

VALLEY REPUBLIC BANCORP

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News Release

Valley Republic Bancorp Reports Record Earnings and Growth for 2019

BAKERSFIELD, Calif., January 29, 2020:

Valley Republic Bancorp (the “Company”) (OTCQX: VLLX), the parent company of Valley Republic Bank (the “Bank”), today announced its financial results for the year and quarter ended December 31, 2019.

Highlights for the Year Ended 2019 Compared to the Year Ended 2018:

- Net income increased 9% to \$9,737,000
- Total assets increased 20% to \$939.1 million
- Deposits increased 18% to \$828.8 million
- Loans increased 20% to \$616.4 million
- Shareholder equity increased 16% to \$77.6 million

These results generated a strong return on average equity and assets of 13.3% and 1.1%, respectively.

Overview:

Valley Republic Bank celebrated its 10-year anniversary in February of 2019. The first ten years were marked by great success. To ensure the Bank is well positioned for the next ten years, several strategic initiatives were started in 2019:

- Successfully launched an oil and gas division that has been well received by the industry;
- Opened and staffed a Loan Production Office in Fresno;
- Raised \$20 million in subordinated debt to support future growth;
- Made significant investments in additional staff with an emphasis on credit and compliance processes to seamlessly enable growth in the future;
- Began a Lean Process improvement initiative to streamline and improve process efficiency and effectiveness.

These initiatives were achieved while producing record earnings, navigating a challenging interest rate environment, and positioning the Bank for future success.

Financial Performance

The Company reported year to date net income of \$9,737,000 compared to \$8,951,000 in 2018, an increase of \$786,000, or 9%, year-over-year. Basic earnings per share year to date were \$2.36.

Valley Republic Bancorp reported net income for the fourth quarter of 2019 of \$2,448,000 compared to \$2,255,000 in the same quarter of 2018, an increase of \$193,000 or 9%. Basic earnings per share for this quarter were \$0.59, compared to \$0.57 for the same quarter last year.

Geraud Smith, President and CEO stated, “I am very proud of our 2019 financial performance. The Valley team produced record net income for 2019 and year over year double digit asset, loan, and deposit growth, while navigating a challenging interest rate environment. Our record interest income, generated by strong loan growth, enabled the Bank to make significant investments in our infrastructure to position the Bank for the future. Valley Republic Bank remains committed to serving the growing banking needs of our community.”

Growth

Total assets were \$939.1 million at the end of 2019. Compared to \$779.9 million at year-end 2018, this is an increase of \$159.2 million, or 20%. Total deposits increased \$125.1 million, or 18%, ending the year at \$828.8 million. Total net loans grew from \$514.7 million at December 31, 2018 to \$616.4 million at the end of 2019, an increase of \$101.7 million, or 20%. At December 31, 2019, the Bank’s loan portfolio remained exceptionally strong with no nonperforming loans.

Eugene Voiland, Chairman of the Board of Directors added, “VRB has had an amazing run since we opened the Bank in 2009. Not only have we achieved record financial results this year, we made critical investments in staff resources and process improvements necessary to prepare the Bank for future success.”

Capital

Total shareholders’ equity at December 31, 2019 was \$77.6 million. During 2019, total shareholders’ equity has increased by \$10.4 million, or 16%, compared to \$67.2 million at December 31, 2018.

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, one full-service banking office in Delano, and a Loan Production Office in Fresno. 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>	December 31, 2019	December 31, 2018
ASSETS		
Cash and Due From Banks	\$ 15,776	\$ 10,531
Federal Funds Sold & Interest-Bearing Deposits in Banks	90,533	64,291
Total Cash and Equivalents	106,309	74,822
Debt Securities	174,461	154,200
Loans, Net of Deferred Fees and Costs	624,768	521,628
Allowance for Loan losses	(8,348)	(6,931)
Net Loans	616,420	514,697
Premises and Equipment	7,839	2,048
Bank Owned Life Insurance	10,714	10,479
Interest Receivable and Other Assets	23,342	23,608
TOTAL ASSETS	\$ 939,085	\$ 779,854
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-Bearing	\$ 288,387	\$ 287,408
Interest-Bearing	540,407	416,250
Total Deposits	828,794	703,658
Long-Term Debt	20,000	-
Accrued Interest Payable and Other Liabilities	12,707	9,043
Total Liabilities	861,501	712,701
Shareholders' Equity		
Common Stock, no Par Value	46,639	45,626
Additional Paid-in Capital	726	1,374
Retained Earnings	30,618	20,881
Accumulated Other Comprehensive Income (Loss)	(399)	(728)
Total Shareholders' Equity	77,584	67,153
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 939,085	\$ 779,854
Book Value per Share	\$ 18.59	\$ 16.87

Valley Republic Bancorp and Subsidiary Income Statement

(Unaudited. Dollars in thousands, except per share data.)

	Quarters Ended December 31,		Year to Date Ended December 31,	
	2019	2018	2019	2018
INTEREST INCOME				
Loans (Including Fees and Costs)	\$ 7,405	\$ 6,146	\$ 28,555	\$ 22,485
Debt Securities	1,018	749	3,373	2,423
Other	431	543	2,208	1,533
Total Interest Income	8,854	7,438	34,136	26,441
INTEREST EXPENSE				
Deposits	1,447	1,244	6,414	3,363
Other	300	-	909	-
Total Interest Expense	1,747	1,244	7,323	3,363
Net Interest Income	7,107	6,194	26,813	23,078
Provision For Loan Losses	369	202	1,404	805
Net Interest Income After Provision for Loan Losses	6,738	5,992	25,409	22,273
NON-INTEREST INCOME				
Service Charges and Fees on Deposits	143	114	510	508
Other Non-Interest Income	494	586	1,422	1,816
Gain (Loss) on Sale of Securities	-	-	489	(6)
Total Non-Interest Income	637	700	2,421	2,318
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	2,614	2,384	10,342	8,224
Occupancy & Equipment	455	398	1,737	1,474
Other	954	855	4,240	3,584
Total Non-Interest Expense	4,023	3,637	16,319	13,282
Income Before Taxes	3,352	3,055	11,511	11,309
Income Taxes	904	800	1,774	2,358
NET INCOME	\$ 2,448	\$ 2,255	\$ 9,737	\$ 8,951
Basic Earnings per Share	\$ 0.59	\$ 0.57	\$ 2.36	\$ 2.29

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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