



Press Release

**Valley Republic Bancorp Announces Record Financial Results for 2017
Reported Earnings Increase by 17%
Earnings Before Tax Adjustment Increase by 39%**

BAKERSFIELD, Calif., February 9, 2018:

Valley Republic Bancorp (the “Company”) (OTCQX: VLLX), the parent company of Valley Republic Bank (the “Bank”) today announced the financial results for the fourth quarter and fiscal year ended December 31, 2017.

Valley Republic Bancorp reported record net income for the year ended December 31, 2017, of \$5,247,000, compared to \$4,471,000 for the prior year. This represents an increase of \$776,000, or 17%, year over year. Basic earnings per share were \$1.40 as of December 31, 2017, compared to \$1.21 for the prior year. Pretax earnings were \$9,240,000 for the year ended December 31, 2017, compared to \$6,637,000 in the prior year, an increase of \$2,603,000 or 39%.

Net income for the fourth quarter was \$804,000, after a one-time tax expense adjustment of \$943,000, compared to \$1,159,000 for the same quarter in the prior year, a decrease of \$355,000, or -31%. Basic earnings per share for the fourth quarter of 2017 were \$0.21, compared to \$0.31 basic earnings per share reported for the same quarter in the prior year.

According to Bruce Jay, President and Chief Executive Officer, “The December 2017 enactment of the Tax Cuts and Jobs Act required a one-time, non-cash adjustment to earnings in the fourth quarter. This tax reform reduces the highest federal tax rate for corporations from 35% to 21%, beginning in 2018. When tax changes like this occur, generally accepted accounting principles (GAAP) require that Deferred Tax Assets (DTAs) be revalued to reflect the future value of tax benefits. Accordingly, the Company was required to record a one-time expense adjustment of \$943,000 to reduce its DTAs. Beginning in 2018, the Company will benefit from substantially lower federal corporate tax rates.”

Jay continued, “The material tax-related adjustment makes comparison reporting of operating results more difficult, both quarter over quarter and year over year.” The following table shows the Company’s 2017 year to date performance before and after this one-time DTA adjustment, as compared to 2016 performance:

(Unaudited. Dollars in thousands.)	Before DTA Adjustment			As Reported		
	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change
Total Assets	\$ 668,568	579,055	15%	\$ 667,625	\$ 579,055	15%
Net Loans	441,743	384,548	15%	441,743	384,548	15%
Total Deposits	603,270	518,500	16%	603,270	518,500	16%
Pretax Income	9,240	6,637	39%	9,240	6,637	39%
Net Income	6,190	4,471	38%	5,247	4,471	17%
Book Value Per Share*	15.18	13.60	12%	14.94	13.60	10%
Basic Earnings per Share*	\$ 1.66	\$ 1.21	37%	\$ 1.40	\$ 1.21	16%
Return on Average Assets	0.98%	0.85%	0.13%	0.83%	0.85%	-0.02%
Return on Average Equity	11.48%	9.19%	2.29%	9.73%	9.19%	0.54%

*Prior period amounts have been adjusted to give retroactive effect to the 5% stock dividend that was declared in December 2017.

“The Company’s overall performance continues to be exceptional. Loan, deposit and earnings growth were all substantial during 2017”, stated Jay. “We remain focused on our core competencies of supporting and serving our local communities with responsive, relationship-based service.” Total net loans were \$441.7 million at December 31, 2017, an increase of \$57.2 million, or 15%, compared to \$384.5 million at the end of 2016. Total deposits increased by \$84.8 million, or 16%, to \$603.3 million at December 31, 2017, compared to \$518.5 million at December 31, 2016. Total assets were \$667.6 million at the end of 2017, an increase of \$88.5 million, or 15%, compared to \$579.1 million at year-end 2016.

Total shareholders’ equity at December 31, 2017 was \$56,427,000, an increase of \$5,948,000, or 12%, compared to \$50,479,000 at December 31, 2016. Book value per share was \$14.94 at December 31, 2017, compared to \$13.60 at the prior year-end, after adjusting for the retroactive effect of the stock dividend declared in December 2017.

Eugene Voiland, Chairman of the Board, stated, “The Board of Directors is pleased with the solid growth and earnings performance of the Bank during 2017. The Company produced a return on average equity of 11.48% for the year, before the DTA adjustment, and a 9.73% return on equity after the DTA adjustment.” Mr. Voiland continued, “In recognition of the excellent performance of the Company, in the fourth quarter of 2017 the Company declared a 5% stock dividend, payable to shareholders of record as of December 15, 2017.”

About Valley Republic Bancorp and Valley Republic Bank

Valley Republic Bancorp is a bank holding company formed in 2016. Valley Republic Bank, a wholly-owned subsidiary of Valley Republic Bancorp, is a community bank 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 ninth 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 Balance Sheet

<i>(Unaudited. Dollars in thousands.)</i>	December 31, 2017	December 31, 2016
ASSETS		
Cash and Due From Banks	\$ 9,039	\$ 10,692
Federal Funds Sold & Interest-Bearing Deposits in Banks	50,730	24,167
Total Cash and Equivalents	59,769	34,859
Time Certificates of Deposit in Banks	30,952	32,440
Investment Securities:		
Available-for-Sale	51,064	51,101
Held-to-Maturity	52,435	43,521
Total Investment Securities	103,499	94,622
Loans, Net of Deferred Fees and Costs	447,859	390,033
Allowance for Loan losses	(6,116)	(5,485)
Net Loans	441,743	384,548
Premises and Equipment	1,538	1,759
Bank Owned Life Insurance	10,235	9,975
Interest Receivable and Other Assets	19,889	20,852
TOTAL ASSETS	\$ 667,625	\$ 579,055
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-Bearing	\$ 245,892	\$ 208,615
Interest-Bearing	357,378	309,885
Total Deposits	603,270	518,500
Accrued Interest Payable and Other Liabilities	7,928	10,076
Total Liabilities	611,198	528,576
Shareholders' Equity		
Common Stock, no Par Value	43,167	37,391
Additional Paid-in Capital	1,745	1,883
Retained Earnings	11,928	11,461
Accumulated Other Comprehensive Income (Loss)	(413)	(256)
Total Shareholders' Equity	56,427	50,479
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 667,625	\$ 579,055

Valley Republic Bancorp Income Statement

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

	Quarters Ended December 31,		Year to Date Ended December 31,	
	2017	2016	2017	2016
INTEREST INCOME				
Loans (Including Fees and Costs)	\$ 5,033	\$ 4,048	\$ 18,574	\$ 14,929
Investment Securities	478	359	1,884	1,468
Other	280	159	888	515
Total Interest Income	5,791	4,566	21,346	16,912
INTEREST EXPENSE				
Deposits	376	277	1,327	977
Total Interest Expense	376	277	1,327	977
Net Interest Income	5,415	4,289	20,019	15,935
Provision For Loan Losses	(26)	67	692	789
Net Interest Income After Provision for Loan Losses	5,441	4,222	19,327	15,146
NON-INTEREST INCOME				
Service Charges and Fees on Deposits	127	110	476	408
Gain on Sale of Securities	-	-	9	145
Other Non-Interest Income	259	292	1,407	1,296
Total Non-Interest Income	386	402	1,892	1,849
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	1,720	1,799	7,346	6,324
Occupancy & Equipment	496	281	1,252	1,078
Other	906	766	3,381	2,956
Total Non-Interest Expense	3,122	2,846	11,979	10,358
Income Before Taxes	2,705	1,778	9,240	6,637
Income Taxes	1,901	619	3,993	2,166
NET INCOME	\$ 804	\$ 1,159	\$ 5,247	\$ 4,471
Basic Earnings per Share	\$ 0.21	\$ 0.31	\$ 1.40	\$ 1.21

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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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