

# VALLEY REPUBLIC BANCORP

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## *News Release*

### **Valley Republic Bancorp Reports 3<sup>rd</sup> Quarter 2019 Financial Results New Fresno Loan Production Office to be Opened in Fourth Quarter**

BAKERSFIELD, Calif., October 21, 2019:

Valley Republic Bancorp (the “Company”) (OTCQX: VLLX), the parent company of Valley Republic Bank (the “Bank”), today announced its financial results for the quarter ended September 30, 2019.

#### Highlights for the 3rd Quarter of 2019 Compared to the 3rd Quarter of 2018:

- Total assets increased 18% to \$915.3 million
- Deposits increased 14% to \$806.1 million
- Loans increased 22% to \$581.2 million
- Shareholder equity increased 20% to \$76.3 million
- Book value per share increased 14% to \$18.40 per share
- Bank announces expansion into Fresno market

#### Financial Performance

Valley Republic Bancorp reported year to date net income of \$7,289,000 compared to \$6,697,000 at the end of the third quarter 2018, an increase of \$592,000, or 9%, year-over-year. Basic earnings per share year to date were \$1.77 compared to \$1.72 at the end of the same quarter last year.

The Company reported net income for the third quarter of 2019 of \$2,007,000 compared to \$2,374,000 in the same quarter of 2018, a decrease of \$367,000 or 15%. Basic earnings per share for this quarter were \$0.48, compared to \$0.61 for the same quarter last year.

Geraud Smith, President and CEO stated, “The third quarter represented another solid quarter for the bank with double digit year-over-year growth in assets, loans, deposits and interest income. The growth of the Bank in all areas during 2019 continues to be exceptional, exceeding peers and consistent with our business plan. Along with our expectations of significant growth, our plan also included several strategic initiatives to position the Bank for continued success as we begin the second decade of operations. Although the bank experienced growth in interest income, its net income for the quarter was down slightly when compared to the 3rd quarter of the previous year due to the compression of its net interest margin caused by the 50 basis point reduction in the Fed Funds target rate during the 3rd quarter.

“The bank anticipated and budgeted for an increase in personnel expense during 2019 due to strategic personnel investments in both credit administration and compliance management. Although the bank continues to have a stellar loan portfolio, with no nonperforming loans, we must remain vigilant to maintain this stellar loan performance. With the strong growth that the Bank is experiencing, Management has been very proactive with its focus on risk management and believes the enhancements to credit administration and compliance management are necessary to monitor and manage an institution with significant growth.”

CEO Smith concluded, “In addition to the investments in infrastructure, which Management believes will produce long term benefits, Valley Republic Bank is excited to announce the opening of a new Loan Production Office (LPO) in Fresno, CA. The LPO will be managed by the newly appointed Regional President, Jeff Pace. Jeff has spent the last 17 years managing the Real Estate Group for Central Valley Community Bank and will now lead Valley Republic’s efforts in this new market. I personally spent the first 11 years of my banking career in Fresno County and know first-hand that, like Kern County, relationships and high touch customer service still matter, which is why Management and our Board of Directors believe Valley Republic’s culture of providing uncommon service will resonate in this new market as it has in Kern County.”

### Growth

Total assets were \$915.3 million at the end of the third quarter of 2019. Compared to \$779.9 million at year-end 2018, this is an increase of \$135.4 million, or 17% year to date. When compared to the end of the same quarter last year, this represents an increase of \$136.6 million, or 18%, year over year.

Total net loans were \$581.2 million at September 30, 2019. Compared to \$514.7 million at December 31, 2018, this is an increase of \$66.5 million, or 13%, year to date. Compared to the end of the same quarter in 2018, this is an increase of \$104.7 million, or 22%, year over year. At September 30, 2019, the Bank had no nonperforming loans.

Total deposits were \$806.1 million at September 30, 2019. This is an increase of \$102.4 million, or 15%, year to date, when compared to \$703.7 million at December 31, 2018. Compared to the end of the same quarter last year, this is an increase of \$97.4 million, or 14%, year over year.

Eugene Voiland, Chairman of the Board of Directors added, “The Board of Directors and I are proud of the financial performance of the Company and the Bank this year. The exceptional growth achieved during the first nine months of 2019 is reflective of the strategic opportunities that exist going forward. While third quarter net income is down slightly compared to the third quarter of last year, the Bank has achieved a very solid 9% increase in year to date income compared to last year. This is due to the timing of the investment in infrastructure we are making to position the Bank for continued significant growth and market expansion in the future. The Board fully supports the efforts undertaken by Bank Management to proactively make these infrastructure investments necessary to ensure the continued success and excellent performance of the Company.”

### Capital

Total shareholders’ equity at September 30, 2019 was \$76.3 million. Compared to December 31, 2018, total shareholders’ equity has increased by \$9.2 million, or 14%, compared to \$67.2 million. Compared to the same quarter of last year, this is an increase of \$12.5 million, or 20%.

### About Valley Republic Bancorp and Valley Republic Bank

Valley Republic Bancorp is a bank holding company formed in 2016. Valley Republic Bank is a wholly-owned subsidiary of Valley Republic Bancorp, headquartered in Bakersfield, California. The Bancorp is subject to the regulatory oversight of the Federal Reserve Bank, and the Bank is subject to the regulatory oversight of the Federal Deposit Insurance Corporation and the California Department of Business Oversight. Valley Republic Bank is an insured, state-chartered, non-member bank of the Federal Reserve System. The Bank is in its eleventh year of operation, having been established in 2009. Valley Republic Bank is a full-service, community bank with three full-service banking offices in Bakersfield and one full-service banking office in Delano. Valley Republic Bank emphasizes professional, high quality banking services provided to a wide range of businesses and professionals. The Bank also provides a full complement of banking services that are available to individuals and non-profit organizations.

## Valley Republic Bancorp and Subsidiary Balance Sheet

<i>(Unaudited. Dollars in thousands, except per share data.)</i>	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Cash and Due From Banks	\$ 21,097	\$ 10,531
Federal Funds Sold & Interest-Bearing Deposits in Banks	113,530	64,291
Total Cash and Equivalents	134,627	74,822
Time Certificates of Deposit in Banks	12,648	24,800
Debt Securities	146,161	129,400
Loans, Net of Deferred Fees and Costs	589,156	521,628
Allowance for Loan losses	(7,972)	(6,931)
Net Loans	581,184	514,697
Premises and Equipment	7,745	2,048
Bank Owned Life Insurance	10,656	10,479
Interest Receivable and Other Assets	22,296	23,608
TOTAL ASSETS	\$ 915,317	\$ 779,854
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits		
Noninterest-Bearing	\$ 271,503	\$ 287,408
Interest-Bearing	534,620	416,250
Total Deposits	806,123	703,658
Long-Term Debt	20,000	
Accrued Interest Payable and Other Liabilities	12,886	9,043
Total Liabilities	839,009	712,701
<b>Shareholders' Equity</b>		
Common Stock, no Par Value	46,256	45,626
Additional Paid-in Capital	842	1,374
Retained Earnings	28,171	20,881
Accumulated Other Comprehensive Income (Loss)	1,039	(728)
Total Shareholders' Equity	76,308	67,153
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 915,317	\$ 779,854
Book Value per Share	\$ 18.40	\$ 16.88

## Valley Republic Bancorp and Subsidiary Income Statement

<i>(Unaudited. Dollars in thousands, except per share data.)</i>	Quarters Ended September 30,		Year to Date Ended September 30,	
	2019	2018	2019	2018
<b>INTEREST INCOME</b>				
Loans (Including Fees and Costs)	\$ 7,345	\$ 5,800	\$ 21,150	\$ 16,339
Investment Securities	838	587	2,355	1,674
Other	816	404	1,777	990
Total Interest Income	8,999	6,791	25,282	19,003
<b>INTEREST EXPENSE</b>				
Deposits	1,883	937	4,967	2,119
Other	299	-	609	-
Total Interest Expense	2,182	937	5,576	2,119
Net Interest Income	6,817	5,854	19,706	16,884
Provision For Loan Losses	369	199	1,035	603
Net Interest Income After Provision for Loan Losses	6,448	5,655	18,671	16,281
<b>NON-INTEREST INCOME</b>				
Service Charges and Fees on Deposits	125	114	340	370
Other Non-Interest Income	236	529	955	1,254
Gain (Loss) on Sale of Securities	217	-	490	(6)
Total Non-Interest Income	578	643	1,785	1,618
<b>NON-INTEREST EXPENSE</b>				
Salaries and Employee Benefits	2,716	2,022	7,792	5,900
Occupancy & Equipment	467	417	1,282	1,076
Other	1,133	814	3,223	2,668
Total Non-Interest Expense	4,316	3,253	12,297	9,644
Income Before Taxes	2,710	3,045	8,159	8,255
Income Taxes	703	671	870	1,558
NET INCOME	\$ 2,007	\$ 2,374	\$ 7,289	\$ 6,697
Basic Earnings per Share	\$ 0.48	\$ 0.61	\$ 1.77	\$ 1.72

## Valley Republic Bancorp Contact Information

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## Forward Looking Statements

This news release may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended and Valley Republic Bancorp and Valley Republic Bank (together, the "Company") intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Future events are difficult to predict, and the expectations described above are necessarily subject to risk and uncertainty that may cause actual results to differ materially and adversely.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may." These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, in this news release. Factors that might cause such differences include, but are not limited to: the Company's ability to successfully execute its business plans and achieve its objectives; changes in general economic and financial market conditions, either nationally or locally, in areas in which the Company conducts its operations; changes in interest rates; continuing consolidation in the financial services industry; new litigation or changes in existing litigation; increased competitive challenges and expanding product and pricing pressures among financial institutions; legislation or regulatory changes which adversely affect the Company's operations or business; loss of key personnel; and changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

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