

VALLEY REPUBLIC BANCORP

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News Release

Valley Republic Bancorp Reports Record 1st Quarter Earnings and Continued Strong Balance Sheet Growth

BAKERSFIELD, Calif., April 15, 2021:

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, 2021.

1st Quarter Ended March 31, 2021 Compared to 1st Quarter Ended March 31, 2020:

- Net income after tax increased 64.4% to \$3.708 million or \$.88 per share
- Total assets increased 41.4% to \$1.350 billion
- Deposits increased 42.5% to \$1.198 billion
- Total Loans increased 53.8% to \$988 million
- Loans excluding PPP increased 15.14% to \$741 million
- Shareholder equity increased 17.4% to \$96 million
- Book value increased to \$22.84 per share
- YTD return on average assets increased to 1.18%
- YTD return on average equity increased to 15.59%

Overview:

The Bank generated exceptionally strong results for the quarter ending March 31, 2021 considering the extremely difficult interest rate environment. The strong performance was driven by core loan growth, deposit growth, Paycheck Protection Program (PPP) forgiveness, and an intentional focus on expense control. In addition, Valley Republic chose to participate in the second round of PPP, recognizing the continued economic hardship endured by the business communities we serve. As with the first round of PPP, Valley Republic extended the program to both customers and non-customers. As of April 4, 2021, the Bank had funded 437 second round PPP loans totaling \$102 million with an additional 44 applications in process. To ensure the Bank could deliver on its brand promise of providing uncommon service, management chose to process all PPP loan originations and forgiveness applications internally in lieu of selling them to a third-party vendor, which has become the industry norm.

Geraud Smith, President and CEO stated “We believed that PPP was going to be extremely important to the communities we serve and because of that we directed our focus to successfully implementing the program. The Valley Republic team has done an outstanding job to ensure that these PPP funds get into the hands of our business partners within our service area. By processing all loans in house, we are able to deliver on our brand promise and reaffirm our commitment to the communities we serve.”

Impaired and nonperforming assets at quarter ending March 31, 2021 were \$4.2 million, or 0.43%, of the Bank’s core loans and remained relatively unchanged from December 31, 2020. There are no expected losses from the Bank’s impaired and nonperforming loans at this time. The Allowance for Loan and Lease Losses (“ALLL”) represented 1.11% of total loans outstanding and 1.49% of core loans, exclusive of the PPP loans. Although the loan portfolio remains stable, the Bank added \$375,000 to its loan loss reserve to account for the significant core loan growth experienced during the quarter.

Jack Smith, Chief Credit Officer stated, “Our loan portfolio performed very well during the 1st quarter. Improvements in the oil and gas sector, hospitality and dining, along with continued low level of delinquencies, allowed the Bank to slightly reduce its loan loss reserve ratio (ALLL) compared to December 31, 2020.”

During the 1st quarter ending March 31, 2021, the Company approved a stock repurchase plan which allows for a maximum of 100,000 shares of the Company’s common stock to be acquired. The repurchase plan has an effective date of April 1, 2021 and will expire on April 1, 2022. Stock purchases under the new plan will be administered by the Board of Directors.

Financial Performance

The Company reported net income after tax of \$3.7 million for the 1st quarter ended March 31, 2021 compared to \$2.3 million for the same period last year. Lower deposit costs, significant loan growth, an increase in loan fees associated with the forgiveness of \$33 million of round one PPP loans, and a modest increase in service charges and other non-interest income were the primary drivers of the increase in earnings. The results for the 1st quarter ended March 31, 2021 represented basic earnings per share of \$0.88, compared to \$0.54 for the same quarter last year.

Growth

Total assets for the 1st quarter ended March 31, 2021 were \$1.350 billion, which represents a year-over-year increase of \$395 million, or 41.4%. For the same period, total deposits increased \$357 million, or 42.5%, ending the quarter at \$1.198 billion. Total loans were \$988 million, which represents a year-over-year increase of \$346 million, or 53.8%. The Bank’s PPP loan balance at quarter ended March 31, 2021 was \$247 million, an increase of \$70 million from December 31, 2020. Even though much of the Bank’s efforts during the 1st quarter of 2021 were focused on helping its customers and non-customers navigate PPP, the Bank grew its core loan balance \$69 million or 10% during the 1st quarter. The core loan growth was primarily driven from 40 net new banking relationships that were onboarded during the 1st quarter of 2021. Developing new banking relationships and enhancing the Bank’s non-interest income remain a major focus of Valley Republic Bank.

Eugene Voiland, Chairman of the Board of Directors added, “Despite the continuing economic upheaval caused by COVID-19, the Bank and its employees continue to perform very well. We are hopeful as pandemic cases decline and more people are vaccinated that our community’s economically hard-hit businesses will begin to be able to safely reopen. The resilience and creativity of these business customers has been truly inspiring given the many challenges.”

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, 2021	December 31, 2020
ASSETS		
Cash and Due From Banks	\$ 13,180	\$ 10,585
Federal Funds Sold & Interest-Bearing Deposits in Banks	111,343	130,141
Total Cash and Equivalents	124,523	140,726
Debt Securities	205,161	212,317
Loans, Net of Deferred Fees and Costs	987,973	849,226
Allowance for Loan losses	(10,999)	(10,624)
Net Loans	976,974	838,602
Premises and Equipment	6,693	6,948
Bank Owned Life Insurance	13,332	13,264
Interest Receivable and Other Assets	23,747	24,153
TOTAL ASSETS	\$ 1,350,430	\$ 1,236,010
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-Bearing	\$ 447,745	\$ 381,733
Interest-Bearing	750,286	702,140
Total Deposits	1,198,031	1,083,873
Short-Term FHLB Borrowing	5,000	5,000
Long-Term Debt	39,411	39,371
Accrued Interest Payable and Other Liabilities	11,521	12,652
Total Liabilities	1,253,963	1,140,896
Shareholders' Equity		
Common Stock, no Par Value	48,724	48,530
Additional Paid-in Capital	914	808
Retained Earnings	45,850	42,143
Accumulated Other Comprehensive Income (Loss)	979	3,633
Total Shareholders' Equity	96,467	95,114
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,350,430	\$ 1,236,010
Book Value per Share	\$ 22.84	\$ 22.55

Valley Republic Bancorp and Subsidiary Income Statement

<i>(Unaudited. Dollars in thousands, except per share data.)</i>	Quarters Ended March 31,	
	2021	2020
INTEREST INCOME		
Loans (Including Fees and Costs)	\$ 9,258	\$ 7,385
Debt Securities	968	1,004
Other	21	261
Total Interest Income	10,247	8,650
INTEREST EXPENSE		
Deposits	401	1,102
Other	550	300
Total Interest Expense	951	1,402
Net Interest Income	9,296	7,248
Provision For Loan Losses	375	375
Net Interest Income After Provision for Loan Losses	8,921	6,873
NON-INTEREST INCOME		
Service Charges and Fees on Deposits	190	150
Other Non-Interest Income	328	210
Gain (Loss) on Sale of Securities	-	-
Total Non-Interest Income	518	360
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	2,370	2,620
Occupancy & Equipment	487	469
Other	1,485	1,071
Total Non-Interest Expense	4,342	4,160
Income Before Taxes	5,097	3,073
Income Taxes	1,389	818
NET INCOME	\$ 3,708	\$ 2,255
Basic Earnings per Share	\$ 0.88	\$ 0.54

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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