

**FOR IMMEDIATE RELEASE**

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## **People's Bank year-to-date Earnings Increase 48%**

**Medford, Oregon** - People's Bank of Commerce (OTCBB: PBCO) announced today its financial results for the third quarter and year-to-date 2018. The bank reported net income of \$948,000 or \$0.33 per basic and diluted share for the third quarter of 2018, compared to net income of \$695,000 or \$0.26 per share in the same quarter of 2017. Earnings for the first nine months of 2018 totaled \$2,516,000 or \$0.88 per share compared to \$1,706,000 or \$0.69 per share during the first three quarters of 2017. Earnings per share for the trailing 12 months ending September 30, 2018 were \$1.00 per share compared to \$0.95 during the same period one year earlier.

Balance Sheet September 30, 2018 vs. September 30, 2017:

- Total Loans increased 19%
- Total Deposits increased 12%
- Total Assets increased 12%
- Total Equity increased 11%

Income Statement year-to date September 30, 2018 vs. September 30, 2017:

- Net-interest Income increased 11%
- Pre-tax income increased 27%
- Non-interest Income increased 191%
- Non-interest Expense increased 45%
- Return on average assets 1.04% vs. 0.82%
- Return on average equity 10.31% vs. 8.29%

### **President's Comments**

"Total loans and deposits continue to show strong increases over the past 12 months" stated Ken Trautman, bank President and CEO. "The bank's subsidiary, Steelhead Finance, acquired in September 2017, continues to perform at a very high level. The bank's pipeline of pending loans is currently equal to about 24% of loans outstanding with about 50% of the pipeline approved, but not yet funded. The bank has hired a new, highly experienced, four person lending team to increase loan production further. The disruption in our market place from strategic changes within the regional and national banks continue to provide People's Bank with opportunities for an increased market share," commented Trautman.

### **Provision for Credit Losses**

As a result of strong loan growth, the bank's provision for loan and lease losses has increased by \$293 thousand compared to a year-to-date decrease of \$20 thousand during the same period last year. Credit quality remains strong with no loans past due over 90 days or on non-accrual at the end of September 2018 and September 2017. At the end of the third quarter 2018, the loan loss reserve was 1.12% of loans held for investment compared to 1.15% at the end of the third quarter 2017.

### **Non-Interest Income**

For the quarter ending September 30, 2018, non-interest income was \$1.7 million compared to \$814 thousand in the same quarter one year earlier. For the first three quarters of 2018, non-interest income was higher than the previous year with \$5.1 million compared to \$1.8 million year-to-date in 2017. The bank's wholly owned subsidiary Steelhead Finance, LLC generated \$3.7 million in non-interest income during the three quarters of 2018.

### **Non-Interest Expense**

For the quarter ending September 30, 2018, non-interest expense was \$3.6 million compared to \$2.5 million in the same quarter of 2017. Year-to-date non-interest expense totaled \$10.5 million through September 30, 2018, compared to \$7.2 million in the same period the prior year. Mr. Trautman explained, "The most significant factors causing the increase were the added non-interest expense associated with Steelhead, the bank's expansion into the Klamath Falls market, and third, the bank's additional lending team.

### **Capital**

As of September 30, 2018, shareholder's equity totaled \$34.0 million, compared to \$30.6 million at September 30, 2017. The bank's leverage ratio was 10.1% at the end of the third quarter 2018, compared to 10.2% one year ago. Book value per share was \$11.68 on September 30, 2018, compared to \$10.72 on September 30, 2017, when adjusted for the 5% stock dividend received in May of 2018.

### **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>Balance Sheet (unaudited)</b>					
(dollars in thousands)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
<b>Assets</b>					
Cash and due from banks	3,928	2,431	11,918	14,046	13,133
Federal funds sold					-
Interest-bearing deposits	21,381	15,713	13,948	8,209	22,377
Investment securities	24,462	26,198	26,871	28,538	27,436
Loans held for sale	215	1,381	1,862	2,191	742
Loans held for investment, net of unearned income	240,093	233,600	219,359	208,657	202,165
Allowance for loan and lease losses	<u>(2,701)</u>	<u>(2,631)</u>	<u>(2,523)</u>	<u>(2,400)</u>	<u>(2,327)</u>
Loans, net	237,392	230,969	216,836	206,257	199,838
Premises and equipment, net	16,387	16,165	14,806	12,196	10,965
Other assets	<u>32,730</u>	<u>34,064</u>	<u>32,581</u>	<u>31,004</u>	<u>26,601</u>
Total assets	<u>336,495</u>	<u>326,921</u>	<u>318,822</u>	<u>302,441</u>	<u>301,092</u>
<b>Liabilities</b>					
Deposits					
Demand noninterest-bearing	120,679	131,743	126,424	118,948	117,755
Demand interest-bearing	44,661	29,300	27,188	26,218	25,717
Money market and savings	112,728	107,634	108,666	101,141	101,925
Time deposits of less than \$250,000	15,017	16,136	16,483	16,555	17,087
Time deposits of more than \$250,000	<u>2,081</u>	<u>2,074</u>	<u>2,067</u>	<u>2,060</u>	<u>1,803</u>
Total deposits	295,166	286,887	280,828	264,922	264,287
Other liabilities	<u>7,290</u>	<u>7,022</u>	<u>5,983</u>	<u>6,103</u>	<u>6,236</u>
Total liabilities	302,456	293,909	286,811	271,025	270,523
<b>Shareholders' Equity</b>					
Common stock, surplus, retained earnings	34,920	33,891	32,901	32,152	31,312
Accumulated other comprehensive income (loss)	<u>(319)</u>	<u>(278)</u>	<u>(249)</u>	<u>(56)</u>	<u>41</u>
Unearned ESOP Shares	<u>(562)</u>	<u>(601)</u>	<u>(641)</u>	<u>(680)</u>	<u>(784)</u>
Total shareholders' equity	34,039	33,012	32,011	31,416	30,569
<b>Total Liabilities and Equity</b>	<u>336,495</u>	<u>326,921</u>	<u>318,822</u>	<u>302,441</u>	<u>301,092</u>

<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>9/30/2018</b>	<b>6/30/2018</b>	<b>9/30/2017</b>	<b>9/30/2018</b>	<b>9/30/2017</b>
<b>Interest Income</b>					
Loans	3,152	2,957	2,610	11,528	10,170
Investments	152	170	182	660	738
Federal funds sold and due from banks	182	108	72	448	121
Total interest income	3,486	3,235	2,864	12,636	11,029
<b>Interest Expense</b>					
Deposits	241	188	112	701	407
Other	77	84	-	221	-
Total interest expense	318	272	112	922	407
Net interest income	3,169	2,963	2,752	11,714	10,621
Provision for credit losses	69	102	(13)	365	16
<b>Net Interest Income after provision for credit losses</b>	3,100	2,861	2,765	11,349	10,605
<b>Non-Interest Income</b>					
Service charges on deposit accounts	76	78	71	304	284
Mortgage lending income	130	159	218	656	861
Steelhead Finance income	1,339	1,312	328	4,808	328
Gain (loss) on other real estate	-	-	-	113	102
Other non-interest income	199	289	197	736	671
Total non-interest income	1,744	1,838	814	6,617	2,246
<b>Non-Interest Expense</b>					
Bank salary and benefits	1,740	1,693	1,325	6,397	4,985
Steelhead Finance salary and benefits	557	523	129	2,166	557
Premises and fixed assets	460	474	368	1,742	1,401
Other	828	893	676	3,248	2,500
Total non-interest expense	3,585	3,583	2,498	13,553	9,443
Net income before taxes	1,259	1,116	1,081	4,413	3,408
Income taxes	311	271	386	1,584	1,182
Net income	948	845	695	2,829	2,226
Basic earnings per share *	0.33	0.29	0.26	1.00	0.95
Diluted earnings per share *	0.33	0.29	0.27	1.00	0.95
Average common shares outstanding *	2,909,889	2,897,801	2,626,567	2,818,266	2,351,410
<b>Performance Measures</b>					
Return on average assets	1.11%	1.06%	0.93%	0.88%	0.81%
Return on average equity	11.43%	10.55%	8.90%	8.62%	8.22%
Net interest margin	4.05%	4.19%	4.12%	4.21%	4.21%
Efficiency ratio	72.97%	74.63%	70.06%	73.93%	73.39%

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