

VALLEY REPUBLIC BANCORP

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News Release

Valley Republic Bancorp Reports Record Financial Results for 2018

BAKERSFIELD, Calif., January 31, 2019:

Valley Republic Bancorp (the “Company”) (OTCQX: VLLX), the parent company of Valley Republic Bank (the “Bank”), today announced its financial results for the year and quarter ended December 31, 2018.

Highlights for the Year Ended 2018 Compared to 2017:

- **Pretax income increased 22%**
- **Net income increased 71%**
- **Net loans increased 17%**
- **Deposits increased 17%**
- **Total assets increased 17%**
- **Basic earnings per share increased 64% (\$2.29 vs. \$1.40)**
- **Return on average assets increased to 1.25% vs. 0.83%**
- **Return on average equity increased to 14.65% vs. 9.73%**
- **Book value per share increased 13% (\$16.88 vs. \$14.94)**

For the year ended December 31, 2018, pretax income was \$11,310,000 compared to \$9,240,000 in the prior year, an increase of \$2,070,000 or 22%. As of December 31, 2018, year to date net income was \$8,952,000, compared to \$5,247,000 for the same period in the prior year. This represents an increase in earnings for 2018 of \$3,705,000 or 71%. 2017 earnings were negatively affected by a one-time expense adjustment of \$943,000, or \$(0.25) per share, in the fourth quarter of 2017 due to the enactment of the Tax Cuts and Jobs Act (the “Tax Act”) in December of that year. Further, 2018 earnings were positively affected by the Tax Act which reduced the top federal statutory tax rate from 35% in 2017 to 21% in 2018.

The Company reported record pretax income for the fourth quarter of 2018 of \$3,055,000 compared to \$2,705,000 in the same quarter of 2017, an increase of \$350,000, or 13%. Net income for the fourth quarter of 2018 was \$2,255,000, or \$0.57 per share, compared to \$804,000, or \$0.21 per share, in 2017. This represents an increase in earnings for the fourth quarter of 2018 of \$1,451,000, or 180%, and includes the impact of the Tax Act.

Bruce Jay, President/CEO stated, “The accomplishments of Valley Republic Bancorp in 2018 were exceptional and represented record performance. Year over year earnings increased 71% to almost \$9 million, while total assets and loans increased approximately \$112 million and \$73 million, respectively. 2018 was essentially the 10th year of operation for Valley Republic Bank, which opened February 2, 2009. As measured by asset size, the Bank is now in the top 20% of approximately 5,600 banks in the United States. As one of the newest banks in the country, we are proud of what Valley Republic Bank has achieved in both growth and performance in just 10 years. We’re grateful for our loyal customers and the overall community support that has fostered our success.”

Eugene Voiland, Chairman of the Board of Directors added, “Valley Republic Bancorp had a remarkable year thanks to the efforts of our dedicated employees and the Board of Directors. We focus on providing our customers excellent and timely service while running a cost effective organization. This allows our shareholders and our community to participate in the Bank’s success.”

Total net loans were \$514.7 million at December 31, 2018, compared to \$441.7 million at the end of 2017, an increase of \$73 million, or 17%. Total deposits increased by \$100.4 million, or 17%, to \$703.7 million at the end of 2018 compared to \$603.3 million at the end of 2017. Total assets were \$779.9 million at December 31, 2018, an increase of \$112.2 million, or 17%, compared to \$667.6 million at the prior year end. At December 31, 2018, the Bank had no nonperforming loans or loan payments that were more than 30 days delinquent.

Total shareholders’ equity at December 31, 2018 was \$67.2 million. Compared to December 31, 2017, total shareholders’ equity has increased by \$10.7 million, or 19%, 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>	December 31, 2018	December 31, 2017
ASSETS		
Cash and Due From Banks	\$ 10,531	\$ 9,039
Federal Funds Sold & Interest-Bearing Deposits in Banks	64,291	50,730
Total Cash and Equivalents	74,822	59,769
Time Certificates of Deposit in Banks	24,800	30,952
Debt Securities:		
Available-for-Sale	76,912	51,064
Held-to-Maturity	52,488	52,435
Total Debt Securities	129,400	103,499
Loans, Net of Deferred Fees and Costs	521,628	447,859
Allowance for Loan losses	(6,931)	(6,116)
Net Loans	514,697	441,743
Premises and Equipment	2,048	1,538
Bank Owned Life Insurance	10,479	10,235
Interest Receivable and Other Assets	23,608	19,889
TOTAL ASSETS	\$ 779,854	\$ 667,625
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-Bearing	\$ 287,408	\$ 245,892
Interest-Bearing	416,250	357,378
Total Deposits	703,658	603,270
Accrued Interest Payable and Other Liabilities	9,043	7,928
Total Liabilities	712,701	611,198
Shareholders' Equity		
Common Stock, no Par Value	45,626	43,167
Additional Paid-in Capital	1,374	1,745
Retained Earnings	20,881	11,928
Accumulated Other Comprehensive Income (Loss)	(728)	(413)
Total Shareholders' Equity	67,153	56,427
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 779,854	\$ 667,625
Book Value per Share	\$ 16.88	\$ 14.94

Valley Republic Bancorp and Subsidiary Income Statement

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

	Quarters Ended December 31,		Year to Date Ended December 31,	
	2018	2017	2018	2017
INTEREST INCOME				
Loans (Including Fees and Costs)	\$ 6,146	\$ 5,033	\$ 22,485	\$ 18,574
Investment Securities	749	478	2,423	1,884
Other	543	280	1,533	888
Total Interest Income	7,438	5,791	26,441	21,346
INTEREST EXPENSE				
Deposits	1,244	376	3,363	1,327
Total Interest Expense	1,244	376	3,363	1,327
Net Interest Income	6,194	5,415	23,078	20,019
Provision For Loan Losses	202	(26)	805	692
Net Interest Income After Provision for Loan Losses	5,992	5,441	22,273	19,327
NON-INTEREST INCOME				
Service Charges and Fees on Deposits	105	127	475	476
Other Non-Interest Income	595	259	1,849	1,407
Gain (Loss) on Sale of Securities	-	-	(6)	9
Total Non-Interest Income	700	386	2,318	1,892
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	2,384	1,720	8,284	7,346
Occupancy & Equipment	398	496	1,474	1,252
Other	855	906	3,523	3,381
Total Non-Interest Expense	3,637	3,122	13,281	11,979
Income Before Taxes	3,055	2,705	11,310	9,240
Income Taxes	800	1,901	2,358	3,993
NET INCOME	\$ 2,255	\$ 804	\$ 8,952	\$ 5,247
Basic Earnings per Share	\$ 0.57	\$ 0.21	\$ 2.29	\$ 1.40

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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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