



2014

Dear Shareholder,

People's Bank is pleased to announce our results of operations for 2014, which marks the fourth consecutive year of increased income and growth. We look forward to another solid year during 2015.

The Bank's success during the past few years has been due to the collective efforts of our People's Bank community - our outstanding team of bankers, our experienced and local board of directors, and our loyal customers. All have played a critical role in growing the Bank and maintaining its distinctiveness as the only locally-owned and managed bank in Southern Oregon.

We recently adopted a new slogan for the Bank, which we believe emphasizes all that People's Bank represents. "We put **people** first" is the tagline and while it formalizes the Bank's brand, "putting people first" has truly been the foundation of People's Bank since we opened the doors in 1998. Whether it's the businesses we fund that fuel our local economy, the nonprofits we sponsor, the volunteer hours employees give, or our banking team, "people" really are the heart of People's Bank.

During 2015, we're proud that the Bank and its shareholders will benefit from the strategic vision developed four years ago that uses tactical growth to achieve the economies of scale needed to improve efficiency and financial performance. We have a tremendous opportunity in our market areas to use the strength of our growing Bank, the talent of our experienced employees and the referrals of a supportive customer base to become the bank of choice in our Southern Oregon community. We will continue to remain focused on the proven strategies that have yielded successful financial results and growth. We are proud of our local community bank and believe in the long-term value of the People's Bank stock (PBCO). You may follow its price on our website at www.peoplesbankofcommerce.com.

We thank you for your continued investment and confidence in People's Bank and for being a part of our community. Please don't hesitate to contact me directly at 541-774-7654, if you have any comments or questions.

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.

WE PUT PEOPLE FIRST.

At People's Bank, we know that banking doesn't have to be complicated. It isn't improved by jargon or posturing. Complicated "one-size-fits-all" banking never helped anyone achieve their financial goals.

Good banking happens when we put people first, and build strong individuals, families, schools, businesses and community. When we put people first, we are invested in our customer's hopes, goals and dreams. People, who may or may not be financial experts, but who deserve a fair and consistent banking experience. People, just like us, caring for their families, businesses and communities, trying to make the world a better place. We know that great things happen when businesses thrive, and people come first.

Here at People's Bank, we're for the people with big dreams. We're here for the families working on creating a better life for their children. We're for businesses investing locally to create a better community we're all proud to call home. It's our honor to serve businesses with every ounce of our energy and attention. It's our privilege to create business partnerships with extraordinary service. It's our goal to meet them as equals and to help achieve their dreams.

When we put people first, families grow stronger. When we put people first, businesses thrive. When we put people first, our community flourishes. People's Bank. We put **people** first.

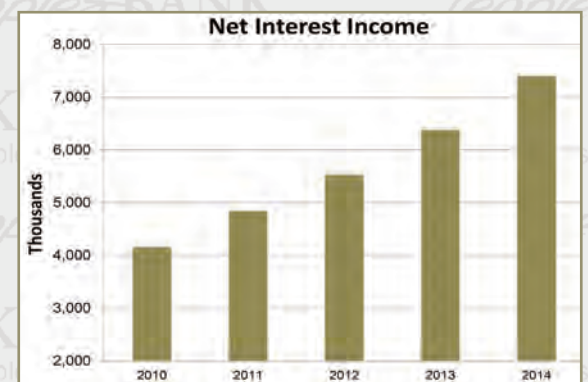
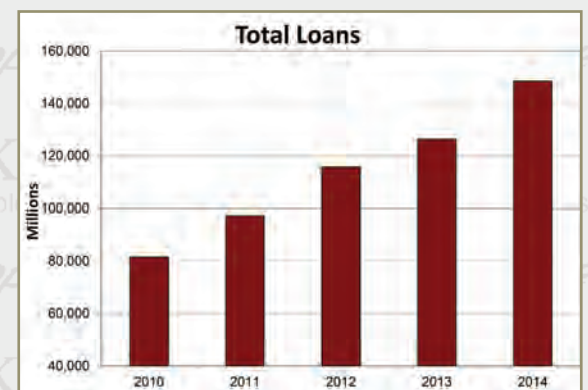
END OF YEAR SUMMARY

In early January 2014, People's Bank's board of directors and management established goals for the year. They included: 1) Grow assets by 14 percent; 2) Increase loans by 17 percent; and 3) Raise deposits by 16 percent. We determined by successfully meeting these goals, the Bank's profits would grow by 12%.

We are pleased to note that People's Bank achieved and surpassed our goals for 2014. Assets were up 18 percent, loans increased more than 17 percent and deposits climbed 20 percent. Combined, the Bank exceeded its net profit goal, which increased 18 percent. This remarkable growth was more than four times the national average for peer banks our size.

More than 81 percent of People's Bank's total revenue comes from net interest income. Net interest income is the interest we receive from loans and investments less the interest we pay on deposits. The graph at right shows the increase in net interest income for the past five years, which was up 16 percent in 2014 over the previous year, directly attributable to the growth in loans and deposits. Deposits raised locally are not only reinvested in loans, the excess is invested in various government and municipal securities and with the Federal Reserve Bank.

The next largest portion of the Bank's revenue is income from our home lending division. People's Bank makes loans for the purchase or refinance of residential properties with most of these loans ultimately being sold to the government agencies Fanny Mae or Freddie Mac. The home lending division accounted for about 9 percent of Bank's revenue. The rest of the Bank's revenue is generated through other non-interest income.



BOARD OF DIRECTORS



Michael Sickels
Chairman



William Jacobs, Jr.
Vice Chairman



Craig Horton



Bud Kaufman



Robert Mayers



Douglas Morse



Kenneth Trautman



Lindsay Berryman



James Wright



Roy Vinyard

MEDFORD BRANCHES

750 Biddle Road
Medford, Oregon 97504
541-776-5350

1311 East Barnett Road
Medford, Oregon 97504
541-622-6222

CENTRAL POINT BRANCH

1017 East Pine Street
Central Point, Oregon 97502
541-665-5262

ASHLAND BRANCH

1500 Siskiyou Boulevard
Ashland, Oregon 97520
541-482-3886

GRANTS PASS BRANCH

Temporary Location
1454 NW 6th Street
Grants Pass, Oregon 97526
541-955-8005

Fall 2015
509 SE 7th Street
Grants Pass, Oregon 97526
541-955-8005

People's BANK
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www.peoplesbankofcommerce.com

