

FOR IMMEDIATE RELEASE

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People's Bank of Commerce Reports 47% Increase in Earnings Per Share

Medford, Oregon - People's Bank of Commerce (OTCBB: PBCO) announced today its financial results for the fourth quarter and full year 2018 operations. The bank reported net income of \$3,398,000 for the full year of 2018 compared to \$2,061,000 in 2017, a 65% increase. In 2018 earnings per diluted share were \$1.18 compared \$0.80 per diluted share during 2017, a 47% increase. Net income for the 4th quarter of 2018, totaled \$882,000 or \$0.30 per diluted share compared to \$313,000 or \$0.11 per diluted share for 2017.

When comparing the full year 2018 net income to 2017, several significant items impact the comparison. First, the bank owned Steelhead Finance for a full 12 months in 2018 compared to only 4 months in 2017, contributing \$0.48 of earning per share in 2018 compared to \$0.14 per share in 2017. Second, passage of the Tax Cuts and Jobs Act (Tax Reform) for corporations resulted in a one-time, non-cash income tax expense of \$413,000 in the fourth quarter of 2017 while 2018 benefited from the reduction in Federal Income tax rate from 34% to 21%. Additionally, the bank was able to lower its tax expense in 2018 by over \$100,000, recovering taxes paid in earlier years by accelerating depreciation expense. Examples of the other one-time events that affected bottom line income include:

- The bank was able to provide a "tax reform bonus" to all non-executives of \$500 to \$2,000 per employee based on time with the company. Plus, the bank established a minimum wage of \$14 per hour for all bank employees.
- The bank opened a new 3-story headquarters building in April 2018.
- The bank established a full-service branch in Klamath Fall, Oregon in January 2018
- The bank celebrated its 20th anniversary including "pay it forward" gifts to the community.
- The bank increased outstanding loans by almost 20% resulting in an increase to the loan and lease loss provision.

Highlights for the quarter and year included:

- Total loans increased \$9.9 million or 4.1% during the fourth quarter 2018 and \$41.3 million or 20% for the entire year.
- Deposits increased \$12.9 million or 4.4% over the past 3 months and increased \$43.1 million or 16.3% for the entire year.
- The bank's total assets increased \$13.0 million during the fourth quarter and increased \$47.1 million or 15.6% for the entire year.
- Net interest income for 2018 totaled \$12.3 million dollars compared to \$10.8 million in 2017, a 13.3% increase.
- Non-Interest income totaled \$6.7 million in 2018 versus \$3.3 million in 2017, a 104% increase. This increase was the result of activity from the bank's factoring company, Steelhead Finance, which provided \$4.9 million of gross revenue during 2018.

- Non-interest expenses totaled \$14.2 million in 2018 compared to \$10.3 million in 2017, a 38% increase. \$2.8 million of this increase was the result of the purchase of Steelhead Financial with the balance attributed to the bank.
- The bank's year-to-date efficiency ratio was 75% in 2018 and 73.23% in 2017.
- ROAE was 10.29% in 2018 and 7.18% in 2017.
- ROAA was 1.00% in 2018, 0.73% in 2017.
- EPS was \$1.18 in 2018 compared to \$0.80 in 2017.
- Loans on non-accrual or past due more than 90 days at the end 2018 were 0.16% of loans outstanding, compared to zero at the end of 2017.

President's Commentary

"As noted by the list of accomplishments above, 2018 was a year of growth, both for the balance sheet as well as the bank's image in the community," noted Ken Trautman, bank President and CEO. "Because many of the expenses incurred in 2018 were one-time in nature, the bank is positioned for strong performance in the next year and the years to come. Expansion of the national and local economies has been a great tailwind, but the level of service from our employees has been a real driving force. Rising short-term interest rates and a flat yield curve will be a challenge to all banks, as the cost of funds will rise more than the yield on assets. Despite this, the bank has maintained a net interest margin superior to our FDIC peer group. With many one-time expenses behind us, the bank can continue to look for additional opportunities to diversify its non-interest income and increase efficiency."

Provision for Credit Losses

Strong loan growth and credit quality prompted a provision expense of \$406,000 in 2018 compared to \$52,000 in 2017. At yearend 2018, the allowance for loan and lease losses totaled 1.125% of loans held for investment compared to 1.15% at the end of 2017. Net loan charge offs in 2018 were (\$6,645) versus (\$4,978) the prior year.

Capital

At December 31, 2018, tangible shareholder's equity totaled \$32.08 million, compared to \$28.00 million at December 31, 2017. The bank's tangible leverage ratio was 9.27% at year-end 2018, compared to 9.37% at December 31, 2017. The completion of the Steelhead acquisition resulted in approximately \$3.3 million in goodwill reflected above in the tangible shareholder equity and leverage ratios. Tangible book value per share was \$10.86 at December 31, 2018, compared to \$9.71 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)					
(dollars in thousands)	Three Months Ended			Twelve Months Ended	
	12/31/2018	9/30/2018	12/31/2017	12/31/2018	12/31/2017
Interest Income					
Loans	3,343	3,152	2,678	12,193	10,367
Investments	162	152	164	658	703
Federal funds sold and due from banks	161	182	61	534	175
Total interest income	3,666	3,486	2,903	13,385	11,245
Interest Expense					
Deposits	278	241	129	850	435
Other	75	77	-	282	-
Total interest expense	353	318	129	1,132	435
Net interest income	3,313	3,169	2,774	12,253	10,810
Provision for credit losses	112	69	72	406	52
Net Interest Income after provision for credit losses	3,201	3,100	2,702	11,847	10,758
Non-Interest Income					
Service charges on deposit accounts	78	76	73	308	290
Mortgage lending income	150	130	191	615	805
Steelhead Finance income	1,179	1,339	1,072	4,915	1,398
Gain (loss) on other real estate	-	-	-	-	22
Other non-interest income	118	199	151	817	755
Total non-interest income	1,525	1,744	1,487	6,655	3,270
Non-Interest Expense					
Salary and Benefits	2,346	2,297	1,954	8,955	6,210
Premises and fixed assets	554	460	419	1,877	1,473
Other	825	828	724	3,348	2,634
Total non-interest expense	3,725	3,585	3,097	14,180	10,317
Net income before taxes	1,001	1,259	1,092	4,322	3,711
Income taxes	119	311	779	924	1,650
Net income	882	948	313	3,398	2,061
Basic earnings per share *	0.30	0.33	0.11	1.18	0.80
Diluted earnings per share *	0.30	0.32	0.11	1.18	0.80
Average common shares outstanding *	2,926,964	2,909,889	2,725,925	2,870,220	2,570,472
Performance Measures					
Return on average assets	1.03%	1.11%	0.41%	1.00%	0.73%
Return on average equity	10.25%	11.43%	3.87%	10.29%	7.18%
Net interest margin	4.11%	4.05%	4.12%	4.18%	4.22%
Efficiency ratio	76.99%	72.97%	72.68%	74.99%	73.23%

* adjusted for 5% stock dividend May 2017, May 2018

People's Bank of Commerce					
Balance Sheet (unaudited)					
(dollars in thousands)	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Assets					
Cash and due from banks	9,382	3,928	2,431	11,918	14,046
Federal funds sold					
Interest-bearing deposits	17,127	21,381	15,713	13,948	8,209
Investment securities	25,878	24,462	26,198	26,871	28,538
Loans held for sale	2,084	215	1,381	1,862	2,191
Loans held for investment, net of unearned income	249,949	240,093	233,600	219,359	208,657
Allowance for loan and lease losses	<u>(2,812)</u>	<u>(2,701)</u>	<u>(2,631)</u>	<u>(2,523)</u>	<u>(2,400)</u>
Loans, net	247,137	237,392	230,969	216,836	206,257
Premises and equipment, net	16,807	16,387	16,165	14,806	12,196
Other assets	31,110	<u>32,730</u>	<u>34,064</u>	<u>32,581</u>	<u>31,004</u>
Total assets	<u>349,525</u>	<u>336,495</u>	<u>326,921</u>	<u>318,822</u>	<u>302,441</u>
Liabilities					
Deposits					
Demand noninterest-bearing	124,866	120,679	131,743	126,424	118,948
Demand interest-bearing	48,813	44,661	29,300	27,188	26,218
Money market and savings	117,714	112,728	107,634	108,666	101,141
Time deposits of less than \$250,000	15,300	15,017	16,136	16,483	16,555
Time deposits of more than \$250,000	<u>1,317</u>	<u>2,081</u>	<u>2,074</u>	<u>2,067</u>	<u>2,060</u>
Total deposits	308,010	295,166	286,887	280,828	264,922
Other liabilities	<u>6,062</u>	<u>7,290</u>	<u>7,022</u>	<u>5,983</u>	<u>6,103</u>
Total liabilities	314,072	302,456	293,909	286,811	271,025
Capital					
Common stock, surplus, retained earnings	36,011	34,920	33,891	32,901	32,152
Accumulated other comprehensive income (loss)	<u>(113)</u>	<u>(319)</u>	<u>(278)</u>	<u>(249)</u>	<u>(56)</u>
Unearned ESOP Shares	<u>(445)</u>	<u>(562)</u>	<u>(601)</u>	<u>(641)</u>	<u>(680)</u>
Total shareholders' equity	35,453	34,039	33,012	32,011	31,416
Total Liabilities and Equity	<u>349,525</u>	<u>336,495</u>	<u>326,921</u>	<u>318,822</u>	<u>302,441</u>
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Total intangible assets and goodwill	3,486	3,468	3,468	3,468	3,468
Current shares outstanding	2,953,434	2,915,752	2,902,164	2,747,164	2,745,758