

VALLEY REPUBLIC BANCORP

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News Release

Valley Republic Bancorp Reports Strong 3rd Quarter Growth and Earnings

BAKERSFIELD, Calif., October 21, 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 September 30, 2020.

3rd Quarter Ended September 30, 2020 Compared to 3rd Quarter Ended September 30, 2019:

- Net income before tax increased 55.65% to \$4.218 million
- Net income after tax increased 53.59% to \$3.084 million or \$0.73 per share
- Total assets increased 30.6% to \$1.195 billion
- Deposits increased 29.4% to \$1.042 billion
- Loans increased 46.8% to \$865 million
- Shareholder equity increased 19.2% to \$91 million
- Book value increased to \$21.61 per share
- YTD return on average assets increased to 1.11%
- YTD return on average equity increased to 14.28%

Overview:

The Company produced another solid quarter of earnings while navigating a very precarious economic environment. The Bank’s steadfast commitment to the communities it serves during the pandemic has created substantial new business opportunities. Since the first quarter of 2020, the Bank has opened 480 new accounts excluding accounts related to the Paycheck Protection Program (PPP), many of which were associated with net new relationships to the Bank. These new accounts and relationships were the primary driver of the considerable increase in the Bank’s core deposits. This new business activity not only replaced the deposits that were temporarily created by the PPP, but also contributed to a 10.87% year over year increase in the Bank’s core loan portfolio (excluding PPP).

In addition to the new business opportunities, the Bank’s existing loan portfolio continues to demonstrate strong performance. The following highlights are associated with the Bank’s loan portfolio:

- Re-deferral rate - The Bank actively worked with its customers to initiate temporary loan modifications for approximately 11.7% of the total loans outstanding or \$76 million to business borrowers (excluding PPP). These short-term modifications ranged from 3 to 6 months in duration and consisted of both interest only and principal and interest deferments. Of the \$76 million loan deferments, 84% have returned to making contractual payments, 13% are expected to resume payments in November and 3% or \$2.3 million have requested an additional deferment period.
- Impaired and nonperforming assets – Total impaired and nonperforming assets of \$4.8 million or 0.40%, of total assets as of September 30, 2020 remained unchanged from the previous quarter. The impaired loans are secured by real estate with Loan to value (LTV) less than 60% with zero expected loss.

- ALLL – Because of the uncertainty in our local and national economies, the Bank accrued an additional \$600,000 to the Allowance for Loan and Lease Losses (ALLL) during the third quarter. This brings the ALLL, excluding the PPP loans, to 1.54% of total core loans at quarter end. The Bank will continue to closely monitor economic conditions and their potential impact on our customers going forward.

Due to the Bank's growth and the economic uncertainty created by the pandemic, the Company raised an additional \$20 million in capital in the form of subordinated debt. This capital raise will ensure the Bank has the capacity to continue to serve its customers and communities and provide additional protection to its shareholders. The Company retained \$2.5 million of the capital issuance for future debt service and down streamed the balance to the Bank. The Bank's capital position as of September 30th was \$126 million, which improved its ratio of tier 1 capital to total assets to 10.58% compared to 8.58% for the 2nd quarter ended June 30, 2020.

Financial Performance

The Company reported net income before taxes of \$4.2 million for the 3rd quarter ended September 30, 2020 compared to \$2.7 million for the same period last year. The Company reported net income after tax for the 3rd quarter ended September 30, 2020 of \$3.1 million compared to \$2 million for the 3rd quarter ended September 30, 2019, an increase of 53.59%. Lower deposit costs, significant loan growth, a slight reduction in salaries expense, and a modest increase in service charge and other non-interest income were the primary drivers of the significant increase in earnings. The 3rd quarter ended September 30, 2020 results represented basic earnings per share of \$0.76, compared to \$0.48 for the same quarter last year.

For the year-to-date period ended September 30, 2020, the Company reported pre-tax income of \$12.3 million compared to \$8.2 million in the same period last year, an increase of \$4.2 million or 51.2%. Net income after tax for the nine months ended September 30, 2020 was \$9 million compared to \$7.3 million for the same period in 2019, an increase of 23.7%. The year-to-date results represented basic earnings per share of \$2.15, compared to \$1.77 one year ago. It should be noted the Company's effective tax rate for the first nine months of 2020 was 26.94% compared to 10.66% for the same time period last year. The lower tax rate in 2019 related to the exercise of stock options.

Geraud Smith, President and CEO stated, "I am very pleased with how well the Bank has performed through this crisis. Although I recognize we may have more obstacles to navigate ahead of us, I remain confident in our dedicated team, strong loan portfolio and excellent capital position."

Growth

Total assets for the 3rd quarter ended September 30, 2020 were \$1.195 billion, which represents a year over year increase of \$280 million, or 30.6%. Total deposits increased \$236 million, or 29.4%, ending the quarter at \$1.042 billion. Total loans were \$865 million, which represents a year over year increase of \$276 million, or 46.8%. The PPP loan balance at quarter end was \$212 million. Although the balance sheet experienced significant growth as a result of PPP, most of the deposits associated with the program at quarter end had been utilized for their intended purpose of supporting small business payroll. The runoff of PPP related deposits has been replaced by net new core deposits to the Bank. In order to maximize the Bank's earnings, a significant portion of the new deposits have been invested in high quality fixed income securities and the \$30.9 million balance on the PPP Lending Facility was paid off in full during the 3rd quarter.

Eugene Voiland, Chairman of the Board of Directors added, “In the face of a relentless pandemic, VRB staff continue to perform well. Despite many obstacles, our customers overall have been resilient. However, the “lack of normalcy” creates stresses on our entire community. We believe (and hope) we will have more clarity as to the economic outlook in the first part of 2021. We have developed alternative scenarios with widely different outcomes, from a fast recovery to a continuing and worsening economic outlook. We have tested how the bank will perform in all scenarios. We believe we are as well-positioned as possible to take advantage of a positive economic outlook and protect our bank in a significant downturn. We thank all of our shareholders, employees, and stakeholders for your trust in us.”

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>	September 30, 2020	December 31, 2019
ASSETS		
Cash and Due From Banks	\$ 12,389	\$ 15,776
Federal Funds Sold & Interest-Bearing Deposits in Banks	70,199	90,533
Total Cash and Equivalents	82,588	106,309
Debt Securities	215,464	174,461
Loans, Net of Deferred Fees and Costs	864,961	624,768
Allowance for Loan losses	(10,024)	(8,348)
Net Loans	854,937	616,420
Premises and Equipment	7,204	7,839
Bank Owned Life Insurance	12,908	10,714
Interest Receivable and Other Assets	21,613	23,342
TOTAL ASSETS	\$ 1,194,714	\$ 939,085
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-Bearing	\$ 383,384	\$ 288,387
Interest-Bearing	658,480	540,407
Total Deposits	1,041,864	828,794
Short-Term FHLB Borrowings	5,000	0
Long-Term Debt	45,000	20,000
Accrued Interest Payable and Other Liabilities	11,875	12,707
Total Liabilities	1,103,739	861,501
Shareholders' Equity		
Common Stock, no Par Value	47,395	46,639
Additional Paid-in Capital	702	726
Retained Earnings	39,634	30,618
Accumulated Other Comprehensive Income (Loss)	3,244	(399)
Total Shareholders' Equity	90,975	77,584
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,194,714	\$ 939,085
Book Value per Share	\$ 21.61	\$ 18.59

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,	
	2020	2019	2020	2019
INTEREST INCOME				
Loans (Including Fees and Costs)	\$ 8,361	\$ 7,345	\$ 23,629	\$ 21,151
Debt Securities	885	927	2,658	2,657
Other	32	728	326	1,475
Total Interest Income	9,278	9,000	26,613	25,283
INTEREST EXPENSE				
Deposits	461	1,883	2,090	4,967
Other	417	299	1,036	609
Total Interest Expense	878	2,182	3,126	5,576
Net Interest Income	8,400	6,818	23,487	19,707
Provision For Loan Losses	600	369	1,675	1,035
Net Interest Income After Provision for Loan Losses	7,800	6,449	21,812	18,672
NON-INTEREST INCOME				
Service Charges and Fees on Deposits	166	137	477	378
Other Non-Interest Income	452	225	1,250	918
Gain (Loss) on Sale of Securities	-	216	1,088	489
Total Non-Interest Income	618	578	2,815	1,785
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	2,324	2,695	7,215	7,728
Occupancy & Equipment	494	467	1,438	1,282
Other	1,382	1,155	3,634	3,287
Total Non-Interest Expense	4,200	4,317	12,287	12,297
Income Before Taxes	4,218	2,710	12,340	8,160
Income Taxes	1,134	702	3,324	870
NET INCOME	\$ 3,084	\$ 2,008	\$ 9,016	\$ 7,290
Basic Earnings per Share	\$ 0.73	\$ 0.48	\$ 2.15	\$ 1.77

Certain prior period amounts have been reclassified to conform to the current year presentation.

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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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