

**CEO
CFO**

People's BANK
OF COMMERCE

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In An Area Where Their Main Competition Is Larger, True Relationship Banking And The Availability Of Management Has Led To Success For People's Bank of Commerce

**Financial
Commercial Bank, State Chartered
(PBCO-OTC: BB)**

People's Bank of Commerce

**750 Biddle Road
Medford, OR 97504
Phone: 541-776-5350**



**Ken Trautman
Co-Founder, President, CEO
and Director**

**BIO:
KENNETH D. TRAUTMAN JR.
ken@peoplesbankofcommerce.com**

I am a native Oregonian, born in Grants Pass, attending elementary school in Medford, graduating from Eagle Point High School in 1974.

Kathy and I have 4 kids, all here in the Rogue Valley.

POST-HIGH SCHOOL EDUCATION

Linfield College: Bachelor of Art conferred June 1978. Dual major in Business Administration and Accounting.

Graduate School of Banking, Boulder Colorado, 1993-95, Honors Graduate.

Northwest Intermediate Commercial Lending School, Lewis and Clark College, 1988.

EMPLOYERS

First Interstate Bank of Oregon, February 1979 to January 1991. Operations and Lending positions in Medford, Riddle and Brookings.

Western Bank, January of 1991 to 1996, Senior Vice President and Regional Administrator for the 18 Southern Oregon branches of Western Bank.

Co-Founder with Mike Sickels of People's Bank of Commerce in March 1998, serving as President, original duties also included Credit Administrator. Promoted to the CEO/President position upon the retirement of Mike Sickels in September 2008.

COMMUNITY ACTIVITIES

Current member of the Board of Directors of the Oregon Bankers Association.

Current member of the Board of Directors of the People's Bank of Commerce.

Current member of the Board of Directors and Treasurer of the Greater Medford Rotary.

Current member of the Board of Directors for Britt Festivals.

Past member of the Board of Directors and Treasurer for the Community Health Center.

Past President and Board Member of the School District 9 Foundation, 1997 to 2006

Past Trustee of Hearts and Vines Foundation, 1998 to 2004.

Past President and Board Member of the Community Business Education Center (CBEC) 1990-95.

Past President of Brookings Merchants Assoc. 1988 to 1989.

Company Profile:

People's Bank of Commerce is a financial services institution headquartered in Medford, Oregon. People's Bank offers a full array of financial products and services to businesses and consumers through its branches located in Medford, Ashland and Central Point, Oregon. People's Bank of Commerce was founded in 1998 as a locally owned and managed community bank that delivers its services to Southern Oregon businesses and residents.

The bank's deposit products include money market accounts, certificates of deposit, savings accounts, and interest-bearing checking accounts, as well as a range of personal and business accounts. It offers commercial term loans, commercial construction loans, and commercial lines of credit; real estate loans; personal credit lines and consumer installment loans; and SBA/government loans. The company also operates home lending centers and a full service mortgage center. In addition, it provides debit/check cards, ATM Cards, direct deposits, online banking services, bill payment services, overdraft privilege services, courier services for business, and deposit sharing programs.

Directors and employees of People's Bank take pride in our responsive, flexible and friendly approach. We are known

for going the extra mile for our customers and delivering on our promises. Policies and decisions are made locally and in a thoughtful and timely manner. We strongly believe that investing our time and resources locally helps build and strengthen our economy and community.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Trautman, what was the vision when you founded People's Bank of Commerce and where are you today?

Mr. Trautman: My partner and I started organizing the bank in 1996, during the time of many bank mergers and big bank acquisitions, with the anticipation of more changes coming. It had been over 10 years since the last community bank was organized in our area and we felt we could fill the void. Our vision was to provide Southern Oregon businesses and residents a responsive, flexible and friendly approach made possible by local ownership and decision-making. Additionally, we knew that investing our time and resources locally helps build and strengthen our economy and community.

I think we have been able to follow through on our vision by serving our community with a strong, fundamentally sound community bank.

CEOCFO: Would you tell us about the demographics in the areas that you serve?

Mr. Trautman: In Southern Oregon we actually deal with a geographically large five county area, which includes Jackson, Josephine, Klamath, Douglas and Curry counties. Medford, located in Jackson County, is the regional hub of southern and northern California with a growing residential population and expanding medical facilities. In fact, Rogue Valley Medical Center is nationally renowned for their heart program. The bank's primary service area is Jackson County, where over 90% of our business is derived. Its population is nearly 200,000, which includes a large rural community. 35% of our population is retirees, which has helped support the medical growth in

our region, while providing strong employment opportunities. The remaining population consists of middle-income families.

The lumber industry used to be the largest single employer in our area to be replaced by Harry & David, Asante and Providence Health Systems, education including two colleges, Lithia Motors and Amy's Kitchen to name a few.

CEOCFO: What is the mix of your bank between consumer and commercial and would you like to see that change?

Mr. Trautman: 98% of our lending is commercial, but we are trying to expand the consumer lending a bit. There has been considerable competition in the past in consumer lending from both larger banks and local credit unions that heavily focus on these customers. Our deposit

We are very cautious about the growth of the bank and our loan underwriting standards resulting in our capital levels remaining very high. Therefore, our large capital position really helped protect us and held up our stock price. Therefore, as the regional banks in our area went from \$14 or \$15 per share down to .50 cents per share, our stock just held in that \$10 per share area. - Ken Trautman

composition is 60% personal accounts and 40% business, which is a good mix for us.

CEOCFO: What is special about People's Bank of Commerce; why are people banking with you?

Mr. Trautman: The reason that we are successful here in Southern Oregon is that we focus on relationship banking. The business transactions that we have are actually small business owners, so they want to walk in and know the people who are in charge of the bank. They want to know who you are, they want you to know who they are and we focus on that. We provide our customers with responsive, local decision-making. The larger banks struggle obtaining leaders in our community that can quickly address customer concerns.

CEOCFO: How have you reassured your clients over the past couple of years with

the problems of many banks and the economic downturn?

Mr. Trautman: Two years ago, our clients would come into the bank gravely concerned about the economy and the stability of banking. We were able to reassure our customers of our solid foundation and strong capital position due to conservative lending decisions made by our board of directors and management years ago, during the housing boom.

Our local paper publishes the same banks stocks every day in the financial section and we have been fortunate that we retained the capital we grew during the strong profit years. In addition, we are very cautious about the growth of the bank and our loan underwriting standards resulting in our capital levels remaining very high. Therefore, our large capital position really helped protect us and held

up our stock price. Therefore, as the regional banks in our area went from \$14 or \$15 per share down to .50 cents per share, our stock just held in that \$10 per share area.

CEOCFO: Are there services that you are not offering now that you may want to add?

Mr. Trautman: We have not offered remote deposit capture to our clients as of yet, but we are ready to roll that out at the end of this quarter.

CEOCFO: You mentioned that people like to know who they are banking with; could you give us an example of something that would happen at your bank that is outside of the norm?

Mr. Trautman: Again, we have the ability to quickly make local decisions for our customers. Recently, a doctor trying to buy a \$600,000 home in the area with a large lender got down to the closing date but the large lender had a snafu and could not get the loan done. Therefore, the customer came to see us and within 24 hours, we had the loan closed for them. That exceeded even my expectations, not just the customer's.

Our mortgage division is unique because as a small bank we compete head-to-head with some of the bigger banks in our area. We continue to rank within top five

lenders in Jackson County, right behind Wells Fargo Bank, a home lending leader in the area.

CEOCFO: This is your 4th consecutive quarter of profitability; how do you continue that trend?

Mr. Trautman: We are very active with past due loan collections, probably obsessive. Back in 2004 and 2005, our board of directors and executive management made a strategic decision to decrease the concentration of construction and development loans. During the housing boom, this area accounted for over 40% of our lending activity. We knew that the market could not sustain the lending levels of 2004-2005, so we started cautiously reducing ADC lending. To most, it seemed like a strange decision on our part, because the market was fantastic. We knew exactly how long it would take to get the real estate portfolio reduced to the levels that we wanted. As a result, reducing this exposure protected us when the housing market failed. We still had to make a few hard loan loss reserve adjustments in 2009 but with those behind us we eventually were back on the road to profitability, since then, the bank has steadily grown both loans and deposits.

CEOCFO: Do you see the need for more branches?

Mr. Trautman: We opened our third branch a year and a half ago in Central Point. We are now in negotiations for another location in East Medford, an area

that will help serve our large medical community. We read a lot that in the future, we may be a branchless society, but we find that our clients like to walk into our branches to open their accounts. They may not necessarily use them in the future to make deposits, as that can be done remotely or electronically, but when they have a major issue they still want to come in.

CEOCFO: What do you look for in your people?

Mr. Trautman: We are very fortunate having a staff that is very customer oriented. We hear that from many of our customers. For example, one of our dentists just opened an office down the road and he tells his staff that he wants all of them to go into People's Bank and see how we treat our customers as an example for them to follow. You cannot get a better kind of praise than something like that. Everyone will step out from behind their desk and ask if they can help. They are not hiding under their papers; they really want to help. So we are always looking for someone who has strong people skills, because we can always train on the technical side.

CEOCFO: Sum it up for potential investors; why should they take a look at People's Bank of Commerce?

Mr. Trautman: That is an interesting question because we will soon begin a capital campaign and will be seeking out and meeting with investors. We have

maxed out our ability to grow based on our current capital levels. We have been growing loans at a 12% annual rate and can only support a 6% growth rate. We are one of the only local banks that is actually growing its loan portfolio. Investors in our market want to know that we have reasonable earnings expectations, an experienced lending staff, and that the new loans coming on are going to be strong. They also want to know that the bank is well managed. Thankfully, we have a very good reputation as a local bank

CEOCFO: You sound like the bank is very thoughtful and ahead of the curve?

Mr. Trautman: We are fortunate that we have a board that has done things that were good for the community and the bank and in this type of market; you have an opportunity to find out what kind of character you have. The next step is to raise capital and manage growth to take advantage of the tremendous opportunity we have, helped by the challenges our other local banks have and their need to shrink their balance sheets. This market has created an advantage for us that we have never had before. I have been in banking in this market for over 30 years and I cannot remember a better time for growth than I have seen now. We are getting good solid clients that want to go to a small, local community bank. This area has really bought into the 'buy local campaign,' which is good for us.

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