



FOR IMMEDIATE RELEASE

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Contact:

Ken Trautman, CEO

(541) 774-7654, ken@peoplesbank.bank

People's Bank Reports Earnings

Medford, Oregon - People's Bank of Commerce (OTCBB: PBCO) announced today its financial results for the third quarter and year-to-date 2020. The bank reported net income of \$1,937,000 or \$0.55 per basic and diluted share for the third quarter of 2020, compared to net income of \$947,000 or \$0.30 per share in the same quarter of 2019. Earnings for the first nine months of 2020 totaled \$4,433,000 or \$1.28 per share compared to \$2,719,000 or \$0.89 per share during the first three quarters of 2019. Earnings per share for the trailing 12-months ending September 30, 2020 were \$1.71 per share compared to \$1.19 during the same period one year earlier.

Balance sheet September 30, 2020 vs. September 30, 2019:

- Total Loans increased 35%
- Total Deposits increased 37%
- Total Assets increased 37%
- Total Equity increased 31%

Income statement year-to date September 30, 2020 vs. September 30, 2019:

- Net-interest Income increased 10%
- Pre-tax income increased 56%
- Mortgage lending income up by 308%
- Non-interest Income increased 44%
- Non-interest Expense increased 1%

CEO's Comments

"Over five years ago the bank created a strategic plan that focused on the development of non-interest income that would stabilize the bank's earnings during periods of low interest rates. Today we are seeing the benefits of that strategy as interest rates are again at all-time lows. While low rates are detrimental to our overall net interest income after provision, up only 1% over the same period in 2019, they do enhance the income potential of our Home Lending Department. The bank's factoring company, purchased in 2017, is also contributing good, consistent non-interest income, even considering the pandemic shutdown in April and May of this year. The Paycheck Protection Program (PPP) processing fee income also contributed to a very strong first nine months of 2020. Total loan growth, excluding PPP loans, has been very soft through the 3rd quarter of 2020, while deposits are up 37%, some of which can also be attributed to PPP," stated Ken Trautman, People's Bank CEO.

"Last year I said that 2019 had been a year of change for the bank, which included a core processing conversion as well as staff reductions in our branch system due to improved technology and processing centralization. The year 2020 has been a year of adaptation as we navigate through the COVID-19 reality, face devastating wildfires and wait for a return to normalcy," added Trautman.



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"The year's unique circumstances of increased fee income due to the pandemic has enabled the bank and its employees to substantially contribute to the rebuilding of the Rogue Valley community after the tragic fires which displaced nearly 3,000 families," commented Trautman. "Through a donation to the People's Bank of Commerce Foundation of more than \$1.2 million, the bank and its employees are proud to support the newly formed Southern Oregon Housing Initiative. This collaboration of community businesses and partners is diligently working to develop solutions for intermediate and long-term housing for fire victims."

Provision for Credit Losses

The bank's year-to-date provision for loan and lease losses was \$1.2 million compared a provision of \$211 thousand during the same period last year. This increase was a hedge against the unknown credit issues that could arise because of the COVID-19 pandemic. In spite of COVID-19, credit quality remains strong with no loans past due over 90 days or on non-accrual at September 30, 2020, consistent with the same time in 2019. At the end of the third quarter 2020, the loan loss reserve for portfolio loans, excluding PPP loans, was 1.56% compared to 1.12% at the end of the third quarter 2019.

Non-Interest Income

For the quarter ending September 30, 2020, non-interest income was \$3.1 million compared to \$1.70 million in the same quarter one year earlier. For the first three quarters of 2020, non-interest income was significantly higher than the previous year with \$7.1 million compared to \$4.9 million year-to-date in 2019. The bank's home lending division generated \$3.1 million in non-interest income while Steelhead Finance, the bank's factoring division, generated \$2.8 million during the three quarters of 2020.

Non-Interest Expense

For the quarter ending September 30, 2020, non-interest expense was \$4.3 million compared to \$3.9 million in the same quarter of 2019. Year-to-date non-interest expense totaled \$11.6 million through September 30, 2020, compared to \$11.4 million in the same period the prior year.

Capital

As of September 30, 2020, shareholder's equity totaled \$50.9 million, compared to \$38.8 million at September 30, 2019. The bank's Tier 1 capital ratio was 9.40% at the end of the third quarter 2020, compared to 9.73% one year ago. Tangible Book value per share was \$13.25 on September 30, 2020, compared to \$11.23 on September 30, 2019.

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.



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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**
We put **people** first.

People's Bank of Commerce					
Balance Sheet (unaudited)					
(dollars in thousands)	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Assets					
Cash and due from banks	3,659	3,398	7,459	3,711	2,798
Federal funds sold					
Interest-bearing deposits	49,336	57,717	14,899	11,936	16,004
Investment securities	22,910	23,597	27,172	27,734	23,212
Loans held for sale	17,386	8,106	6,648	2,474	3,909
Loans held for investment, net of unearned income	355,855	354,170	269,752	278,277	271,635
Allowance for loan and lease losses	<u>(4,271)</u>	<u>(4,024)</u>	<u>(3,378)</u>	<u>(3,119)</u>	<u>(3,033)</u>
Loans, net	351,584	350,146	266,374	275,158	268,602
Premises and equipment, net	20,664	20,469	20,170	20,306	20,529
Other assets	<u>34,423</u>	<u>30,308</u>	<u>31,383</u>	<u>28,855</u>	<u>28,818</u>
Total assets	<u>499,963</u>	<u>493,742</u>	<u>374,105</u>	<u>370,174</u>	<u>363,872</u>
Liabilities					
Deposits					
Demand noninterest-bearing	219,836	199,808	141,448	136,051	140,458
Demand interest-bearing	54,711	46,396	38,257	44,341	47,020
Money market and savings	134,053	125,023	112,238	107,985	108,614
Time deposits of less than \$250,000	20,012	20,897	16,231	15,715	15,419
Time deposits of more than \$250,000	<u>3,282</u>	<u>2,318</u>	<u>2,578</u>	<u>2,701</u>	<u>2,949</u>
Total deposits	431,894	394,442	310,752	306,793	314,460
Other liabilities	<u>17,217</u>	<u>50,358</u>	<u>16,603</u>	<u>21,722</u>	<u>10,611</u>
Total liabilities	449,111	444,800	327,355	328,515	325,071
Capital					
Common stock, surplus, retained earnings	50,162	48,222	46,622	41,663	38,879
Accumulated other comprehensive income (loss)	<u>690</u>	<u>720</u>	<u>128</u>	<u>208</u>	<u>249</u>
Unearned ESOP Shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212)</u>	<u>(327)</u>
Total shareholders' equity	50,852	48,942	46,750	41,659	38,801
Total Liabilities and Equity	<u>499,963</u>	<u>493,742</u>	<u>374,105</u>	<u>370,174</u>	<u>363,872</u>
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Total intangible assets and goodwill	3,486	3,486	3,486	3,486	3,486
Current shares outstanding	3,523,078	3,522,857	3,500,065	3,241,075	3,122,591



**People's Bank of Commerce
Income Statement (unaudited)**

(dollars in thousands)

	Three Months Ended			Twelve Months Ended	
	9/30/2020	6/30/2020	9/30/2019	9/30/2020	9/30/2019
Interest Income					
Loans	4,065	3,874	3,672	15,339	14,032
Investments	133	157	160	607	608
Federal funds sold and due from banks	28	26	136	190	498
Total interest income	4,226	4,057	3,968	16,136	15,138
Interest Expense					
Deposits	177	181	354	951	1,328
Other	41	67	5	152	91
Total interest expense	218	248	359	1,103	1,419
Net interest income	4,008	3,809	3,609	15,033	13,719
Provision for credit losses	247	644	113	1,235	323
Net Interest Income after provision for credit losses	3,761	3,165	3,496	13,798	13,395
Non-Interest Income					
Service charges on deposit accounts	55	54	84	275	307
Mortgage lending income	1,604	960	294	3,571	914
Steelhead Finance income	1,074	808	1,044	3,737	4,337
Gain (loss) on other real estate	-	-	-	-	-
Other non-interest income	332	291	273	1,247	892
Total non-interest income	3,065	2,113	1,695	8,830	6,450
Non-Interest Expense					
Salary and Benefits	2,779	2,116	2,434	9,548	9,585
Premises and fixed assets	556	543	544	2,235	2,194
Other	1,012	838	883	3,265	3,391
Total non-interest expense	4,347	3,497	3,861	15,048	15,170
Net income before taxes	2,479	1,781	1,330	7,580	4,676
Income taxes	542	396	383	1,797	1,075
Net income	1,937	1,385	947	5,783	3,601
Basic earnings per share	0.55	0.39	0.30	1.71	1.19
Diluted earnings per share	0.55	0.39	0.30	1.70	1.19
Average common shares outstanding	3,523,004	3,522,783	3,122,591	3,389,579	3,028,945
Performance Measures					
Return on average assets	1.58%	1.16%	1.02%	1.35%	1.04%
Return on average equity	15.55%	11.53%	9.88%	12.75%	9.73%
Net interest margin	3.68%	3.61%	4.54%	4.09%	4.27%
Efficiency ratio	61.46%	59.05%	72.79%	63.06%	75.21%