

VALLEY REPUBLIC BANCORP

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News Release

Valley Republic Bancorp Reports Record Earnings and Growth for 2020

BAKERSFIELD, Calif., January 24, 2021:

Valley Republic Bancorp (the “Company”) (OTCQX: VLLX), the parent company of Valley Republic Bank (the “Bank”), today announced its financial results for the year ended December 31, 2020.

Highlights for the Year Ended 2020 Compared to the Year Ended 2019:

- Net income before tax increased 49.1% to \$17.2 million
- Net income after tax increased 28.7% to \$12.5 million or \$2.99 per share
- Total assets increased 31.6% to \$1.236 billion
- Deposits increased 30.8% to \$1.084 billion
- Loans increased 35.9% to \$849 million
- Shareholder equity increased 22.6% to \$95 million
- Book value increased to \$22.55 per share
- Return on average assets increased to 1.12%
- Return on average equity increased to 14.86%
- Tier 1 Leverage Ratio 12/31/2020: 10.45% (well capitalized)

Overview:

The Company performed at an exceptionally high level in 2020. The Valley Republic team was able to generate a strong return for our shareholders, demonstrate our unwavering commitment to the communities we serve and safely grow the balance sheet in the face of uncertain economic times. The Bank recognized the seriousness of the COVID-19 pandemic early on and took every possible measure to ensure the small business community had access to all government-sponsored support programs; the team took an unconventional approach by offering these programs to both existing and non-customers. The intentional focus on supporting our local community has resulted in a significant increase in net new relationships. The Bank opened 1,110 new accounts and onboarded well over 100 net new business relationships during 2020.

The Bank also worked closely with existing borrowers who were impacted by the shelter in place mandate, by providing customized loan modifications, depending on individual borrower needs. In total, the Bank processed \$76 million in loan deferments. As of the year ended 2020, only three loans totaling \$3.9 million remained under some form of deferment; all three loans are secured by 1st Deeds of Trust with LTV estimates of less than 60%. The Bank suffered no loan losses.

Impaired and nonperforming assets at the year ended December 31, 2020 were \$4.3 million, or .17%, of the Bank’s core loan balance and remained stable and unchanged since the 3rd quarter ended September 30th. The impaired loans are secured by 1st Deeds of Trust with no calculated expected loss. The Bank added \$2.3 million to its Allowance for Loan and Lease Losses (“ALLL”) during the year. Its ALLL year-end balance of \$10.6MM represented 1.25% of total loans outstanding (including Paycheck Protection Program (“PPP”) loans, and 1.58% of its core loan balance.

Jack Smith, Chief Credit Officer stated, “We feel very positive about the performance and trajectory of our loan portfolio. The Bank’s historically strong underwriting proved itself during a very difficult economic environment. Delinquencies, special mention and substandard loans, impaired and non-performing assets, and loan modification deferrals are all at low levels and have been fully addressed. Throughout 2020, the Bank has continued to emphasize credit underwriting, while adding to lending staff and further strengthening risk management procedures. We have achieved broader geographic and industry diversification and increased our loan loss reserve in relation to total loans as a mitigant to further economic downturn or long-term stresses.”

Financial Performance

The Company reported net income before taxes of \$4.8 million for the 4th quarter ended December 31, 2020, compared to \$3.4 million for the same period last year. The Company reported net income after tax for the 4th quarter ended December 31, 2020 of \$3.5 million, compared to \$2.4 million for the 4th quarter ended December 31, 2019, an increase of 43.6%. Lower deposit costs, significant loan growth, and a modest increase in service charge and other non-interest income were the primary drivers of the significant increase in earnings. The 4th quarter ended December 31, 2020 results represented basic earnings per share of \$0.83, compared to \$0.59 for the same quarter last year.

For the twelve months ended December 31, 2020, the Company reported pre-tax income of \$17.2 million compared to \$11.5 million in the same period last year, an increase of \$5.7 million, or 49.1%. Net income after tax for the twelve months ended December 31, 2020 was \$12.5 million compared to \$9.7 million for the same period in 2019, an increase of 28.7%. The full year results represented basic earnings per share of \$2.99, compared to \$2.36 one year ago. It should be noted the Company’s effective tax rate for 2020 was 27% compared to 15.4% for the same time period last year. The lower tax rate in 2019 was related to the exercise of stock options.

Geraud Smith, President and CEO stated, “2020 provided Valley Republic Bank an opportunity to live out our commitment to our customers, shareholders, employees and the communities we serve. I am so proud of our team for their dedication and hard work and I am truly grateful to our loyal customers and shareholders for their continued trust in our organization.”

Growth

Total assets for the year ended December 31st, 2020 were \$1.236 billion, which represents a year over year increase of \$297 million, or 31.6%. Total deposits increased \$255 million, or 30.8%, ending the year at \$1.084 billion. Total loans were \$849 million as of December 31, 2020, which represents a year over year increase of \$224 million, or 35.9%. The Bank’s PPP loan balance at December 31st, 2020 was \$178 million, down from its peak of \$212 million earlier in the year. The reduction in the PPP loan balance is the result of the Bank obtaining loan forgiveness on behalf of its borrowers through the Small Business Administration. Even though much of the Bank’s efforts in 2020 were focused on helping its borrowers through various government-sponsored programs, the Bank did achieve year over year core loan growth of 7.4%, or \$46.1 million.

Eugene Voiland, Chairman of the Board of Directors added, “Looking back, one cannot really describe how tumultuous 2020 was. Our Bank employees, our Board and our customers demonstrated a remarkable resilience to get through this year as well as we did. The extraordinary support and feedback we received from our customers and many others are the result of Valley Republic’s unwavering commitment to the community. There will be challenges ahead, but we will be prepared to meet them.”

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 Financial Protection and Innovation. Valley Republic Bank is an insured, state-chartered, non-member bank of the Federal Reserve System. The Bank is in its thirteenth 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

(Unaudited. Dollars in thousands, except per share data.) December 31, 2020 December 31, 2019

ASSETS

Cash and Due From Banks	\$ 10,735	\$ 15,776
Federal Funds Sold & Interest-Bearing Deposits in Banks	129,991	90,533
Total Cash and Equivalents	140,726	106,309
Debt Securities	212,317	174,461
Loans, Net of Deferred Fees and Costs	849,226	624,768
Allowance for Loan losses	(10,624)	(8,348)
Net Loans	838,602	616,420
Premises and Equipment	6,948	7,839
Bank Owned Life Insurance	13,264	10,714
Interest Receivable and Other Assets	24,153	23,342
TOTAL ASSETS	\$ 1,236,010	\$ 939,085

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Deposits		
Noninterest-Bearing	\$ 381,733	\$ 288,387
Interest-Bearing	702,140	540,407
Total Deposits	1,083,873	828,794
Short-Term FHLB Borrowing	5,000	-
Long-Term Debt, Net of Placement Costs	39,371	19,705
Accrued Interest Payable and Other Liabilities	12,652	13,002
Total Liabilities	1,140,896	861,501

Shareholders' Equity

Common Stock, no Par Value	48,530	47,645
Additional Paid-in Capital	808	726
Retained Earnings	42,143	29,612
Accumulated Other Comprehensive Income (Loss)	3,633	(399)
Total Shareholders' Equity	95,114	77,584

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,236,010	\$ 939,085
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Book Value per Share	\$ 22.55	\$ 18.59
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Valley Republic Bancorp and Subsidiary Income Statement

<i>(Unaudited. Dollars in thousands, except per share data.)</i>	Quarters Ended December 31,		Year to Date Ended December 31,	
	2020	2019	2020	2019
INTEREST INCOME				
Loans (Including Fees and Costs)	\$ 9,206	\$ 7,405	\$ 32,835	\$ 28,555
Debt Securities	1,038	1,083	3,696	3,740
Other	27	366	353	1,841
Total Interest Income	10,271	8,854	36,884	34,136
INTEREST EXPENSE				
Deposits	420	1,447	2,510	6,414
Other	550	300	1,586	909
Total Interest Expense	970	1,747	4,096	7,323
Net Interest Income	9,301	7,107	32,788	26,813
Provision For Loan Losses	600	369	2,275	1,404
Net Interest Income After Provision for Loan Losses	8,701	6,738	30,513	25,409
NON-INTEREST INCOME				
Service Charges and Fees on Deposits	183	147	660	510
Other Non-Interest Income	518	490	1,768	1,422
Gain (Loss) on Sale of Securities	22	-	1,111	489
Total Non-Interest Income	723	637	3,539	2,421
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	2,801	2,614	10,016	10,342
Occupancy & Equipment	501	455	1,939	1,737
Other	1,296	954	4,931	4,240
Total Non-Interest Expense	4,598	4,023	16,886	16,319
Income Before Taxes	4,826	3,352	17,166	11,511
Income Taxes	1,312	905	4,636	1,774
NET INCOME	\$ 3,514	\$ 2,447	\$ 12,530	\$ 9,737
Basic Earnings per Share	\$ 0.83	\$ 0.59	\$ 2.99	\$ 2.36

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

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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