



People's **BANK**
We put *people* first.



2019

Year In Review

Dear Shareholder,

The Board of Directors of People's Bank of Commerce is pleased to report our 2019 annual results and accomplishments.

As 2018 was ending, our Board of Directors and Senior Management were discussing what we hoped to accomplish in 2019. We knew we would be replacing our core processing system, a significant undertaking that was needed if we wanted to position our bank for the fast paced technological change overtaking the banking industry. We also knew we needed new enhancements and updates to our electronic banking platform and product mix. Most importantly, we knew all of these improvements had to happen concurrently with improvements in the bank's efficiency and profitability. I am happy to say that, although we incorrectly anticipated the direction of interest rates, as did most economist and other banks, we were able to accomplish most of our goals for 2019.

2019 turned out to be a year of modest growth, with assets increasing 5.9%, efficiency did improve and profitability increased 20% compared to the prior year. Additionally, the bank's mortgage division increased its gross revenue by 98% over 2018, and the bank's factoring division, Steelhead Finance, still produced more than \$4 million in gross revenue, even though income declined in 2019. The bank continued to enjoy a low cost of funds and a good return on assets compared to our peer group, resulting in a net interest margin of 4.55% in 2019, compared to 4.18% in 2018.

Bank operations were very productive during 2019 and included introducing numerous products and implementing upgrades that are expected to enhance productivity, efficiency and profitability for years to come. Some of the highlights included:

- Groundbreaking on a new branch office in Klamath Falls;
- New product offerings, which featured Person to Person Payments, Digital Wallet, and Mobile and Online Banking upgrades;
- Tighter security fortifications to bank-wide firewalls and password storage;
- Completion of structural changes in our branch delivery system and business development team to enhance customer service;
- Reorganization of the Small Business Loan Center to enhance efficiency; and
- Establishment of the People's Bank Foundation, a 501(c)3 nonprofit.

As a result of the bank's increased and sustained performance over the past decade, the bank's board is exploring the possibility of issuing cash dividends to shareholders in the future. No decision on the cash dividend has been made, but any cash dividend would be in lieu of the stock dividend issued in recent years. Beginning in 2020, we will discontinue issuing the stock dividend as we contemplate the possibility of paying a cash dividend. The ability to pay a cash dividend is dependent on a number of factors, including the bank's ability to generate enough earnings to support the anticipated growth and liquidity needs of the bank and a consistent cash dividend payment. This possibility is being researched, and the results will be communicated to our shareholders when a decision has been reached.

2019 will also be the planned beginning of some significant retirements. In May, Chief Financial Officer, Russ Milburn, will be retiring after nearly 13 years of service to the bank. Russ has been an instrumental part of our growth and overall profitability. We have identified his replacement internally and will be announcing that successor soon.

Additionally, Bill Jacobs, a Founding Director of People's Bank, will be retiring from the board in April. Current Director, Roy Vinyard, has been named as the successor to Bill as our Board Chair. Bill has been with the bank since 1998 and served as Board Chair since 2016. We will forever be grateful to Bill's commitment, knowledge, guidance, and service. Bill and Russ will be dearly missed.

We proudly believe in our locally owned community bank and are committed to the long-term value of its stock (PBCO). You may follow its price on our website at www.peoplesbank.bank.

Please don't hesitate to contact me directly at 541-774-7654, if you have questions or comments.

Sincerely,



Ken Trautman - President & CEO

"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.



KLAMATH FALLS

In late fall we held a ceremonial groundbreaking for our newest branch in Klamath Falls, Oregon located at 210 Timbermill Drive. In April 2020, we will formally break ground on the construction of our two-story mixed-use building. The first floor will house our banking operations for Klamath County. The second floor will feature three apartments, two one-bedroom and one two-bedroom apartment to help meet the housing needs of the city and will serve to honor the intent of the Timbermill Shores mixed use development.

The design of the building was made to support the historic timber mill that once was housed on the land and to incorporate the historic design of downtown Klamath Falls. The first floor will be home to our tellers and new account team and will also have our commercial lending and mortgage lending staff. The second floor will offer beautiful views of Lake Ewauna and will offer easy access to the walking path around the lake. We expect that the new branch will open in September 2020.

DIGITAL BANKING UPDATES

It is an exciting time for People's Bank as we step up to the challenge of the digital world which enhances every aspect of our daily lives. The digital transformation is moving quickly and People's Bank has invested significant dollars and resources to deliver an enhanced digital experience. This includes a new online banking platform, as well as new payment options for businesses and consumers.

Our new online banking channel is intuitive, user friendly and accessible from your smart phone and other devices. Our banking services have robust features for depositing checks, managing payments, accessing account information and monitoring account activity through alerts. Recently added payment options include Person to Person payments (P2P) which provides an immediate transfer of funds to another person. In addition, same day ACH debit and credit transactions are available for business customers.

Another easy to use payment service we now offer is Mobile Wallet. This new product is a convenient way to make in-store purchases using Apple Pay, Samsung Pay, Google Pay, Fitbit Pay and Garmin Pay. Mobile Wallet is used in place of your physical debit card. This service protects debit card information by encrypting the card data in the mobile wallet and offers an extremely secure transaction.

These highlighted services provide access to account information, banking services and payment options in a fast, easy, secure and convenient manner. People's Bank continues to listen to our customers and are continually updating our products to ensure we are meeting the needs and expectations in this fast-paced digital world.

DIRECTOR NEWS



Bill Jacobs, Jr.
Chairman

People's Bank and its board are saying farewell to the longest serving director at the bank – Bill Jacobs. As an original founder of the bank, Bill has been a steadfast pillar since its inception in 1998.

Bill reflects on one of his most memorable times on the board was during the 2008-2011 recession. “It was challenging for the bank and its customers. We survived that challenge by maintaining our focus and taking the right steps for safety and security.”

At age 80, Bill and his wife Carol will celebrate their 59th wedding anniversary in August. They'd like to travel more and Bill will continue his leadership roles with the Rogue Valley Manor's Board of Directors and on the Mentors Program, which helps high school boys plan their future.

The Board of Directors has appointed Roy Vinyard as Chair upon Bill's retirement.

We miss you already Bill!



Jim Wright
Vice Chairman



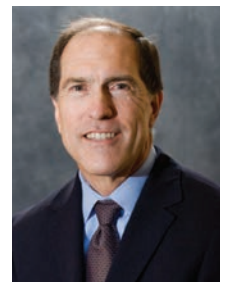
Bob Mayers



Ken Trautman



Lindsay Berryman



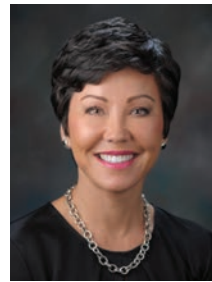
Roy Vinyard



Jim Teece



William C. St. Laurent



Jackie Anderberg



Kurt Kaufman

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