3.8
	2020	4.1	4.2	42	4.7	12,074	4.0
Middle							
	2019	77.8	80.8	354	77.0	114,527	61.0
	2020	77.8	79.6	686	77.3	226,994	75.6
Upper							
	2019	17.0	13.3	76	16.5	36,554	19.5
	2020	17.0	15.0	146	16.4	56,571	18.8
Not Available							
	2019	0.1	0.2	4	0.9	16,226	8.6
	2020	0.1	0.1	1	0.1	395	0.1
<b>Totals</b>							
	<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>460</b>	<b>100.0</b>	<b>187,771</b>	<b>100.0</b>
	<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>888</b>	<b>100.0</b>	<b>300,126</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data.</i>							
<i>Due to rounding, totals may not equal 100.0%</i>							

### Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The performance level in the low-income tract was below both aggregate and demographic data in 2018. Although the bank's performance was poor in 2019 with no origination, lending performance improved in 2020, comparable to demographic data with 15 originations. Management recognized poor lending performance in 2019, as a result of shifting focus to improving lending performance in Skagit County, along with limited lending opportunities and staff turnover.

Similarly, the performance level in moderate-income tracts was below aggregate and demographic data in 2018 and 2019. However, still trending below demographic data in 2020, performance level improved with 43 originations, an upward trend while aggregate performance and demographic data showed a declining trend during the review period.

Geographic Distribution of Small Business Loans							
Bellingham MSA Assessment Area							
Tract Income Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2019	1.7	1.6	0	0.0	0	0.0
	2020	1.7	--	15	1.6	1,623	1.3
Moderate							
	2019	5.4	5.2	6	3.4	2,425	5.9
	2020	5.3	--	43	4.5	5,971	4.8
Middle							
	2019	72.5	75.1	133	75.6	31,292	75.5
	2020	72.3	--	694	73.4	96,508	78.0
Upper							
	2019	14.8	13.3	27	15.3	6,401	15.5
	2020	15.2	--	139	14.7	14,389	11.6
Not Available							
	2019	5.6	4.8	10	5.7	1,309	3.2
	2020	5.5	--	55	5.8	5,233	4.2
<b>Totals</b>							
	<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>41,427</b>	<b>100.0</b>
	<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>946</b>	<b>100.0</b>	<b>123,724</b>	<b>100.0</b>

*Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different size. Adequate home mortgage and small business lending performance support this conclusion.

### **Home Mortgage Loans**

The distribution of borrowers reflects adequate penetration to both low- and moderate-income borrowers. Aggregate data demonstrated limited opportunity to low-income borrowers as a low-income family in the assessment area (with an income less than \$43,150) would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$276,439 in the assessment area. As such, the performance level among low-income borrower was consistently below demographic data in 2018, 2019, and 2020. However, performance was comparable to aggregate in 2018, exceeded aggregate in 2019, and comparable to aggregate in 2020.

The distribution of loans to moderate-income borrowers exceeded aggregate and was comparable to demographic data in 2018. While performance trailed aggregate and demographic data in 2019 and

2020, lending trend aligned with aggregate decreasing trend in 2019 and aggregate increasing trend in 2020.

According to peer home mortgage data, in 2018, PB ranked 6<sup>th</sup> out of 67 lenders that reported 323 originated or purchased home mortgage loans to low-income borrowers. In 2019, PB ranked 5<sup>th</sup> out of 373 lenders that reported 373 originated or purchased home mortgage loans; and in 2020, PB ranked 5<sup>th</sup> out of 96 lenders that reported 640 originated or purchased home mortgage loans.

According to peer home mortgage data, in 2018, PB ranked 5<sup>th</sup> out of 110 lenders that reported 1,096 originated or purchased home mortgage loans to moderate-income borrowers. In 2019, PB ranked 7<sup>th</sup> out of 143 lenders that reported 1,442 originated or purchased home mortgage loans. In 2020, PB ranked 6<sup>th</sup> out of 159 lenders that reported 2,526 originated or purchased home mortgage loans.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Bellingham MSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	20.8	4.0	21	4.6	4,022	2.1
2020	20.8	4.2	38	4.3	6,897	2.3
<b>Moderate</b>						
2019	17.1	15.4	62	13.5	15,721	8.4
2020	17.1	16.5	133	15.0	32,277	10.8
<b>Middle</b>						
2019	22.5	25.5	120	26.1	35,007	18.6
2020	22.5	25.6	242	27.3	74,315	24.8
<b>Upper</b>						
2019	39.6	44.4	238	51.7	87,998	46.9
2020	39.6	40.8	419	47.2	156,999	52.3
<b>Not Available</b>						
2019	0.0	10.8	19	4.1	45,023	24.0
2020	0.0	12.9	56	6.3	29,639	9.9
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>460</b>	<b>100.0</b>	<b>187,771</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>888</b>	<b>100.0</b>	<b>300,126</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects adequate penetration to businesses with gross annual revenues of \$1 million or less. The performance level was below aggregate data and demographic data throughout the evaluation period, even though PPP lending participation contributed to the lending spike in 2020. However, peer data supports adequate penetration as per 2018 peer small business data, PB ranked 8<sup>th</sup> (with an average loan size of \$154,000) out of 59 lenders that reported 2,064 originated or purchased small business loans to businesses with gross annual revenues of \$1 million or less. In 2019, PB ranked 9<sup>th</sup> (with an average loan size of \$190,000) out of 60 lenders that reported 2,382 originated or purchased small business loans. Moreover, significant majority of the 250 small business loans originated in 2020 with revenue not available are PPP loans to small businesses.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Bellingham MSA Assessment Area</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	87.9	47.1	71	40.3	13,460	32.5
2020	90.5	--	415	43.9	30,704	24.8
<b>&gt;\$1,000,000</b>						
2019	4.7	--	105	59.7	27,967	67.5
2020	3.5	--	281	29.7	72,701	58.8
<b>Revenue Not Available</b>						
2019	7.4	--	0	0.0	0	0.0
2020	6.0	--	250	26.4	20,319	16.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>41,427</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>946</b>	<b>100.0</b>	<b>123,724</b>	<b>100.0</b>
<i>Source: 2019 &amp; 2020 D&amp;B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

PB made a relatively high level of community development loans in the assessment area. The community development lending doubled by the number of loans made since the previous evaluation, when then the bank made six community development loans totaling \$16.8 million. The majority of community development loans promoted economic development in the assessment area.

<b>Community Development Lending Bellingham MSA Assessment Area</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2019	-	-	-	-	2	6,349	-	-	2	6,349
2020	-	-	3	4,335	4	6,025	1	2,810	8	13,170
YTD 2021	-	-	-	-	2	2,230	-	-	2	2,230
<b>Total</b>	-	-	<b>3</b>	<b>4,335</b>	<b>8</b>	<b>14,604</b>	<b>1</b>	<b>2,810</b>	<b>12</b>	<b>21,749</b>
<i>Source: Bank Data</i>										

Examples of community development loans include:

- In 2020, the bank made a \$1.4 million loan to an organization that provides group home and vocational training to the severely disabled in Bellingham. Participants have difficulty finding traditional employment.
- In 2020, the bank made two loans totaling \$2.9 million in support of facilities that provided emergency services in response to the pandemic.

## **INVESTMENT TEST**

PB has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors in the Bellingham MSA assessment area. The institution exhibits good responsiveness to credit and community development needs. The institution occasionally uses innovative and complex investments.

### **Investment and Grant Activity**

PB has a significant level of qualified community development investments, donations and grants, occasionally in a leadership position, particularly those not routinely provided by private investors. The current performance is significantly stronger than the previous evaluation, then reported two investments totaling \$1.8 million, and 18 grants and donations totaling \$63,000. Similar to the previous evaluation, the majority of PB's investments supported affordable housing, a key need in the assessment area, followed by community services initiatives. The following table details investments and donations by year and community development purpose.



<b>Community Development Qualified Investments Bellingham MSA Assessment Area</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	2	4,774	1	500	-	-	-	-	3	5,274
2019	1	1,655	-	-	-	-	-	-	1	1,655
2020	-	-	2	3,435	-	-	-	-	2	3,435
YTD 2021	1	2,052	-	-	-	-	-	-	1	2,052
<b>Subtotal</b>	<b>4</b>	<b>8,481</b>	<b>3</b>	<b>3,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>12,416</b>
Qualified Grants & Donations	10	83	11	46	3	15	-	-	24	144
<b>Total</b>	<b>14</b>	<b>8,564</b>	<b>14</b>	<b>3,981</b>	<b>3</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>12,560</b>

*Source: Bank Data*

Examples of community development investments and donations include:

- In 2021, the bank made a \$2.1 million investment in mortgage-backed security comprised of home loans made to low- and moderate-income borrowers.
- In 2020, the bank purchased two revenue bonds totaling \$3.4 million supporting an elementary school that predominantly serves students from low- and moderate-income households.
- Throughout the review period, the bank donated \$66,320 to four organizations that support the homeless and those in extreme poverty by assisting with housing and job training, and providing mobile showers.

**Responsiveness to Credit and Community Development Needs**

PB exhibits good responsiveness to the credit and community development needs. A majority of the investments in the Bellingham MSA assessment area went toward affordable housing purposes, a key need in the assessment area. Please refer to the bank’s overall assessment area analysis for a complete discussion of credit and community development needs for the community.

**Community Development Initiatives**

PB occasionally uses innovative and/or complex investments to support community development initiatives. The majority of investments consisted of mortgage-backed securities and revenue bonds to support community development investment activities. While these types of investments are not particularly innovative or complex, prior period investments consist of long-term investments that are still active.

**SERVICE TEST**

Delivery systems are reasonably accessible to essentially all portions of the Bellingham MSA assessment area. To the extent changes have been made, the institution’s opening and closing of

branches has not adversely affected the accessibility of its delivery systems. Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area. PB provides a relatively high level of community development services in the assessment area.

**Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the assessment area. PB operates one branch (Fairhaven Branch in the city of Bellingham) in the low-income tract that exceeded demographic data by 7.7 percentage points and aggregate data by 9.3 percentage points. Although the bank does not have a branch in moderate-income tracts within the city of Bellingham, the Cordata Branch located in a middle-income tract is only a few blocks (less than a mile) from moderate-income tract 0003.00, and the Barkley Branch located in a middle-income tract borders moderate-income tract 0007.00; both branches are accessible by public transportation. The following table provides details regarding the distribution of the bank’s nine branches operated in this assessment area by census tract income level.

<b>Branch and ATM Distribution by Geography Income Level Bellingham MSA Assessment Area</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1	2.9	7,134	3.4	1	11.1	1	11.1
Moderate	2	5.9	15,465	7.5	0	0.0	0	0.0
Middle	25	73.5	153,829	74.3	7	77.8	7	77.8
Upper	5	14.7	28,954	14.0	0	0.0	0	0.0
NA	1	2.9	1,718	0.8	1	11.1	1	11.1
<b>Total</b>	<b>34</b>	<b>100.0</b>	<b>207,100</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>

*Source: 2015 ACS Data; Bank Data*

**Changes in Branch Locations**

During the evaluation period, the institution did not open or close any branches in the assessment area, which did not adversely impact the accessibility of the institution’s delivery system, particularly to low- and moderate-income geographies and/or to low- and moderate-income individuals.

**Reasonableness of Business Hours and Services**

Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. While all nine branches offer retail services, four branches offer mortgage lending services and two branches offer commercial lending services. Six branch locations offer Saturday hours from 9am to 1pm. In addition, the bank has a customer call center that operates from 8 am to 6 pm on Mondays through Fridays and from 9 am to 4 pm on Saturdays. PB’s services, including alternative delivery systems, are available at each full-service branch and are consistent with the discussions at the overall institution level.

**Community Development Services**

Employees and officers provided a relatively high level of community development services in the Bellingham MSA assessment area. Service hours significantly increased by 60.4 percent or 573 hours during the evaluation period. At the prior evaluation, employees and officers provided 949 hours to 25 organizations. The majority of services consisted of community service activities targeted to low- and moderate-income individuals and families, followed by affordable housing activities aligning with identified assessment area need.

<b>Community Development Services Bellingham MSA Assessment Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019	131	763	48	-	<b>942</b>
2020	118	228	48	-	<b>394</b>
YTD 2021	36	150	-	-	<b>186</b>
<b>Total</b>	<b>285</b>	<b>1,141</b>	<b>96</b>	<b>-</b>	<b>1,522</b>
<i>Source: Bank Data</i>					

Examples of community development services include:

- Throughout the review period, a bank officer provided 675 hours of financial and marketing expertise as a board member for a local organization that collaborates with at-risk, runaway and homeless youth to foster self-reliance.
- In 2019 and 2020, a bank officer provided 30 hours of financial management and Board service for a food bank that supports low-income families in Bellingham.
- Throughout the review period, a bank officer provided 156 hours of one-on-one financial education and coaching for low-income families in Whatcom County.

## **SEATTLE-TACOMA CSA ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN SEATTLE-TACOMA CSA ASSESSMENT AREA**

PB operates 13 full-service branches in the Seattle-Tacoma CSA assessment area, all of which provide the full range of services offered by the bank. The Seattle-Tacoma CSA assessment area is comprised of the Mount Vernon-Anacortes, WA MSA #34580 consisting all of Skagit County, the Seattle-Bellevue-Kent, WA MD #42644 consisting all of Snohomish County and a portion of King County, and the WA Non-MSA #99999 consisting all of Island County. Due to the size of King County, the bank delineated the census tracts in King County that are near the branches that PB operates in Snohomish County (the cities of Edmonds, Everett, Mill Creek, and Snohomish) and the one branch located in the city of Seattle, King County. There have been no changes to the assessment area since the previous evaluation. However, in September 2018, Office of Management and Budget changed the Seattle-Bellevue-Everett, WA MD to Seattle-Bellevue-Kent, WA MD. The designated AA comply with the technical requirements of the CRA regulations and does not arbitrarily exclude any LMI areas.

The demographics of the assessment area include the following income census tracts:

- 17 low-income census tracts;
- 80 moderate-income tracts;
- 175 middle-income tracts;
- 165 upper-income tracts; and
- 7 tracts with no income designation.

#### **Economic and Demographic Data**

The following table shows select demographic characteristics of the Seattle-Tacoma CSA assessment area.

Demographic Information of the Assessment Area						
Seattle-Tacoma CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	444	3.8	18.0	39.4	37.2	1.6
Population by Geography	2,163,962	4.1	17.8	40.3	37.4	0.4
Housing Units by Geography	935,760	3.8	17.4	40.1	38.4	0.2
Owner-Occupied Units by Geography	516,614	1.9	14.0	41.2	42.9	0.0
Occupied Rental Units by Geography	354,459	6.6	22.5	38.8	31.6	0.5
Vacant Units by Geography	64,687	4.0	17.4	38.0	40.4	0.2
Businesses by Geography	270,676	2.9	14.4	36.4	45.8	0.5
Farms by Geography	5,014	2.6	13.4	42.9	41.0	0.1
Family Distribution by Income Level	523,309	19.1	16.6	20.4	43.9	0.0
Household Distribution by Income Level	871,073	22.9	15.5	17.4	44.2	0.0
Median Family Income MSA - 34580 Mount Vernon-Anacortes, WA MSA		\$65,272	Median Housing Value			\$398,500
Median Family Income MSA - 42644 Seattle-Bellevue-Kent, WA		\$92,317	Median Gross Rent			\$1,241
Median Family Income Non-MSAs - WA		\$58,240	Families Below Poverty Level			6.4%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2018, 2019, and 2020 Federal Financial Institutions Examination Council FFIEC-updated MFI to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Mount Vernon-Anacortes, WA MSA Median Family Income (34580)</b>				
2018 (\$69,100)	<\$34,550	\$34,550 to <\$55,280	\$55,280 to <\$82,920	≥\$82,920
2019 (\$79,100)	<\$39,550	\$39,550 to <\$63,280	\$63,280 to <\$94,920	≥\$94,920
2020 (\$78,400)	<\$39,200	\$39,200 to <\$62,720	\$62,720 to <\$94,080	≥\$94,080
<b>Seattle-Bellevue-Everett, WA MD Median Family Income (42644)</b>				
2018 (\$103,400)	<\$51,700	\$51,700 to <\$82,720	\$82,720 to <\$124,080	≥\$124,080
<b>Seattle-Bellevue-Kent, WA Median Family Income (42644)</b>				
2019 (\$108,600)	<\$54,300	\$54,300 to <\$86,880	\$86,880 to <\$130,320	≥\$130,320
2020 (\$113,300)	<\$56,650	\$56,650 to <\$90,640	\$90,640 to <\$135,960	≥\$135,960
<b>WA NA Median Family Income (99999)</b>				
2018 (\$65,000)	<\$32,500	\$32,500 to <\$52,000	\$52,000 to <\$78,000	≥\$78,000
2019 (\$63,500)	<\$31,750	\$31,750 to <\$50,800	\$50,800 to <\$76,200	≥\$76,200
2020 (\$65,500)	<\$32,750	\$32,750 to <\$52,400	\$52,400 to <\$78,600	≥\$78,600
<i>Source: FFIEC</i>				

### **Mount Vernon-Anacortes MSA**

According to Moody's Analytics as of August 2021, Mount Vernon-Anacortes' labor market improved in the first half of 2021, but the metro area remains a step behind the state. The unemployment rate has returned to near the pre-pandemic level, and the rate is slightly understated because of labor force departures. Meanwhile, the housing market has been lukewarm compared with its state and national counterparts. This has weighed on construction payrolls, which remain 6.0 percent below the prerecession peak. Single-family permit issuance continues to trend near decade lows, but the low supply of available housing is powering house price appreciation above the state average. Housing affordability is lower than the national average, and costs of business operation are lower than the state of Washington and the nation. Top employers in the assessment area are Skagit Valley Health, Draper Valley Farms Incorporated, Island Hospital, and Janicki Industries.

Per D&B as of June 2021, service industries represent the largest portion of businesses at 36.3 percent; followed by non-classifiable establishments at 17.8 percent; retail trade at 11.8 percent; finance, insurance and real estate at 10.0 percent; and construction at 7.4 percent. In addition, 64.4 percent of area businesses have four or fewer employees and 91.2 percent operate from a single location.

### **Seattle-Bellevue-Kent MD**

According to Moody's Analytics as of November 2021, the recovery is gaining momentum and besting the national average. Professional and business services and information are leading the recovery, contributing more than a third of the net new job additions over the last three months.

The aerospace industry has found its footing and is adding workers faster than the broader economy. Despite strong job gains, the jobless rate is frozen as the labor force rises in line with hiring. House price appreciation remains well above the national average, but gains have moderated in recent months as a highly competitive market fatigues some potential buyers. Slower growth in mid-wage jobs will hasten the decline in housing affordability and pose a risk to home sales and residential construction. Total compensation for private workers in Seattle is up more than 5.0 percent in the past year. However, this pickup has trailed house price gains, and further declines in affordability will put homeownership out of reach for workers in non-tech industries. Housing affordability is lower than the state and the national average, and costs of business operation are higher than the state and the nation. Top employers in the assessment area are Amazon, Boeing Company, Microsoft Corporation, University of Washington, Providence Health & Services, Walmart Incorporated, Fred Meyer Stores, Starbucks, Swedish Health Services, Costco Wholesale Corporation, Nordstrom Incorporated, Alaska Air Group Incorporated, and Group Health Cooperative.

Per D&B as of June 2021, service industries represent the largest portion of businesses at 41.8 percent; followed by non-classifiable establishments at 22.0 percent; finance, insurance and real estate at 10.9 percent; retail trade at 9.6 percent; and construction at 5.6 percent. In addition, 62.4 percent of area businesses have four or fewer employees and 93.2 percent operate from a single location.

### **WA Non-MSA**

Per the Northwest Washington Labor Market Review as of January 2021, the Non-MSA assessment area experienced the deepest losses in leisure, hospitality, education, and health services. Meanwhile, construction and professional and business services gained the most jobs. Island County's major employers are Naval Air Station Whidbey Island, Boeing Company, Oak Harbor School District, Whidbey Health, and Island County. Per D&B as of June 2021, service industries represent the largest portion of businesses at 39.1 percent; followed by non-classifiable establishments at 18.0 percent; retail trade at 10.5 percent; finance, insurance and real estate at 9.3 percent; and construction at 8.7 percent. In addition, 69.1 percent of area businesses have four or fewer employees and 94.5 percent operate from a single location.

Per BLS data, the average unemployment rates remained stable in 2018 and 2019, and increased in 2020 due to the pandemic. The unemployment rates varied among counties within the Seattle-Tacoma CSA assessment area. While the unemployment rates in Skagit County and Island County were higher than the state of WA and the national average rates, the unemployment rates for King County and Snohomish County were lower prior to 2020.

<b>Unemployment Rates Seattle-Tacoma CSA Assessment Area</b>			
<b>Area</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Skagit County	5.1	5.4	9.8
King County	3.3	2.6	7.5
Snohomish County	3.6	2.8	8.5
Island County	5.1	5.0	8.3
State of WA	4.4	4.1	8.4
National Average	3.9	3.7	8.1
<i>Source: Bureau of Labor Statistics</i>			

**Competition**

The bank operates in a highly competitive financial services environment. The FDIC’s June 2021 Deposit Market Share Report shows that PB ranks 20th out of 48 FDIC insured institutions competing within the counties in which PB operates, with a total of 0.6 percent of the deposit market share. According to the same data, the bank has 13 out of 710 branches in the assessment area.

**Community Contact**

As part of the evaluation process, examiners make contacts with local community groups and organizations to assist in identifying the credit and community development needs within the assessment area. Examiners reviewed information from a recent community contact in the assessment area in the FDIC’s database.

Examiners reviewed records for a community contact that was conducted with an economic development organization that provides resources for small businesses and entrepreneurs in the Skagit County. According to the contact, there are a number of opportunities for financing small businesses and start-ups due to a gap that exists in traditional financing through local financial institutions as many borrowers do not meet the minimum credit requirements to obtain loans. The contact stated borrowers are forced to utilize less formal lending channels in an effort to obtain small business loans.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing and economic development represent primary credit needs for the assessment area. Small business loans, particularly those for start-up businesses, are also in high demand. The significant percentage of businesses with gross annual revenues of \$1 million or less and the large number of businesses with four or fewer employees offer further evidence that opportunities for financing small businesses exist.



# CONCLUSIONS ON PERFORMANCE CRITERIA IN SEATTLE-TACOMA CSA ASSESSMENT AREA

## LENDING TEST

Lending levels within the Seattle-Tacoma CSA assessment area reflect adequate responsiveness. The geographic distribution of loans reflects adequate penetration throughout the assessment area. The distribution of borrowers reflects adequate penetration. PB made a relatively high level of community development loans in the assessment area.

### Lending Activity

The lending levels reflect adequate responsiveness to the Seattle-Tacoma CSA assessment area credit needs. For 2018, 2019, and 2020, PB originated 2,220 home mortgage loans totaling approximately \$762.6 million, and 1,034 small business loans totaling approximately \$160.1 million, and 17 community development loans totaling \$45.1 million during the evaluation period. Lending activity remained stable and consistently trended upward during the evaluation period. Performance in 2020 was an exception whereby mortgage lending increased by a slightly more than the performance in 2018 and 2019 combined. This is due to a favorable low interest rate environment. Similarly, the small business lending performance level in 2020 accounted for 787 originations, more than tripled compared to prior two years combined. The PPP program mostly contributed to the significant increase.

According to peer home mortgage data, in 2018, PB ranked 37<sup>th</sup> out of 566 lenders that reported 92,282 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 0.5 percent by number count. In 2019, PB ranked 36<sup>th</sup> out of 593 lenders that reported 164,043 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 0.6 percent by number count. In 2020, PB ranked 38<sup>th</sup> out of 661 lenders that reported 195,539 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 0.6 percent by number count.

According to aggregate small business data, in 2018 PB ranked 31<sup>st</sup> out of 135 lenders that reported 77,723 small business loans in the assessment, giving the bank a market share of 0.2 percent by number with 123 originations. In 2019, PB ranked 28<sup>th</sup> out of 135 lenders that reported 83,567 small business loans in the assessment area, giving the institution a market share of 0.2 percent by number with 124 loans. Institutions that rank higher than PB are primarily national lenders or large institutions such as Umpqua Bank and Banner Bank.

### Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. Adequate penetration of home mortgage loans and small business loans support this conclusion; given that home mortgage lending carried more weight.

### Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The performance level in low-income tracts and moderate-income tracts trailed

aggregate and ACS data during the review period. Home mortgage lending opportunities are very limited in low-income tracts, given the relatively low percentage of owner-occupied housing units located in the low-income tracts. Also, based on 2015 ACS Census data, of the 160,661 housing units within the moderate-income tracts, 44.7 percent are owner-occupied, 48.5 percent are occupied rental units, and 6.8 percent are vacant. Given the assessment area is a highly competitive market, coupled with moderate lending opportunities, the performance level is adequate in low-and moderate-income tracts.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Seattle-Tacoma CSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	1.9	2.1	4	0.6	1,896	0.8
2020	1.9	1.8	8	0.7	1,388	0.4
<b>Moderate</b>						
2019	14.0	14.9	61	9.7	21,530	9.5
2020	14.0	13.6	97	8.7	28,672	7.7
<b>Middle</b>						
2019	41.2	43.3	271	43.3	94,669	41.6
2020	41.2	42.6	493	44.3	155,374	41.7
<b>Upper</b>						
2019	42.9	39.7	290	46.3	109,302	48.1
2020	42.9	41.9	515	46.3	186,884	50.2
<b>Not Available</b>						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>626</b>	<b>100.0</b>	<b>227,397</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>1,113</b>	<b>100.0</b>	<b>372,318</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

### Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The performance level in the low-income tract was slightly below aggregate and below demographic data in 2018. Although the bank's performance was poor in 2019 with no origination, lending performance improved in 2020, almost comparable to demographic data with 18 small business loan originations. Management recognized poor lending performance in 2019, due to a lending focus shift to improve performance in Skagit County, along with limited lending opportunities and staff turnover.

The performance level in moderate-income tracts exceeded aggregate and demographic data in 2018, and 2019. While demographic data trended lower, performance level exceeded demographic data in 2020.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Seattle-Tacoma CSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	3.1	3.3	0	0.0	0	0.0
2020	2.9	--	18	2.3	1,897	1.9
<b>Moderate</b>						
2019	15.1	14.6	19	15.3	3,888	12.1
2020	14.4	--	143	18.2	14,323	14.2
<b>Middle</b>						
2019	36.9	37.8	61	49.2	15,395	47.9
2020	36.4	--	374	47.5	56,687	56.0
<b>Upper</b>						
2019	44.3	43.8	44	35.5	12,889	40.1
2020	45.8	--	252	32.0	28,255	27.9
<b>Not Available</b>						
2019	0.6	0.6	0	0.0	0	0.0
2020	0.5	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>124</b>	<b>100.0</b>	<b>32,172</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>787</b>	<b>100.0</b>	<b>101,162</b>	<b>100.0</b>
<i>Source: 2019 &amp; 2020 D&amp;B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different size. Adequate home mortgage and small business lending performance support this conclusion.

### **Home Mortgage Loans**

The distribution of borrowers reflects adequate penetration to both low- and moderate-income borrowers. As aggregate data demonstrated limited opportunity to low-income borrowers as a low-income family in the assessment area would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$398,500. Also, given the assessment area is a highly competitive market, the performance level among low-income borrowers

was consistently below demographic data and aggregate data in 2018, 2019, and 2020. However, lending performance level to moderate-income borrowers is almost comparable to aggregate during the evaluation, despite consistently trailing demographic data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Seattle-Tacoma CSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	19.1	4.2	16	2.6	2,573	1.1
2020	19.1	3.8	29	2.6	5,569	1.5
<b>Moderate</b>						
2019	16.6	13.0	80	12.8	17,773	7.8
2020	16.6	13.5	154	13.8	35,879	9.6
<b>Middle</b>						
2019	20.4	22.8	156	24.9	44,299	19.5
2020	20.4	22.8	300	27.0	84,773	22.8
<b>Upper</b>						
2019	43.9	48.7	346	55.3	130,264	57.3
2020	43.9	50.0	582	52.3	226,523	60.8
<b>Not Available</b>						
2019	0.0	11.3	28	4.5	32,487	14.3
2020	0.0	9.9	48	4.3	19,575	5.3
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>626</b>	<b>100.0</b>	<b>227,397</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>1,113</b>	<b>100.0</b>	<b>372,318</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### Small Business Loans

The distribution of borrowers reflects adequate penetration to businesses with gross annual revenues of \$1 million or less. The performance level exceeded aggregate data by 9.0 percentage points but trailed demographic data by 31.7 percentage points in 2018. Performance in 2019 trailed aggregate and demographic data. Performances in 2020 trailed demographic even though the participation of PPP lending contributed to the lending spike in 2020. However, significant majority of the 232 small business loans originated in 2020 with revenue not available are PPP loans to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Seattle-Tacoma CSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	87.3	49.4	58	46.8	12,944	40.2
2020	90.3	--	324	41.2	26,065	25.8
>\$1,000,000						
2019	4.8	--	66	53.2	19,228	59.8
2020	3.5	--	231	29.4	57,247	56.6
Revenue Not Available						
2019	7.9	--	0	0.0	0	0.0
2020	6.2	--	232	29.5	17,850	17.6
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>124</b>	<b>100.0</b>	<b>32,172</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>787</b>	<b>100.0</b>	<b>101,162</b>	<b>100.0</b>

*Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

### Community Development Loans

PB made a relatively high level of community development loans in the assessment area. The community development lending more than doubled by loan number made since the previous evaluation, when then the bank made seven community development loans totaling \$36.0 million. The majority of community development loans promoted economic development in the assessment area.

Community Development Lending										
Seattle-Tacoma CSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	3	3,718	-	-	1	5,590	-	-	4	9,308
2020	-	-	-	-	1	1,156	2	3,787	3	4,943
YTD 2021	2	4,250	-	-	7	25,379	1	1,245	10	30,874
<b>Total</b>	<b>5</b>	<b>7,968</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>32,125</b>	<b>3</b>	<b>5,032</b>	<b>17</b>	<b>45,125</b>

*Source: Bank Data*

Examples of community development loans include:

- In 2021, the bank made two SBA 504 loans totaling \$6.7 million to refinance the construction of a hotel in Oak Harbor.

- In 2021, the bank made two loans totaling \$4.3 million supporting Skagit County rental properties located in moderate-income geographies and providing below-market rents.
- In 2019, the bank made a \$1.0 million loan to finance the purchase of a 22-unit mobile home park that with below-market rents in Burlington.

## INVESTMENT TEST

PB has a significant level of qualified community development investments and grants, occasionally in a leadership position in the Seattle-Tacoma CSA assessment area. PB exhibits good responsiveness to credit and community development needs. PB occasionally uses of innovative and complex investments.

### Investment and Grant Activity

PB has a significant level of qualified community development investments, donations and grants, occasionally in a leadership position, particularly those not routinely provided by private investors. The performance level during the evaluation period is significantly stronger than the previous evaluation, management then reported 9 investments totaling \$2.0 million, and 30 grants and donations totaling \$136,000. Similar to the previous evaluation, the majority of investments supported affordable housing, a key need in the assessment area, followed by community services initiatives. The following table details investments and donations by year and community development purpose.

Community Development Qualified Investments Seattle-Tacoma CSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	1,879	1	657	-	-	-	-	4	2,536
20219	1	1,263	1	3,000	-	-	-	-	2	4,263
2020	1	1,717	-	-	-	-	-	-	1	1,717
YTD 2021	1	5,000	-	-	-	-	-	-	1	5,000
<b>Subtotal</b>	<b>6</b>	<b>9,859</b>	<b>2</b>	<b>3,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>13,516</b>
Qualified Grants & Donations	11	107	15	127	-	-	-	-	26	234
<b>Total</b>	<b>17</b>	<b>9,966</b>	<b>17</b>	<b>3,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>13,750</b>

*Source: Bank Data*

Examples of community development investments and donations include:

- In 2021, the bank made a \$5.0 million investment in a low-income housing tax credit project supporting a 144-unit low-income housing condominium development in King County.

- In 2020 and 2019 respectively, the bank made \$1.7 million and \$1.3 million investments in mortgage-backed securities comprised of home loans made to low- and moderate-income borrowers.
- Throughout the review period, the bank donated \$57,735 to five organizations that support the homeless and those in extreme poverty through shelter, housing and outreach.

**Responsiveness to Credit and Community Development Needs**

The institution exhibits good responsiveness to the credit and community development needs. A majority of the investments in the Seattle-Tacoma CSA assessment area are for affordable housing, a key need in the assessment area. Please refer to the bank’s overall assessment area analysis for a complete discussion of credit and community development needs for the community.

**Community Development Initiatives**

The institution occasionally uses innovative and/or complex investments to support community development initiatives. Although majority of investment consisted of a mortgage-backed security that supports affordable housing in the assessment area, the bank also made a \$5.0 million investment in a low-income tax credit project supporting a 144-unit housing complex benefitting low-income individuals and families in King County; this is an impactful investment.

**SERVICE TEST**

Delivery systems are reasonably accessible to essentially all portions of the Seattle-Tacoma CSA assessment area. To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems. Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area. PB provides a relatively high level of community development services in the assessment area.

**Accessibility of Delivery Systems**

The retail delivery systems are reasonably accessible to essentially all portions of the assessment area. The Evergreen Way Branch in Everett (Snohomish County) is located in a low-income tract. The Mt. Vernon Financial Center in Mt. Vernon (Skagit County), Burlington Branch in Burlington (Skagit County) and Everett Financial Center in Everett (Snohomish County) are located in moderate-income tracts. The one branch operation in the low-income tract exceeded demographic data by 3.6 percentage points and aggregate data by 2.6 percentage points. The branch operation level in the moderate-income tracts exceeded demographics by 5.3 percentage points, but trailed aggregate data by 3.3 percentage point. The following table provides details regarding the distribution of branches operated in this assessment area by census tract income level.

<b>Branch and ATM Distribution by Geography Income Level Seattle-Tacoma Assessment Area</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	17	3.8	88,825	4.1	1	7.7	1	7.7
Moderate	80	18.0	385,479	17.8	3	23.1	3	23.1
Middle	175	39.4	872,629	40.3	7	53.8	7	53.8
Upper	165	37.2	809,214	37.4	2	15.4	2	15.4
NA	7	1.6	7,815	0.4	0	0.0	0	0.0
<b>Total</b>	<b>444</b>	<b>100.0</b>	<b>2,163,962</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>								

### **Changes in Branch Locations**

During the evaluation period, the institution did not open or close any branches in the assessment area, which did not adversely impact the accessibility of the institution’s delivery system, particularly to low- and moderate-income geographies and/or to low- and moderate-income individuals. Although the bank relocated the Edmonds Branch in Snohomish County in August 2019 and the Oak Harbor Branch in Island County in October 2021 within the Seattle-Tacoma CSA, the relocation did not affect the servicing of customers.

### **Reasonableness of Business Hours and Services**

Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. PB operates 13 full-service branches in the Seattle-Tacoma CSA assessment area, all of which provide the full range of services; 12 branches provide mortgage lending services and 7 branches provide commercial lending services. Two branches (Mt. Vernon Haggen Branch and Burlington Branch in Skagit County) offer Saturday hours from 9 am to 1 pm. PB’s services, including alternative delivery systems, are available at each full-service branch and are consistent with the discussions at the overall institution level.

### **Community Development Services**

Employees and officers provided a relatively high level of community development services in the Seattle-Tacoma CSA assessment area. Service hours remained comparable to prior evaluation, at which then 930 hours. The majority of services consisted of community service activities targeted to low- and moderate-income individuals and families, followed by affordable housing activities aligned with identified assessment area need.



<b>Community Development Services Seattle-Tacoma CSA Assessment Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019	92	281	-	-	<b>373</b>
2020	122	322	-	-	<b>444</b>
YTD 2021	30	74	-	-	<b>104</b>
<b>Total</b>	<b>244</b>	<b>677</b>	-	-	<b>921</b>
<i>Source: Bank Data</i>					

Examples of community development services include:

- In 2019 and 2020, a bank officer provided 134 service hours to an organization that provides emergency shelter to the homeless and those suffering domestic abuse.
- In 2019 and 2020, a bank officer provided 56 service hours serving on the Board of a food bank in Edmonds.
- In 2019 and 2020, a bank officer served on the Board of an organization that raises funds that provide food, shelter and clothing to low-income residents of Whidbey Island.

## OTHER ASSESSMENT AREAS – Limited-Scope Review

### CONCLUSION ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE REVIEW ASSESSMENT AREA

The following table summarizes the limited-scope assessment area as compared to the bank’s overall performance. The following conclusion is based on a review of available facts and data, aggregate lending comparison, and demographic information. The conclusion did not alter the overall performance rating.

#### Wenatchee MSA

Assessment Area	Lending Test	Investment Test	Service Test
Wenatchee MSA	Consistent	Below	Below

The following facts and data support the conclusions for the limited-scope assessment area beginning with a summary of operations and activities. Demographic data and market share information for the limited-scope assessment area are also included in the Limited-Scope Assessment Area Appendices.

The institution continues to operate one full-service branch located in a middle-income tract in the assessment area. Branch locations did not change in the assessment area during the review period.

Activity	#	\$ (000's)
Home Mortgage Loans	437	125,513
Small Business Loans	273	36,100
Community Development Loans	10	41,701
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	12	43
CD Services	183 hours	-
<i>Source: Bank Data</i>		

## Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans						
Wenatchee MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Moderate						
2019	12.3	13.5	20	18.0	5,302	15.9
2020	12.3	12.2	25	13.2	7,059	12.6
Middle						
2019	78.4	78.0	82	73.9	25,104	75.5
2020	78.4	78.2	139	73.5	39,995	71.6
Upper						
2019	9.3	8.5	9	8.1	2,842	8.5
2020	9.3	9.6	25	13.2	8,779	15.7
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>111</b>	<b>100.0</b>	<b>33,248</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>189</b>	<b>100.0</b>	<b>55,832</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available.            Due to rounding, totals may not equal 100.0%</i>						

Geographic Distribution of Small Business Loans							
Wenatchee MSA Assessment Area							
Tract Income Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2019	0.0	0.0	0	0.0	0	0.0
	2020	0.0	--	0	0.0	0	0.0
Moderate							
	2019	20.2	17.7	10	25.0	1,753	19.9
	2020	19.5	--	43	27.9	4,646	30.5
Middle							
	2019	71.1	73.9	28	70.0	5,653	64.2
	2020	70.8	--	101	65.6	9,249	60.8
Upper							
	2019	8.8	8.4	2	5.0	1,405	15.9
	2020	9.7	--	10	6.5	1,315	8.6
Not Available							
	2019	0.0	0.0	0	0.0	0	0.0
	2020	0.0	--	0	0.0	0	0.0
<b>Totals</b>							
	<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>8,811</b>	<b>100.0</b>
	<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>154</b>	<b>100.0</b>	<b>15,210</b>	<b>100.0</b>
<i>Source: 2019 &amp; 2020 D&amp;B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available.            Due to rounding, totals may not equal 100.0%</i>							

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Wenatchee MSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	19.1	3.2	3	2.7	270	0.8
2020	19.1	2.1	6	3.2	715	1.3
Moderate						
2019	19.1	10.3	16	14.4	3,380	10.2
2020	19.1	9.5	19	10.1	3,838	6.9
Middle						
2019	22.3	21.8	31	27.9	7,802	23.5
2020	22.3	19.4	46	24.3	11,497	20.6
Upper						
2019	39.6	52.6	58	52.3	20,643	62.1
2020	39.6	55.4	111	58.7	37,582	67.3
Not Available						
2019	0.0	12.1	3	2.7	1,153	3.5
2020	0.0	13.6	7	3.7	2,201	3.9
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>111</b>	<b>100.0</b>	<b>33,248</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>189</b>	<b>100.0</b>	<b>55,832</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Wenatchee MSA Assessment Area</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2019	83.9	46.2	27	67.5	6,355	72.1
2020	88.1	--	64	41.6	5,108	33.6
>\$1,000,000						
2019	4.8	--	13	32.5	2,456	27.9
2020	3.5	--	36	23.4	6,291	41.4
Revenue Not Available						
2019	11.2	--	0	0.0	0	0.0
2020	8.4	--	54	35.1	3,811	25.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>8,811</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>154</b>	<b>100.0</b>	<b>15,210</b>	<b>100.0</b>
<i>Source: 2019 &amp; 2020 D&amp;B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

## APPENDICES

### LARGE BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
  - i. The proportion of the bank's lending in the bank's assessment area(s);
  - ii. The dispersion of lending in the bank's assessment areas(s); and
  - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
  - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
  - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
  - iii. Small business and small farm loans by loan amount at origination; and
  - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

#### **Investment Test**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

## **Service Test**

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.



## SCOPE OF EVALUATION

<b>Peoples Bank</b>	
<b>Scope of Examination:</b> Full scope reviews were performed on the following assessment areas within the noted rate areas: State of Washington: Bellingham MSA Seattle-Tacoma CSA	
<b>Time Period Reviewed:</b>	1/14/2019 to 12/6/2021
<b>Products Reviewed:</b> Home mortgage loans: (1/1/2018 – 12/31/2020) Small business loans: (1/1/2018 – 12/31/2020) Community development loans: (1/14/2019 – 12/6/2021)	

List of Assessment Areas and Type of Evaluation			
Assessment Area	Type of Evaluation	Branches Visited	Other Information
Bellingham MSA	Full-scope	None	None
Seattle-Tacoma CSA	Full-scope	None	None
Wenatchee MSA	Limited-scope	None	None

## DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREA

### Wenatchee MSA

The Wenatchee MSA assessment area is located in Central Washington and comprised of the Wenatchee, WA MSA #48300, which includes the entire Chelan County and Douglas County. The assessment area conforms to regulatory guidelines and does not appear to arbitrarily exclude low- and moderate-income geographies. Deposit market share and aggregate lending data is not available by census tracts; therefore, deposit and lending market share data is presented at the county level.

Demographic Information of the Assessment Area						
Wenatchee MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	22	0.0	13.6	72.7	13.6	0.0
Population by Geography	113,866	0.0	15.2	78.0	6.9	0.0
Housing Units by Geography	52,098	0.0	12.8	81.2	6.0	0.0
Owner-Occupied Units by Geography	27,968	0.0	12.3	78.4	9.3	0.0
Occupied Rental Units by Geography	13,296	0.0	20.4	76.7	2.9	0.0
Vacant Units by Geography	10,834	0.0	4.9	93.8	1.4	0.0
Businesses by Geography	10,334	0.0	19.5	70.8	9.7	0.0
Farms by Geography	778	0.0	14.5	76.3	9.1	0.0
Family Distribution by Income Level	29,146	19.1	19.1	22.3	39.6	0.0
Household Distribution by Income Level	41,264	22.6	16.8	20.0	40.6	0.0
Median Family Income MSA - 48300 Wenatchee, WA MSA		\$60,276	Median Housing Value			\$238,515
			Median Gross Rent			\$807
			Families Below Poverty Level			9.9%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The bank operates in a moderately competitive financial services environment. The FDIC's June 2021 Deposit Market Share Report shows that PB ranks 8<sup>th</sup> out of 12 FDIC insured institutions competing within the counties in which PB operates, with a total of 3.6 percent of the deposit market share.

According to peer home mortgage data, in 2018, PB ranked 8<sup>th</sup> out of 281 lenders that reported 5,989 originated or purchased home mortgage loans in the assessment area, giving the bank a

market share of 3.5 percent by number count. In 2019, PB ranked 12<sup>th</sup> out of 300 lenders that reported 7,413 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 2.3 percent by number count. In 2020, PB ranked 9<sup>th</sup> out of 326 lenders that reported 11,456 originated or purchased home mortgage loans in the assessment area, giving the bank a market share of 5.5 percent by number count. Home mortgage lending activity performance declined in 2019 compared to 2018, as a result of higher competition, shift in lending strategy with more focus in Skagit County, and staff turn-over. However, the performance level in 2020 improved by 70.3 percent or 78 originations from 2019, despite higher competition in 2020.

According to aggregate small business data, in 2018, PB ranked 11<sup>th</sup> out of 44 lenders that reported 2,262 small business loans in the assessment, giving the bank a market share of 3.5 percent by number with 79 originations. In 2019, PB ranked 16<sup>th</sup> out of 45 lenders that reported 2,464 small business loans in the assessment area, giving the institution a market share of 1.6 percent by number with 40 loans. Although small business lending activity performance declined in 2019 compared to 2018, the performance level in 2020 accounted for 154 loans, outpaced the prior two years combined by 29.4 percent. The PPP program mostly contributed to the significant increase.

According to Moody's Analytics as of July 2021, the economy has been an underachiever compared with the West. Though the overall jobs recovery is in line with the nation's, hiring momentum has slowed to a near halt. The outside public sector has been the bright spot, while goods producers have lost momentum. Private service providers, save education/healthcare, gave back some gains won earlier in the year. The unemployment rate has been inching upwards, in contrast with the region, even as the labor force shrank. House price gains are outpacing those of the nation but lag the fast appreciation in the West, causing a slowdown in permitting as builders took a breather after a strong run. Housing affordability is lower than the state and the national average, and costs of business operation are lower than the state and the nation. Top employers in the assessment area are Stemilt Growers Incorporated, Confluence Health, Crunch Pak and McDougall & Sons Incorporated.

Per D&B data as of June 2021, service industries represent the largest portion of businesses at 33.9 percent; followed by non-classifiable establishments at 18.3 percent; retail trade at 10.7 percent; finance, insurance and real estate at 10.4 percent; and construction at 8.1 percent. In addition, 65.1 percent of area businesses have four or fewer employees and 91.5 percent operate from a single location.

Per BLS data, the average unemployment rates remained stable in 2018 and 2019, and increased in 2020 due to the pandemic. While the unemployment rates in Chelan County were slightly comparable to the state but higher than the national average rates, the rates in Douglas County were higher than both the state and national averages.

<b>Unemployment Rates Wenatchee MSA Assessment Area</b>			
<b>Area</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Chelan County	4.5	4.8	8.4
Douglas County	5.2	5.6	8.5
State of WA	4.4	4.1	8.4
National Average	3.9	3.7	8.1
<i>Source: Bureau of Labor Statistics</i>			

## GLOSSARY

**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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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 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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.