

VALLEY REPUBLIC BANCORP

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News Release

Valley Republic Bancorp Reports Second Quarter 2018 Financial Results

BAKERSFIELD, Calif., July 18, 2018:

Valley Republic Bancorp (OTCQX: VLLX) today announced its financial results for the quarter ended June 30, 2018.

Highlights for the 2nd Quarter of 2018 Compared to the 2nd Quarter of 2017:

- **Net income: up 41%**
- **Pretax income: up 31%**
- **Net loans: up 12%**
- **Deposits: up 7%**
- **Total assets: up 7%**
- **Basic earnings per share increased from \$0.38 to \$0.52 (up 37%)**
- **Book value per share: up \$1.38 (\$15.73 vs. \$14.35)**

Financial Performance

Valley Republic Bancorp reported net income for the second quarter of 2018 of \$2,008,000 compared to \$1,423,000 in the same quarter of 2017, an increase of \$585,000, or 41%. Basic earnings per share for this quarter were \$0.52, compared to \$0.38 for the same quarter last year, an increase of 37%.

As of June 30, 2018, year to date net income was \$4,323,000, compared to \$2,660,000 for the same period in the prior year. This represents an increase of \$1,663,000 or 63%, year over year. Basic year to date earnings per share were \$1.12 compared to \$0.72 in the prior year.

Bruce Jay, President & CEO, stated, “The growth and continued strong performance of Valley Republic Bancorp and Valley Republic Bank has continued through the first half of 2018. The substantial increase in earnings over comparable periods in 2017 and 2018 is due to several factors, all contributing in a positive manner. Loan and deposit growth are key drivers and were supported by increases in market interest rates, which have positively influenced our net interest margin. A lower corporate tax rate, beginning in 2018, has reduced income tax expense. The exercise of stock options, which were granted to directors and founders upon the successful opening of the bank in 2009, has also reduced income tax expense this year. Lastly, we remain diligent in controlling expenses.”

Growth

Total assets were \$683.1 million at the end of the second quarter of 2018. Compared to the end of the second quarter last year, this represents an increase of \$44.4 million, or 7%. When compared to \$667.6 million at year-end 2017, this is an increase of \$15.5 million, or 2%.

Total net loans were \$460.2 million at June 30, 2018. Compared to the end of the second quarter of 2017, this is an increase of \$49.5 million, or 12%. Compared to \$447.9 million at December 31, 2017,

this is an increase of \$18.9 million, or 4%. At June 30, 2018, the Bank had no nonperforming loans or loan payments that were more than 30 days delinquent.

Eugene Voiland, Chairman of the Board, stated, “We continue to maintain high credit quality standards, which have been consistently applied since the opening of the Bank. This has contributed to the steady, consistent growth of our loan portfolio, with no loans 30-days or more past due and no loans on non-accrual status.”

Total deposits were \$615.5 million at June 30, 2018. Compared to the end of the second quarter last year, this is an increase of \$39.4 million, or 7%. This is an increase of \$12.2 million, or 2%, when compared to \$603.3 million at December 31, 2017.

Capital

Total shareholders’ equity at June 30, 2018 was \$61.3 million. Compared to June 30, 2017, total shareholders’ equity has increased by \$7.6 million, or 14%. Total shareholders’ equity increased by \$4,895,000, or 9%, compared to \$56.4 million at December 31, 2017.

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 tenth 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 and one full-service banking office in Delano. 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>	June 30, 2018	December 31, 2017
ASSETS		
Cash and Due From Banks	\$ 10,536	\$ 9,039
Federal Funds Sold & Interest-Bearing Deposits in Banks	34,156	50,730
Total Cash and Equivalents	44,692	59,769
Time Certificates of Deposit in Banks	29,264	30,952
Investment Securities:		
Available-for-Sale	60,565	51,064
Held-to-Maturity	55,023	52,435
Total Investment Securities	115,588	103,499
Loans, Net of Deferred Fees and Costs	466,768	447,859
Allowance for Loan losses	(6,530)	(6,116)
Net Loans	460,238	441,743
Premises and Equipment	1,501	1,538
Bank Owned Life Insurance	10,360	10,235
Interest Receivable and Other Assets	21,461	19,889
TOTAL ASSETS	\$ 683,104	\$ 667,625
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-Bearing	\$ 257,843	\$ 245,892
Interest-Bearing	357,640	357,378
Total Deposits	615,483	603,270
Accrued Interest Payable and Other Liabilities	6,299	7,928
Total Liabilities	621,782	611,198
Shareholders' Equity		
Common Stock, no Par Value	44,608	43,167
Additional Paid-in Capital	1,562	1,745
Retained Earnings	16,251	11,928
Accumulated Other Comprehensive Income (Loss)	(1,099)	(413)
Total Shareholders' Equity	61,322	56,427
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 683,104	\$ 667,625
Book Value per Share	\$ 15.73	\$ 14.94

Valley Republic Bancorp and Subsidiary Income Statement

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

	Quarters Ended June 30,		Year to Date Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Loans (Including Fees and Costs)	\$ 5,428	\$ 4,492	\$ 10,539	\$ 8,663
Investment Securities	609	455	1,087	907
Other	263	219	586	374
Total Interest Income	<u>6,300</u>	<u>5,166</u>	<u>12,212</u>	<u>9,944</u>
INTEREST EXPENSE				
Deposits	628	317	1,182	599
Total Interest Expense	<u>628</u>	<u>317</u>	<u>1,182</u>	<u>599</u>
Net Interest Income	5,672	4,849	11,030	9,345
Provision For Loan Losses	202	217	404	451
Net Interest Income After Provision for Loan Losses	<u>5,470</u>	<u>4,632</u>	<u>10,626</u>	<u>8,894</u>
NON-INTEREST INCOME				
Service Charges and Fees on Deposits	126	114	256	223
Gain (Loss) on Sale of Securities	(6)	9	(6)	9
Other Non-Interest Income	222	295	725	704
Total Non-Interest Income	<u>342</u>	<u>418</u>	<u>975</u>	<u>936</u>
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	1,888	1,883	3,878	3,773
Occupancy & Equipment	314	295	659	575
Other	929	826	1,854	1,619
Total Non-Interest Expense	<u>3,131</u>	<u>3,004</u>	<u>6,391</u>	<u>5,967</u>
Income Before Taxes	2,681	2,046	5,210	3,863
Income Taxes	673	623	887	1,203
NET INCOME	<u>\$ 2,008</u>	<u>\$ 1,423</u>	<u>\$ 4,323</u>	<u>\$ 2,660</u>
Basic Earnings per Share	<u>\$ 0.52</u>	<u>\$ 0.38</u>	<u>\$ 1.12</u>	<u>\$ 0.72</u>

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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