

FOR IMMEDIATE RELEASE

April 10, 2020

Contact:

Ken Trautman, President and CEO

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

People's Bank Reports First Quarter Earnings

Medford, Oregon - People's Bank of Commerce (OTCBB: PBCO) announced today its financial results for the first quarter of 2020. The bank reported net income of \$1,111,000 or \$0.33 per diluted share for the first quarter of 2020 compared to net income of \$839,000 or \$0.28 per diluted share in the same quarter of 2019. Earnings per share for the trailing 12-months were \$1.36 per share up from \$1.20 per share the previous period, a 13% increase.

Highlights for the quarter compared to the first quarter of 2019:

- Net loans increased 5%
- Deposits decreased 1%
- The bank's total assets increased 3%
- Net interest income, before provision, increased 6%
- Non-Interest income increased by 24%
- Non-interest expenses held flat
- Loan Loss Provision increased by \$200 thousand as a buffer for the effects of COVID-19.

President's Comments

"If I had written this earnings release a month ago, I would have focused on a very successful first quarter, with pre-tax earnings up 52% before our special COVID-19 provision," commented Ken Trautman, President and CEO. "I would have mentioned that our strategy of diversifying income by increasing non-interest income sources was progressing along nicely. This would have been supported by the numbers; our mortgage department reporting a 163% increase in gross income and total non-interest income up 24%. Now, these results all pale to what we have accomplished in our attempt to support our customers and community during this war on COVID-19. As a Preferred Lender with SBA, we are in a unique position to react immediately to the provisions of the CARES Act, specifically the Paycheck Protection Program (PPP) component. As of April 9th, we have received funding approval for over 250 loans, totaling just under \$50 million dollars, with a large pipeline of qualified, pending applicants still to be processed. Bank personnel have worked around the clock to contact customers and process applications. We are also working with businesses in our communities that are not currently our customers, helping them obtain loans, because this will affect the health and well-being of all. The SBA PPP loans, the loan modifications on existing loans and the loan deferrals we are doing will make a significant difference in the success of our community and our businesses."

Provision for Credit Losses

"Loan quality continues to be strong with no loans past due over 30 days or on Non-Accrual at the end of the first quarter of 2020. Part of the decrease in net loans was the payoff of non-accrual loans on the bank's books at the end of 2019. However, due to current circumstances, the bank has increased its reserve to outstanding loans from 1.12% at the end of the first quarter of 2019 to 1.25% at the end of the same quarter in 2020. The provision to increase the allowance for loan and lease losses was \$260,000 in 2020 compared to \$59,000 in 2019," commented Mr. Trautman.

Non-Interest Income

Non-interest income for the first quarter of 2020 was \$1,927,000 compared to \$1,555,000 for the same quarter of 2019, a 24% increase. With low mortgage interest rates, the bank's mortgage division had an outstanding quarter, contributing over \$550,000 in revenue. Steelhead Finance, the bank's factoring division, contributed over \$950,000 in revenue in the first quarter.

Non-Interest Expense

Non-interest expense for the first quarter of 2020 was \$3,761,000 compared to \$3,767,000 for the same quarter of 2019, down less than 1%. Total personnel expense was up 3% compared to 2019, while fixed asset costs, advertising costs and supply costs were all down.

Capital

At March 31, 2020, shareholder equity totaled \$46.8 million, compared to \$36.5 million at March 31, 2019. This includes the successful \$5 million capital raise that was completed during the quarter. The bank's Tier 1 Capital ratio was 11.64% at the end of the first quarter 2020, compared to 9.21% one year ago. Tangible book value per share was \$12.32 on March 31, 2020, compared to \$11.15 on March 31, 2019.

About People's Bank of Commerce

People's Bank of Commerce 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, commercial 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	
	3/31/2020	12/31/2019	3/31/2019	3/31/2020	3/31/2019
Interest Income					
Loans	3,671	3,729	3,475	14,614	12,927
Investments	160	158	156	607	640
Federal funds sold and due from banks	63	72	108	365	559
Total interest income	3,894	3,959	3,739	15,586	14,127
Interest Expense					
Deposits	279	316	347	1,298	1,054
Other	30	13	5	54	240
Total interest expense	309	329	352	1,352	1,294
Net interest income	3,585	3,630	3,387	14,234	12,832
Provision for credit losses	260	85	59	496	343
Net Interest Income after provision for credit losses	3,325	3,545	3,328	13,738	12,489
Non-Interest Income					
Service charges on deposit accounts	82	83	67	328	300
Mortgage lending income	553	454	210	1,562	649
Steelhead Finance income	951	903	1,051	3,961	4,881
Gain (loss) on other real estate	-	-	-		
Other non-interest income	341	285	227	1,171	833
Total non-interest income	1,927	1,725	1,555	7,022	6,662
Non-Interest Expense					
Salary and Benefits	2,443	2,209	2,380	9,512	9,239
Premises and fixed assets	532	603	549	2,226	2,038
Other	786	630	838	3,144	3,385
Total non-interest expense	3,761	3,442	3,767	14,882	14,661
Net income before taxes	1,491	1,828	1,116	5,878	4,490
Income taxes	380	478	277	1,537	978
Net income	1,111	1,350	839	4,341	3,513
Basic earnings per share	0.33	0.43	0.28	1.36	1.20
Diluted earnings per share	0.33	0.43	0.28	1.36	1.20
Average common shares outstanding	3,342,993	3,169,537	2,955,964	3,186,346	2,962,202
Performance Measures					
Return on average assets	1.18%	1.46%	0.94%	1.18%	1.03%
Return on average equity	10.16%	13.57%	9.29%	10.93%	10.30%
Net interest margin	4.43%	4.74%	4.33%	4.55%	4.17%
Efficiency ratio	68.23%	64.28%	76.22%	70.01%	75.21%

People's Bank of Commerce					
Balance Sheet (unaudited)					
(dollars in thousands)	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Assets					
Cash and due from banks	7,459	3,711	2,798	3,747	4,736
Federal funds sold					
Interest-bearing deposits	14,899	11,936	16,004	18,694	30,152
Investment securities	27,172	27,734	23,212	22,585	20,031
Loans held for sale	6,648	2,474	3,909	2,013	1,157
Loans held for investment, net of unearned income	269,752	278,277	271,635	261,835	256,389
Allowance for loan and lease losses	<u>(3,378)</u>	<u>(3,119)</u>	<u>(3,033)</u>	<u>(2,920)</u>	<u>(2,880)</u>
Loans, net	266,374	275,158	268,602	258,915	254,666
Premises and equipment, net	20,170	20,306	20,529	20,736	21,086
Other assets	<u>31,383</u>	<u>28,855</u>	<u>28,818</u>	<u>31,185</u>	<u>30,894</u>
Total assets	<u>374,105</u>	<u>370,174</u>	<u>363,872</u>	<u>357,875</u>	<u>361,565</u>
Liabilities					
Deposits					
Demand noninterest-bearing	141,448	136,051	140,458	136,211	128,937
Demand interest-bearing	38,257	44,341	47,020	46,690	56,175
Money market and savings	112,238	107,985	108,614	105,310	110,237
Time deposits of less than \$250,000	16,231	15,715	15,419	17,915	16,750
Time deposits of more than \$250,000	<u>2,578</u>	<u>2,701</u>	<u>2,949</u>	<u>2,682</u>	<u>1,873</u>
Total deposits	310,752	306,793	314,460	308,808	313,972
Other liabilities	<u>16,603</u>	<u>21,722</u>	<u>10,611</u>	<u>11,308</u>	<u>11,137</u>
Total liabilities	327,355	328,515	325,071	320,116	325,109
Capital					
Common stock, surplus, retained earnings	46,622	41,663	38,879	37,913	36,863
Accumulated other comprehensive income (loss)	<u>128</u>	<u>208</u>	<u>249</u>	<u>212</u>	<u>(2)</u>
Unearned ESOP Shares	<u>-</u>	<u>(212)</u>	<u>(327)</u>	<u>(366)</u>	<u>(405)</u>
Total shareholders' equity	46,750	41,659	38,801	37,759	36,456
Total Liabilities and Equity	<u>374,105</u>	<u>370,174</u>	<u>363,872</u>	<u>357,875</u>	<u>361,565</u>
memo:					
Total intangible assets and goodwill	3,486	3,486	3,486	3,486	3,486
Current shares outstanding	3,500,065	3,241,075	3,122,591	3,122,155	2,955,964