

**FOR IMMEDIATE RELEASE**

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## **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 2020 operations. The bank reported net income of \$6,131,000 for the full year of 2020 compared to \$4,068,000 in 2019, a 51% increase. In 2020 earnings per diluted share were \$1.76 compared \$1.32 per diluted share during 2019, a 33% increase. Net income for the 4<sup>th</sup> quarter of 2020, totaled \$1,698,000 or \$0.48 per diluted share compared to \$1,350,000 or \$0.43 per diluted share for 2019.

When comparing the full year 2020 net income to 2019, several significant items impact the comparison. The bank's mortgage division increased its gross revenue to \$4,750,000 in 2020 from \$1,219,000 in 2019, a 290% increase. Steelhead Finance, the bank's factoring division, which focuses on the trucking industry, had slightly better income in 2020 when compared to 2019, with gross income of \$4,073,000 vs \$4,061,000. Steelhead Finance's results in 2020 were tempered by the COVID-19 shutdown of our economy in March and April, which severely hampered the trucking industry. The economic slowdown caused by the pandemic also affected portfolio commercial lending, which was down slightly in 2020, but was positively influenced by the PPP loan program which increased total loans by 25% in 2020 compared to 2019.

Highlights for the quarter and year included:

- Total loans decreased \$9.7 million during the fourth quarter 2020 but increased \$67.9 million or 24% for the entire year. The 4<sup>th</sup> quarter decrease was the result of PPP loan paydowns from the SBA loan forgiveness program, while the loan growth over the full year was due to PPP loan origination.
- Deposits increased \$23.9 million over the past 3 months and increased \$149 million for the entire year, a 49% increase.
- Total bank assets increased \$153.2 million or 41% for the year.
- Net interest income for 2020 totaled \$15.7 million dollars compared to \$14.0 million in 2019, a 12% increase.
- Non-Interest income totaled \$10.4 million in 2020 versus \$6.6 million in 2019, a 56% increase, due to changes in mortgage, Steelhead factoring and the PPP loan program, discussed above.
- Non-interest expenses totaled \$16.7 million in 2020 compared to \$14.9 million in 2019, a 12% increase.
- The bank's year-to-date efficiency ratio was 70.7% in 2020 and 72.0 % in 2019 when PPP income is excluded. Including PPP, year-to-date efficiency was 63.9%.
- ROAE was 12.67% in 2020 and 10.76% in 2019. For the fourth quarter of 2020, the ROAE was 13.10% compared to 13.56% for the same period in 2019.
- ROAA was 1.32% in 2020 and 1.13% in 2019. For the fourth quarter of 2020, the ROAA was 1.31% compared to 1.46% for the same period in 2019.
- There were no loans on non-accrual or past due more than 90 days at the end of 2020, compared to 0.24% at the end of 2019.
- Net Income was affected by one-time merger expenses of \$274 thousand in 2020.

## **CEO's Commentary**

"2020 was perhaps the strangest year in banking that I have seen in 40 years, almost exclusively caused by the Pandemic. Our change in strategic direction, started five years ago, to develop more non-interest income as a percentage of total income, paid off significantly this year," noted Ken Trautman, bank CEO. "Gross income from our mortgage division and Steelhead Finance totaled 34% of the bank's total gross income in 2020, which was supplemented by PPP loan fees and interest to create a very strong income year. Attracting low-cost deposits, which was difficult in 2019, became easier, with the majority of the deposit growth in non-interest DDA accounts. Loan quality remains strong and loan demand, particularly in the latter half of the year, showed strong growth. Both are reflective of the resilient local markets that the bank serves," commented Trautman.

In addition to managing the effects of the Pandemic, the bank also announced the acquisition of Willamette Community Bank, headquartered in Albany, Oregon on November 5, 2020. The bank released the Proxy Statement and Definitive Merger Agreement for shareholders of record of December 17, 2020 to vote their shares at a February 11, 2021 special shareholder meeting. Information about the proposed merger can be found in the Investor Relations section of the bank's website.

## **Provision for Credit Losses**

The bank had a provision expense of \$1,332,000 in 2020 compared to \$296,000 in 2019. At year-end 2020, the allowance for loan and lease losses totaled 1.29% of loans held for investment, including PPP loans, compared to 1.12% at the end of 2019. Net loan charge offs in 2020 were (\$2,250) versus (\$11,000) the prior year.

## **Capital**

At December 31, 2020, tangible shareholder's equity totaled \$48.7 million, compared to \$38.0 million at December 31, 2019. The bank's tangible leverage ratio was 9.36% at year-end 2020, compared to 10.35% at December 31, 2019. Tangible book value per share was \$13.68 at December 31, 2020, compared to \$11.71 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](http://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.

<b>People's Bank of Commerce</b>					
<b>Income Statement (unaudited)</b>					
	<b>Three Months Ended</b>			<b>Twelve Months Ended</b>	
(dollars in thousands)	<b>12/31/2020</b>	<b>9/30/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
<b>Interest Income</b>					
Loans	4,308	4,065	3,729	15,918	14,417
Investments	155	133	158	604	604
Federal funds sold and due from banks	30	28	72	147	413
Total interest income	4,493	4,226	3,959	16,669	15,434
<b>Interest Expense</b>					
Deposits	176	177	316	812	1,366
Other	26	41	13	165	29
Total interest expense	202	218	329	977	1,395
Net interest income	4,291	4,008	3,630	15,692	14,039
Provision for credit losses	182	247	85	1,332	296
<b>Net Interest Income after provision for credit losses</b>	4,109	3,761	3,545	14,360	13,743
<b>Non-Interest Income</b>					
Service charges on deposit accounts	57	55	83	249	312
Mortgage lending income	1,634	1,604	454	4,750	1,219
Steelhead Finance income	1,239	1,074	903	4,073	4,061
Gain (loss) on other real estate	-	-	-	-	-
Other non-interest income	335	332	285	1,298	1,058
Total non-interest income	3,265	3,065	1,725	10,370	6,650
<b>Non-Interest Expense</b>					
Salary and Benefits	3,186	2,779	2,209	10,524	9,448
Premises and fixed assets	590	556	603	2,222	2,243
Other	1,281	1,012	630	3,916	3,198
Total non-interest expense	5,057	4,347	3,442	16,662	14,889
Net income before taxes	2,317	2,479	1,828	8,068	5,504
Income taxes	619	542	478	1,937	1,436
Net income	1,698	1,937	1,350	6,131	4,068
Basic earnings per share	0.48	0.55	0.43	1.76	1.32
Diluted earnings per share	0.48	0.55	0.43	1.76	1.32
Average common shares outstanding	3,560,096	3,523,004	3,169,537	3,487,219	3,089,588
<b>Performance Measures</b>					
Return on average assets	1.31%	1.58%	1.46%	1.32%	1.13%
Return on average equity	13.10%	15.55%	13.56%	12.67%	10.76%
Net interest margin	3.75%	3.68%	4.74%	3.86%	4.55%
Efficiency ratio	66.93%	61.46%	64.28%	63.93%	71.97%

<b>People's Bank of Commerce</b>					
<b>Balance Sheet (unaudited)</b>					
(dollars in thousands)	12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019
<b>Assets</b>					
Cash and due from banks	2,819	3,659	3,398	7,459	3,711
Federal funds sold					
Interest-bearing deposits	91,103	49,336	57,717	14,899	11,936
Investment securities	25,894	22,910	23,597	27,172	27,734
Loans held for sale	3,407	17,386	8,106	6,648	2,474
Loans held for investment, net of unearned income	346,198	355,855	354,170	269,752	278,277
Allowance for loan and lease losses	<u>(4,453)</u>	<u>(4,271)</u>	<u>(4,024)</u>	<u>(3,378)</u>	<u>(3,119)</u>
Loans, net	341,745	351,584	350,146	266,374	275,158
Premises and equipment, net	21,624	20,664	20,469	20,170	20,306
Other assets	<u>36,738</u>	<u>34,423</u>	<u>30,308</u>	<u>31,383</u>	<u>28,855</u>
<b>Total assets</b>	<u><b>523,331</b></u>	<u><b>499,963</b></u>	<u><b>493,742</b></u>	<u><b>374,105</b></u>	<u><b>370,174</b></u>
<b>Liabilities</b>					
Deposits					
Demand noninterest-bearing	231,095	219,836	199,808	141,448	136,051
Demand interest-bearing	54,806	54,711	46,396	38,257	44,341
Money market and savings	147,481	134,053	125,023	112,238	107,985
Time deposits of less than \$250,000	19,149	20,012	20,897	16,231	15,715
Time deposits of more than \$250,000	<u>3,216</u>	<u>3,282</u>	<u>2,318</u>	<u>2,578</u>	<u>2,701</u>
Total deposits	455,747	431,894	394,442	310,752	306,793
Other liabilities	<u>14,748</u>	<u>17,217</u>	<u>50,358</u>	<u>16,603</u>	<u>21,722</u>
<b>Total liabilities</b>	470,495	449,111	444,800	327,355	328,515
<b>Capital</b>					
Common stock, surplus, retained earnings	52,154	50,162	48,222	46,622	41,663
Accumulated other comprehensive income (loss)	<u>682</u>	<u>690</u>	<u>720</u>	<u>128</u>	<u>208</u>
Unearned ESOP Shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212)</u>
<b>Total shareholders' equity</b>	52,836	50,852	48,942	46,750	41,659
<b>Total Liabilities and Equity</b>	<u><b>523,331</b></u>	<u><b>499,963</b></u>	<u><b>493,742</b></u>	<u><b>374,105</b></u>	<u><b>370,174</b></u>
<b>memo:</b>					
Total intangible assets and goodwill	3,486	3,486	3,486	3,486	3,486
Current shares outstanding	3,558,581	3,523,078	3,522,857	3,500,065	3,241,075