

FOR IMMEDIATE RELEASE

January 22, 2020

Contact:

Ken Trautman, President and CEO
541-774-7654, ken@peoplesbank.bank

People's Bank of Commerce Reports Earnings

Medford, Oregon - People's Bank of Commerce (OTCBB: PBCO) announced today its financial results for the fourth quarter and full year 2019 operations. The bank reported net income of \$4,068,000 for the full year of 2019 compared to \$3,398,000 in 2018, a 20% increase. In 2019 earnings per diluted share were \$1.32 compared \$1.14 per diluted share during 2018, a 16% increase. Net income for the 4th quarter of 2019, totaled \$1,350,000 or \$0.43 per diluted share compared to \$882,000 or \$0.29 per diluted share for 2018, a 48% increase.

When comparing the full year 2019 net income to 2018, several significant items impact the comparison. The bank's mortgage division increased its gross revenue to \$1,219,000 in 2019 from \$615,000 in 2018, a 98% increase. Steelhead Finance, the bank's factoring division, which focuses on the trucking industry, had reduced income in 2019 when compared to 2018. The results for 2018 were a company record and reflected the extremely strong economy, while 2019 results show the slowdown in trucking activity mirroring the slowing national economy. In addition, the bank completed a core conversion in the first quarter of 2019 that resulted in increased data processing expenses, including one time conversion expenses, which totaled \$739,000 in 2019 versus \$579,000 in 2018.

Highlights for the quarter and year included:

- Net loans increased \$6.6 million during the fourth quarter 2019 and \$28.0 million or 11.3% for the entire year.
- Deposits decreased \$7.7 million over the past 3 months as the bank reduced its high cost deposits and total deposits decreased \$1.2 million for the entire year.
- Total bank assets increased \$20.6 million or 5.9% for the year.
- Net interest income for 2019 totaled \$14.0 million dollars compared to \$12.3 million in 2018, a 14.6% increase.
- Non-Interest income totaled \$6.6 million in 2019 versus \$6.7 million in 2018 due to changes in mortgage and Steelhead factoring discussed above.
- Non-interest expenses totaled \$14.9 million in 2019 compared to \$14.2 million in 2018, a 4.9% increase.
- The bank's year-to-date efficiency ratio was 72.0 in 2019 and 75.0% in 2018.
- ROAE was 10.76% in 2019 and 10.29% in 2018. For the fourth quarter of 2019, the ROAE was 13.56% compared to 10.25% for the same period in 2018.
- ROAA was 1.13% in 2019 and 1.00% in 2018. For the fourth quarter of 2019, the ROAA was 1.46% compared to 1.03% for the same period in 2018.
- Loans on non-accrual or past due more than 90 days at the end 2019 were 0.24% of total loans, compared to no non-accrual loans at the end of 2018.

President's Commentary

"2019 was a year of modest growth, with assets increasing 5.9%, but with a larger improvement in profitability which increased 20%," noted Ken Trautman, bank President and CEO. "The bank still enjoys a low cost of funds and good return on assets compared to our peer group, resulting in a net interest margin of 4.55% in 2019, compared to 4.18% in 2018. Non-interest bearing DDA comprises 44% of our total deposits. Attracting low cost deposits became increasingly more difficult in 2019 and if this continues into 2020 there could be a small net interest margin compression. Loan quality and loan demand both continue to be strong, reflective of the local markets that the bank serves," commented Trautman.

Provision for Credit Losses

The bank had a provision expense of \$296,000 in 2019 compared to \$406,000 in 2018. At year-end 2019, the allowance for loan and lease losses totaled 1.121% of loans held for investment compared to 1.125% at the end of 2018. Net loan charge offs in 2019 were (\$11,000) versus (\$7,000) the prior year.

Capital

At December 31, 2019, tangible shareholder's equity totaled \$37.97 million, compared to \$32.09 million at December 31, 2018. The bank's tangible leverage ratio was 10.35% at year-end 2019, compared to 9.28% at December 31, 2018. The bank started a capital campaign in the 4th quarter of 2019 which added \$1.5 million in new capital to the bank in 2019, with the balance of the campaign, \$3.5 million, already committed and expected to close early in 2020. Tangible book value per share was \$11.71 at December 31, 2019, compared to \$10.35 one year earlier.

About People's Bank of Commerce

People's Bank of Commerce's stock trades on the over-the-counter market under the symbol PBCO. Additional information about the Bank is available in the investor section of the bank's website at: www.peoplesbank.bank.

Founded in 1998, People's Bank of Commerce is the only locally owned and managed community bank in Southern Oregon. People's Bank of Commerce is a full service bank headquartered in Medford, Oregon with branches in Medford, Ashland, Central Point, Grants Pass and Klamath Falls.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

This release includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as People's Bank or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, statements herein that describe People's Bank's business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

People's Bank of Commerce					
Income Statement (unaudited)					
	Three Months Ended			Twelve Months Ended	
(dollars in thousands)	12/31/2019	9/30/2019	12/31/2018	12/31/2019	12/31/2018
Interest Income					
Loans	3,729	3,672	3,343	14,417	12,193
Investments	158	160	162	604	658
Federal funds sold and due from banks	72	136	161	413	534
Total interest income	3,959	3,968	3,666	15,434	13,385
Interest Expense					
Deposits	316	354	278	1,366	850
Other	13	5	75	29	282
Total interest expense	329	359	353	1,395	1,132
Net interest income	3,630	3,609	3,313	14,039	12,253
Provision for credit losses	85	113	112	296	406
Net Interest Income after provision for credit losses	3,545	3,496	3,201	13,743	11,847
Non-Interest Income					
Service charges on deposit accounts	83	84	78	312	308
Mortgage lending income	454	294	150	1,219	615
Steelhead Finance income	903	1,044	1,179	4,061	4,915
Gain (loss) on other real estate	-	-	-	-	113
Other non-interest income	285	273	118	1,058	704
Total non-interest income	1,725	1,695	1,525	6,650	6,655
Non-Interest Expense					
Salary and Benefits	2,209	2,434	2,346	9,448	8,955
Premises and fixed assets	603	544	554	2,243	1,877
Other	630	883	825	3,198	3,348
Total non-interest expense	3,442	3,861	3,725	14,889	14,180
Net income before taxes	1,828	1,330	1,001	5,504	4,322
Income taxes	478	383	119	1,436	924
Net income	<u>1,350</u>	<u>947</u>	<u>882</u>	<u>4,068</u>	<u>3,398</u>
Basic earnings per share	0.43	0.30	0.29	1.32	1.14
Diluted earnings per share	0.43	0.30	0.29	1.32	1.14
Average common shares outstanding	3,169,537	3,122,591	3,073,312	3,089,588	2,979,404
Performance Measures					
Return on average assets	1.46%	1.02%	1.03%	1.13%	1.00%
Return on average equity	13.56%	9.88%	10.25%	10.76%	10.29%
Net interest margin	4.74%	4.54%	4.11%	4.55%	4.18%
Efficiency ratio	64.28%	72.79%	77.02%	71.97%	74.99%

People's Bank of Commerce					
Balance Sheet (unaudited)					
(dollars in thousands)	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Assets					
Cash and due from banks	3,711	2,798	3,747	4,736	9,382
Federal funds sold					
Interest-bearing deposits	11,936	16,004	18,694	30,152	17,127
Investment securities	27,734	23,212	22,585	20,031	25,878
Loans held for sale	2,474	3,909	2,013	1,157	2,084
Loans held for investment, net of unearned income	278,277	271,635	261,835	256,389	249,949
Allowance for loan and lease losses	<u>(3,119)</u>	<u>(3,033)</u>	<u>(2,920)</u>	<u>(2,880)</u>	<u>(2,812)</u>
Loans, net	275,158	268,602	258,915	254,666	247,137
Premises and equipment, net	20,306	20,529	20,736	21,086	16,807
Other assets	<u>28,855</u>	<u>28,818</u>	<u>31,185</u>	<u>30,894</u>	<u>31,110</u>
Total assets	<u>370,174</u>	<u>363,872</u>	<u>357,875</u>	<u>361,565</u>	<u>349,525</u>
Liabilities					
Deposits					
Demand noninterest-bearing	136,051	140,458	136,211	128,937	124,866
Demand interest-bearing	44,341	47,020	46,690	56,175	48,813
Money market and savings	107,985	108,614	105,310	110,237	117,714
Time deposits of less than \$250,000	15,715	15,419	17,915	16,750	15,300
Time deposits of more than \$250,000	<u>2,701</u>	<u>2,949</u>	<u>2,682</u>	<u>1,873</u>	<u>1,317</u>
Total deposits	306,793	314,460	308,808	313,972	308,010
Other liabilities	<u>21,722</u>	<u>10,611</u>	<u>11,308</u>	<u>11,137</u>	<u>6,062</u>
Total liabilities	328,515	325,071	320,116	325,109	314,072
Capital					
Common stock, surplus, retained earnings	41,663	38,879	37,913	36,863	36,011
Accumulated other comprehensive income (loss)	<u>208</u>	<u>249</u>	<u>212</u>	<u>(2)</u>	<u>(113)</u>
Unearned ESOP Shares	<u>(212)</u>	<u>(327)</u>	<u>(366)</u>	<u>(405)</u>	<u>(445)</u>
Total shareholders' equity	41,659	38,801	37,759	36,456	35,453
Total Liabilities and Equity	<u>370,174</u>	<u>363,872</u>	<u>357,875</u>	<u>361,565</u>	<u>349,525</u>
memo:					
Total intangible assets and goodwill	3,486	3,486	3,486	3,486	3,486
Current shares outstanding	3,241,075	3,122,591	3,122,155	2,955,964	2,953,464