

PACIFIC ENTERPRISE BANK

FIRST
QUARTER
REPORT

2015





Dear Shareholders:

May 11, 2015

Pacific Enterprise Bancorp (“the Bancorp”) is pleased to report net income after taxes of \$1.0 million for the three months ended March 31, 2015. This compares with net income of \$1.1 million and \$.9 million for the three months ended December 31, 2014 and March 31, 2014, respectively. The Bank generated a return on average equity of approximately 9.5% for the first quarter of 2015. In comparison, the return on average equity was approximately 8.5% for the first quarter of 2014. The Company’s income before taxes, provision, and gain on sale of loans was \$1.8 million for the first quarter of 2015, which reflects a 14% increase from the same quarter of last year.

As of March 31, 2015, the Bancorp reported assets of \$390.5 million, an increase of \$48 million from March 31, 2014. Over this same period, total loans grew, net of loan sales, by \$29 million to \$290 million. Pacific Enterprise Bank continues to be one of the leading producers of SBA 7A loans in the State of California. The SBA guaranteed portions of these loans are sold by the Bank from time to time depending on several factors including market conditions. There were no loan sales during the first quarter of 2015. Deposits also grew over the last twelve months, growing by \$37 million to \$325 million as of March 31, 2015.

The Bancorp’s total shareholder equity declined by approximately \$5.2 million from \$45.8 million at December 31, 2014 to \$40.6 million at March 31, 2015. The decline in equity reflects the impact of the Bancorp’s share buyback of 312,517 shares at a share price of \$20, which closed on March 18, 2015. The share buyback resulted in a \$6.25 million reduction in equity.

The Bank’s regulatory capital continues to be well in excess of regulatory capital requirements. As of March 31, 2015 the Bank’s Leverage ratio was 10.9%, while its Risk-Based Capital Ratios were as follows: Common Equity Tier 1 Capital Ratio of 17.6%, Tier 1 Risk Based Capital Ratio of 17.6%, and Total Risk Based Capital Ratio of 18.9%.

Pacific Enterprise Bancorp is looking forward to continued success in 2015.

Brian Halle
President & CEO
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PACIFIC ENTERPRISE BANCORP
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	As of March 31 2015 <u>(unaudited)</u>	As of December 31 2014 <u>(audited)</u>	As of March 31 2014 <u>(unaudited)</u>
ASSETS:			
Cash and Due from Banks	\$ 2,532,612	\$ 1,221,584	\$ 5,925,464
Interest-bearing deposits in Banks	46,665,268	46,234,000	21,134,000
Federal Funds Sold	34,524,000	57,844,000	39,839,000
Investments	8,099,756	8,154,676	8,375,722
Total Loans	<u>290,422,065</u>	<u>280,869,495</u>	<u>261,303,673</u>
Deferred Loan Costs, Net	1,416,804	1,040,882	829,422
Allowance for loan losses	<u>(3,674,746)</u>	<u>(3,727,350)</u>	<u>(3,909,752)</u>
NET LOANS	<u>288,164,123</u>	<u>278,183,027</u>	<u>258,223,343</u>
Federal Reserve Bank and Other Stock, at Cost	2,065,596	2,082,486	1,987,986
Fixed Assets, net	503,864	317,460	368,831
Accrued Interest and Other Assets	<u>7,974,179</u>	<u>8,690,921</u>	<u>6,375,236</u>
TOTAL ASSETS	<u>\$ 390,529,398</u>	<u>\$ 402,728,154</u>	<u>\$ 342,229,582</u>

PACIFIC ENTERPRISE BANCORP
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	As of March 31 2015 <u>(unaudited)</u>	As of December 31 2014 <u>(audited)</u>	As of March 31 2014 <u>(unaudited)</u>
LIABILITIES:			
Deposits			
Non-interest Bearing	80,680,476	77,907,448	77,835,962
Savings, NOW, and Money Markets	125,301,560	126,043,672	103,292,648
Time Deposits	119,212,129	125,037,083	107,187,955
TOTAL DEPOSITS	325,194,165	328,988,203	288,316,565
FHLB Advances	9,750,000	9,750,000	9,750,000
Subordinated Debentures	13,000,000	13,000,000	-
Accrued Interest and Other Liabilities	2,032,666	5,229,962	2,155,539
TOTAL LIABILITIES	\$ 349,976,831	\$ 356,968,165	\$ 300,222,104
EQUITY			
Common Stock	26,383,024	29,508,194	29,493,194
Additional Paid-in Capital	1,770,477	1,758,167	2,398,028
Accumulated Other Comprehensive Income (Loss)	21,855	3,576	(24,496)
Retained Earnings	12,377,211	14,490,052	10,140,752
TOTAL SHAREHOLDERS' EQUITY	40,552,567	45,759,989	42,007,478
TOTAL LIABILITIES & EQUITY	\$ 390,529,398	\$ 402,728,154	\$ 342,229,582

PACIFIC ENTERPRISE BANCORP
CONSOLIDATED STATEMENT OF INCOME

	For the Three Month Period Ended		
	March 31, 2015 (unaudited)	December 31, 2014 (unaudited)	March 31, 2014 (unaudited)
INTEREST INCOME			
Interest and Fees on Loans	\$ 5,507,161	\$ 5,351,112	\$ 4,557,433
Interest on Investments, Federal Funds Sold and Other	139,314	136,923	125,331
TOTAL INTEREST INCOME	5,646,475	5,488,035	4,682,764
INTEREST EXPENSE			
Interest on Interest Bearing Deposits	482,045	445,941	425,737
Interest on FHLB Advances and Subordinated Debt	326,315	165,150	56,102
TOTAL INTEREST EXPENSE	808,360	611,091	481,839
NET INTEREST INCOME	4,838,115	4,876,944	4,200,925
Provision for Loan Losses	40,000	-	-
NET INTEREST INCOME AFTER PROVISION	4,798,115	4,876,944	4,200,925
NON-INTEREST INCOME			
Service Charges, Fees, and Other Income	432,661	401,877	467,738
Gain on the Sale of Loans	-	170,944	-
TOTAL NON-INTEREST INCOME	432,661	572,821	467,738
NON-INTEREST EXPENSE			
Salaries and Employee Benefits	2,513,326	2,681,705	2,209,847
Occupancy and Equipment Expenses	154,184	153,556	197,007
Other Expenses	823,882	880,883	706,493
TOTAL NON-INTEREST EXPENSE	3,491,392	3,716,144	3,113,347
INCOME BEFORE INCOME TAXES	1,739,384	1,733,621	1,555,316
Income Tax	727,062	640,822	660,664
NET INCOME	\$ 1,012,322	\$ 1,092,799	\$ 894,652
<i>INCOME BEFORE TAXES, PROVISION AND GAIN ON SALE</i>	\$ 1,779,384	\$ 1,562,677	\$ 1,555,316

SHAREHOLDER SERVICES

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