

VALLEY REPUBLIC BANCORP

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News Release

Valley Republic Bancorp Reports 1st Quarter 2020 Financial Results

BAKERSFIELD, Calif., April 9, 2020:

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 March 31, 2020.

1st Quarter Ended March 31, 2020 Compared to 1st Quarter Ended March 31, 2019:

- Net income before taxes increased 29.3%
- Total assets increased 16.4% to \$955.5 million
- Deposits increased 17.1% to \$841.1 million
- Loans increased 16.7% to \$633.6 million
- Shareholder equity increased 17.1% to \$82.2 million
- Book value increased 15.2% to \$19.67

These results generated a strong return on average equity and assets of 11% and 1%, respectively.

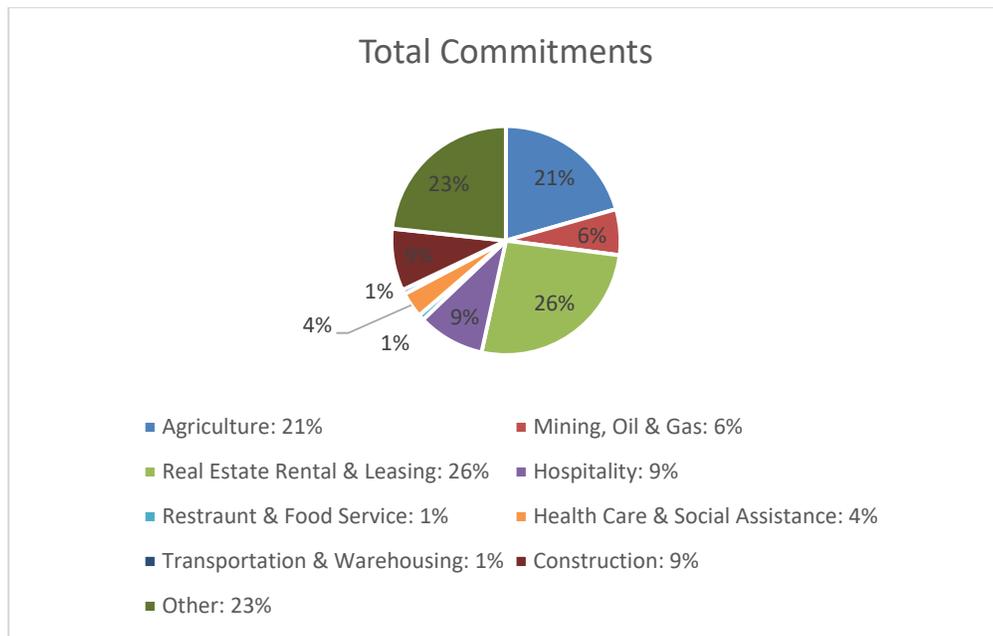
Overview:

The Company generated strong results despite the very challenging business environment created by the COVID-19 pandemic. The significant investments in additional credit and compliance staff made in 2019 and our historically strong credit underwriting, combined with our successful capital raise, have put the Bank in an excellent position to support our customers and community as we navigate these uncertain times. As of March 31, 2020 the Company had \$124.9 million of liquidity.

The Valley Republic Team has responded to the current situation with a determination to act as quickly and accurately as possible, in spite of the constant changes and lack of clarity about the new government programs. Even though our business has had to adapt to the “shelter in place” mandate by the state of California, we continue to serve our customers and grow our business. We recognize how important our organization is to the communities we serve and are prepared to work with our customers as they experience challenges. We are thankful to our customers and shareholders for their continued support and confidence in the Bank.

Balance Sheet Composition:

The shelter in place mandate by the state of California has put significant pressure on the local business community. Three sectors which have been materially impacted include: hospitality, restaurant and food service, and oil and gas. The following chart provides some insight into the composition of the Bank’s loan portfolio:



Although the Bank’s loan portfolio contains all three impacted sectors, the concentration limits remain acceptable, with no sector representing more than 100% of the Bank’s capital. The following are general comments about the Bank’s loan commitments to these sectors:

- **Hospitality:** The Bank’s hospitality portfolio consists primarily of select service, nationally branded flags that were modestly leveraged prior to the pandemic (less than 60% LTVs). The properties are owner operated by families with extensive hospitality experience. The portfolio is secured by 1st Deeds of Trust with full guaranty recourse to the principals.
- **Restaurant and Food Service:** The Bank’s exposure in this category is less than \$6.5 million and consists of national franchises and locally owned and operated independent restaurants. The majority of customers in this category have remained open by providing delivery, curbside and drive-up services.
- **Oil & Gas:** The Oil & Gas portfolio is concentrated in service companies that focus on maintaining production, transportation, and construction. While there has been a significant slowdown in new well development because of low oil prices, the service companies focused on maintaining production and transportation continue to see demand for their services. The construction-focused companies had solid backlogs prior to the pandemic and are able to continue working on this backlog.

Financial Performance

The Company reported net income before taxes of \$3.07 million for the 1st quarter ended March 31, 2020 compared to \$2.38 million for the same period last year. The Company reported net income after tax for the 1st quarter ended March 31, 2020 of \$2.49 million compared to \$2.97 million for the 1st quarter ended March 31, 2019. This negative variance is solely the result of a \$1.14 million tax benefit associated with stock options which were exercised during the 1st quarter ended March 31, 2019. Removing this tax benefit would result in a 25% period over period increase of \$451,000. The 1st quarter ended March 31, 2020 results represented basic earnings per share of \$.54.

Geraud Smith, President and CEO stated, “I am very proud of our 1st quarter numbers and how our team has responded to these unprecedented times caused by the COVID-19 pandemic. These last few weeks have been very challenging, but the Valley Republic Team remains steadfast in our commitment to our

customers and to our organization. Our balance sheet has never been stronger, which provides us the ability to serve our customers and our community in this time of need.”

Growth

Total assets for the 1st quarter ended March 31, 2020 were \$955.5 million, which represents a year over year increase of \$134.9 million, or 16.4%. Total deposits increased \$123 million, or 17.1%, ending the quarter at \$841.1 million. Total net loans were \$633.6 million, which represents a year over year increase of \$90.7 million, or 16.7%. At March 31, 2020, the Bank’s loan portfolio remained exceptionally strong with no non-performing loans.

Eugene Voiland, Chairman of the Board of Directors added, “VRB has had an amazing run since we opened the Bank in 2009 and this continues. We are committed to responsibly implementing the new government assistance programs to the best of our ability. Hopefully, the current crisis will peak soon and we can focus on how to assist the community in recovering and rebuilding the area’s economy.”

Capital

Total shareholders’ equity at March 31, 2020 was \$82.2 million. Total shareholders’ equity increased by \$12.0 million, or 17.1%, over the last 12 months. Book value per share for the same time period was \$19.67.

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 twelfth 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>	March 31, 2020	December 31, 2019
ASSETS		
Cash and Due From Banks	\$ 11,787	\$ 15,776
Federal Funds Sold & Interest-Bearing Deposits in Banks	113,179	90,533
Total Cash and Equivalents	124,966	106,309
Debt Securities	157,323	174,461
Loans, Net of Deferred Fees and Costs	642,323	624,768
Allowance for Loan losses	(8,724)	(8,348)
Net Loans	633,599	616,420
Premises and Equipment	7,591	7,839
Bank Owned Life Insurance	10,771	10,714
Interest Receivable and Other Assets	21,298	23,342
TOTAL ASSETS	\$ 955,548	\$ 939,085
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-Bearing	\$ 299,698	\$ 288,387
Interest-Bearing	541,403	540,407
Total Deposits	841,101	828,794
Long-Term Debt	20,000	20,000
Accrued Interest Payable and Other Liabilities	12,249	12,707
Total Liabilities	873,350	861,501
Shareholders' Equity		
Common Stock, no Par Value	46,639	46,639
Additional Paid-in Capital	971	726
Retained Earnings	32,873	30,618
Accumulated Other Comprehensive Income (Loss)	1,715	(399)
Total Shareholders' Equity	82,198	77,584
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 955,548	\$ 939,085
Book Value per Share	\$ 19.67	\$ 18.59

Valley Republic Bancorp and Subsidiary Income Statement

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

	Quarters Ended March 31,	
	2020	2019
INTEREST INCOME		
Loans (Including Fees and Costs)	\$ 7,385	\$ 6,553
Debt Securities	1,004	744
Other	261	435
Total Interest Income	8,650	7,732
INTEREST EXPENSE		
Deposits	1,102	1,379
Other	300	10
Total Interest Expense	1,402	1,389
Net Interest Income	7,248	6,343
Provision For Loan Losses	375	297
Net Interest Income After Provision for Loan Losses	6,873	6,046
NON-INTEREST INCOME		
Service Charges and Fees on Deposits	150	104
Other Non-Interest Income	210	213
Gain (Loss) on Sale of Securities	-	22
Total Non-Interest Income	360	339
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	2,620	2,634
Occupancy & Equipment	469	398
Other	1,071	976
Total Non-Interest Expense	4,160	4,008
Income Before Taxes	3,073	2,377
Income Taxes	818	(562)
NET INCOME	\$ 2,255	\$ 2,939
Basic Earnings per Share	\$ 0.54	\$ 0.72