

*People's* BANK



**Willamette**  
Community Bank



**2020**  
Year In Review

Dear Shareholder,

The Board of Directors of People's Bank of Commerce is pleased to report our 2020 annual results and accomplishments.

As I sit down to write this letter, it is difficult to know where to begin a review of 2020. Do I start with the pandemic, PPP loans, the recession, the devastating fires in our community, the bank's succession plan, the merger with Willamette Community Bank or should I just stick to the numbers? On further reflection, I think it is important to touch on all of these events as they collectively defined the year 2020.

We began the year with an optimistic budget, setting a goal to consider a long overdue shareholder cash dividend if the bank performed well during 2020. In fact, the bank's first quarter earnings exceeded the previous year by 33%. Before we even finished congratulating ourselves for a job well done, COVID hit and our economy was instantly locked down. Because of the uncertainty we had to shelve our dividend plans. Our branches closed their lobbies for six weeks as we learned the new COVID protocols which included social distancing, hand washing and sterilizing works spaces and wearing masks. Due to the expected impact of the lockdown, the federal government quickly developed and implemented the PPP loan program. We strived to learn all the intricacies as we knew our customers would need the help. Our lending staff worked tirelessly, day and night, to process 1,050 PPP loan applications as we approved and funded more than \$95 million during the first round.

Simultaneously, we were in discussions with Willamette Community Bank during the year, which led to a definitive merger agreement announcement on November 5, with shareholder approval received on February 11, 2021, and closure of the deal on March 1, 2021. This transaction will allow the bank to continue to execute on its strategic plan initiative of geographic diversity by entering the Willamette Valley markets.

In September, our community in Southern Oregon was rocked again when a wildfire that started on the outskirts of the City of Ashland, burned through the cities of Talent and Phoenix. More than 2,500 homes and businesses were completely lost, and many families were without clothing, food or shelter. The community stepped up to help, as did the employees of People's Bank and the bank itself. Our 100 employees donated over \$215 thousand in bonuses they had earned to provide emergency housing for those who lost everything and had nowhere to turn. Over 90 families were housed in local motels until the Red Cross, United Way and FEMA were able to organize and take over our efforts. The bank's directors also held an emergency meeting and committed \$1 million dollars to help provide intermediate and long-term housing assistance as our valley rebuilds from the devastation.

Additionally, during 2020 the bank began preparing and implementing its succession plan in anticipation of the retirement of four of its seven executive officers, which included the first planned retirement of Chief Financial Officer Russ Millburn in May. Lindsey Trautman was named Russ's successor and thanks to his advanced training, she hit the road running. In March 2021, John Boyd retired as Chief Credit Officer passing the responsibility to the capable hands of Julia Beattie, who was also named the Bank's President. A detailed development and multi-year training plan are providing a seamless, efficient and effective transition.

Amongst all of 2020's bustle, the bank was able to excel financially as outlined below:

- 2020 net income of \$6,131,000 compared to \$4,068,000 in 2019, a 51% increase.
- 2020 Earnings per share of \$1.76 compared \$1.32 during 2019, a 33% increase.
- Mortgage gross revenue of \$4,750,000 in 2020 up from \$1,219,000 in 2019, a 290% increase.
- Steelhead Finance gross revenue of \$4,073,000 in 2020 vs \$4,061,000 during 2019.
- Total loans increased \$67.9 million, a 24% increase over the prior year.
- Total Deposits increased \$149 million, a 49% increase over 2019.
- Total bank assets increased \$153.2 million or 41% over the previous year.
- Non-Interest income totaled \$10.4 million in 2020 versus \$6.6 million in 2019, a 56% increase.
- The bank's year-to-date efficiency ratio was 63.9%.
- ROAE was 12.67% in 2020 and ROAA was 1.32%.
- There were no loans on non-accrual or past due more than 90 days at the end of 2020.

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We are hopeful and excited about what 2021 will bring, especially with the successful completion of our merger with Willamette Community Bank. We welcome all of their shareholders, employees and customers and we will strive to honor the trust they and you have shown in us.

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](http://www.peoplesbank.bank).

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

Sincerely,



Ken Trautman  
Chief Executive Officer

"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

Our new bank building in the Timbermill Shores development in downtown Klamath Falls is now open to serve customers. The branch, which occupies the first floor of the two-story mixed-use building provides ample space for our customers doing banking transactions and features room for our commercial and mortgage lending teams.

The second floor provides residential living opportunities in three apartments. Two of the apartments are fully furnished and have exceptional views of Lake Ewauna and the East hills of Klamath Falls. The third apartment has views of the mountains and the downtown corridor.

This project marks the first time the bank has developed residential apartments as part of our ongoing strategy to offset occupancy expenses by owning income-producing rentals in our banking facilities. Previously, we had only used commercial rentals to meet the offset strategy. The rents that are generated will cover about 45% of the building's occupancy expense each year. In addition, we deployed Solar panels to offset nearly all of the energy costs of the first floor of the building. We are excited about the new facility and expect that our presence in Klamath Falls will gain tremendous momentum as a result of our investment.





# DIRECTOR NEWS



Roy Vinyard  
Chairman

People's Bank is growing to better serve the financial needs of our communities. March 1st, 2021, marked day one of our new expanded service area in the Willamette Valley as we welcomed Willamette Community Bank into the People's Bank family. We are pleased to welcome all of our new shareholders, customers and employees as we continue to expand and improve operations, shareholder value and customer service.

We also extend a warm welcome to the bank's three new Directors from Willamette Community Bank: Kerry Johnson, Ben Mackovak and Bryan Webber. They bring a wealth of experience and expertise to an already outstanding board of directors. I am both honored and humbled to serve as your board Chair and to continue the legacy set by Mike Sickels and Bill Jacobs.

People's Bank is here to serve you.



William C. St. Laurent  
Vice Chairman



Bob Mayers



Ken Trautman



Lindsay Berryman



Jim Teece



Jim Wright



Kurt Kaufman



Kerry Johnson



Bryan Webber



Benjamin Mackovak

## PEOPLE'S BANK LOCATIONS

### Medford Branches

1528 Biddle Road  
Medford, OR 97504  
541-776-5350

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

### Central Point Branch

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

### Grants Pass Branch

509 SE 7th Street  
Grants Pass, OR 97526  
541-955-8005

### Ashland Branch

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

### Klamath Falls Branch

210 Timbermill Drive  
Klamath Falls, OR 97601  
541-273-2717

### Steelhead Finance

3518 Heathrow Way  
Medford, OR 97504  
541-773-3377

## WILLAMETTE COMMUNITY BANK LOCATIONS

### Albany Branch

333 Lyon Street SE  
Albany, OR 97321  
541-926-9000

### Lebanon Branch

1495 South Main  
Lebanon, OR 97355  
541-223-7180

### Salem Branch

315 Commercial Street SE, Suite 110  
Salem, OR 97301  
503-468-5558