VALLEY REPUBLIC BANK

5000 California Avenue, Suite 110
Bakersfield, California 93309
(661) 371-2000

March 22, 2016

To Our Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Valley Republic Bank. It will be held at **5:00 p.m. PDT on Tuesday, April 26, 2016, at Stockdale Country Club, 7001 Stockdale Highway, Bakersfield, California 93309,** as stated in the formal notice accompanying this letter. We hope you plan to attend.

At the Annual Meeting, shareholders will be asked to elect directors and to ratify the selection of independent auditors for 2016. We will also review operating results for the past year.

Shareholders will also be asked to consider and vote upon a proposed bank holding company reorganization. Your Board of Directors and management believe that the formation of a holding company will provide business alternatives for your Bank which are desirable to compete with other major banks and larger regional banks, many of which have been similarly reorganized. Accordingly, your Bank's Board of Directors has approved the formation of Valley Republic Bancorp, a California corporation, to serve as the proposed bank holding company for the Bank. Approving the bank holding company reorganization requires shareholders' approval.

In connection with the formation of the new bank holding company, it is also critical that the Bank's shareholders, as the prospective shareholders of the new bank holding company, ratify the Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan, which has been adopted by the new bank holding company to replace the Bank's 2008 Stock Option Plan and the Bank's 2013 Restricted Share Plan.

If the bank holding company reorganization is approved, your Bank common stock will be converted, without recognition of gain or loss for income tax purposes, into common stock of Valley Republic Bancorp on a share-for-share basis. Current common stock certificates will represent shares in the new holding company's common stock and will remain valid. It will not be necessary for you to exchange your common stock certificates, although you may do so if you so desire.

A detailed explanation of the proposed bank holding company reorganization and the Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan are contained in the accompanying Proxy Statement. Also enclosed is a proxy and prepaid return addressed envelope.

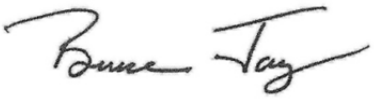
Regardless of the number of shares you own, it is important that they be represented and voted through the enclosed proxy. In order to ensure your shares are voted at the Annual Meeting, you can vote through the mail by signing, dating and returning the proxy card in the accompanying postage-paid envelope. You may also vote electronically using a toll-free telephone number or via the Internet. The Proxy Statement explains more about voting. If you attend the Annual Meeting, you may vote in person even though you previously voted your proxy.

Whether or not you plan to attend the Annual Meeting, please take the time to complete and mail your proxy to us, or vote your shares electronically, as soon as possible. If you do not indicate on your proxy how you want to vote, your proxy will be counted as a vote in favor of the proposals.

We look forward to seeing you at the Annual Meeting.

Sincerely,





Eugene Voiland
Chairman of the Board

Bruce Jay
President and
Chief Executive Officer

VALLEY REPUBLIC BANK

5000 California Avenue, Suite 110
Bakersfield, California 93309
(661) 371-2000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date and Time

Tuesday, April 26, 2016 at 5:00 p.m. PDT

Place

Stockdale Country Club
7001 Stockdale Highway
Bakersfield, California 93309

Items of Business

1. **Election of Directors.** Electing the following 12 directors to serve until the 2017 Annual Meeting of Shareholders:

Greg Bynum	Willy Reyneveld
Annette Davis	Carlos Sanchez
Michael F. Hair, Sr.	Shawn Shambaugh
Bruce Jay	James Shuler
Anthony Leggio	Eugene Voiland
Angelo Mazzei	Warner Williams

2. **Bank Holding Company Reorganization.** Approving the Plan of Reorganization and Merger Agreement that provides for the merger of VRB Merger Company with and into the Bank (the "Merger"), as a result of which shareholders of the Bank will receive for their shares of the Bank's common stock an equal number of shares of Valley Republic Bancorp's common stock;

3. **Ratification of Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan.** Ratifying, as prospective shareholders of Valley Republic Bancorp, the Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan;

4. **Ratification of Auditors.** Ratifying the appointment of Vavrinek, Trine, Day & Co., LLP as independent auditors for 2016; and

5. **Other Business.** Transacting such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Who May Vote?

Shareholders of record at the close of business on March 4, 2016 are entitled to notice of and to vote at the Annual Meeting or any postponement or adjournment thereof.

You are entitled to one vote for each share of the Bank's common stock that you owned of record at the close of business on March 4, 2016. The accompanying proxy card indicates the number of shares you are entitled to vote at the Annual Meeting.

Nominations of Directors

The second paragraph of Section 3.2 of the Bank's Bylaws provides for the nomination of directors in the following manner:

> "Nomination for election of members of the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Notice of intention to make any nominations shall be made in writing and shall be delivered or mailed to the President of the corporation not less than twenty-one (21) days nor more than sixty (60) days prior to any meeting of shareholders called for the election of directors; provided however, that if less than twenty-one (21) days' notice of the meeting is given to shareholders, such notice of intention to nominate shall be mailed or delivered to the President of the corporation not later than the close of business on the tenth day following the day on which the notice of meeting was mailed; provided further, that if notice of such meeting is sent by third-class mail as permitted by Section 2.4 of these Bylaws, no notice of intention to make nominations shall be required. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; (e) the number of shares of capital stock of the corporation owned by the notifying shareholder; and (f) with the written consent of the proposed nominee, a copy of which shall be furnished with the notification, whether the proposed nominee has ever been convicted of or pleaded nolo contendere to any criminal offense involving dishonesty or breach of trust, filed a petition in bankruptcy, or been adjudged bankrupt. Nominations not made in accordance herewith may, in the discretion of the Chairman of the meeting, be disregarded and upon the Chairman's instructions, the inspectors of election shall disregard all votes cast for each such nominee."

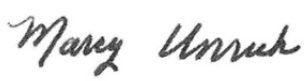
Annual Report & Annual Disclosures

Valley Republic Bank's Annual Report to shareholders for the fiscal year ended December 31, 2015 is enclosed. The Annual Report contains financial and other information about the activities of Valley Republic Bank, but does not constitute a part of the proxy soliciting materials. In addition, in compliance with regulations adopted by the Federal Deposit Insurance Corporation, Valley Republic Bank has prepared an Annual Disclosure Statement containing additional information regarding the financial condition of the Bank. Shareholders may request free copies of our Annual Disclosure Statement as well as additional financial materials about the Bank (Annual Reports, quarterly earnings releases, and the Proxy Statement) by written request to: Valley Republic Bank, 5000 California Avenue, Suite 110, Bakersfield, CA 93309, Attention: Corporate Secretary, or by telephone: (661) 371-2000. A link to our financial regulatory reports can also be found on our Internet site: www.valleyrepublicbank.com.

Date of Notice

This Notice, the Proxy Statement, and the Proxy are first being distributed on or about March 22, 2016.

BY ORDER OF THE BOARD OF DIRECTORS



Marcy Unruh
Senior Vice President &
Corporate Secretary

Dated: March 22, 2016

YOUR VOTE IS IMPORTANT

SINCE IMPORTANT MATTERS ARE TO BE CONSIDERED AT THE MEETING, IT IS VERY IMPORTANT THAT EACH SHAREHOLDER VOTE. YOU ARE URGED TO VOTE VIA TELEPHONE OR THE INTERNET OR COMPLETE, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY, SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES.

THE ENCLOSED PROXY IS SOLICITED BY THE BANK'S BOARD OF DIRECTORS. ANY SHAREHOLDER WHO EXECUTES AND DELIVERS A PROXY HAS THE RIGHT TO REVOKE IT AT ANY TIME BEFORE IT IS EXERCISED BY GIVING WRITTEN NOTICE OF REVOCATION TO THE SECRETARY OF THE BANK, BY SUBMITTING PRIOR TO THE MEETING A PROPERLY EXECUTED PROXY BEARING A LATER DATE, OR BY BEING PRESENT AT THE MEETING AND ELECTING TO VOTE IN PERSON BY ADVISING THE CHAIRMAN OF THE MEETING OF SUCH ELECTION.

PLEASE INDICATE ON THE POXY WHETHER OF NOT YOU EXPECT TO ATTEND THE MEETING SO THAT THE BANK CAN ARRANGE FOR ADEQUATE ACCOMODATIONS.

VALLEY REPUBLIC BANK

5000 California Avenue, Suite 110
Bakersfield, California 93309
(661) 371-2000

PROXY STATEMENT

March 22, 2016

TABLE OF CONTENTS

Page

GENERAL 1
The Bank Holding Company Reorganization 1
Voting Information 2
Stock Ownership 5

PROPOSAL 1 – ELECTION OF DIRECTORS 6
Nominees to the Board of Directors 7
Board of Directors and Committees 9
Compensation of Non-Employee Directors 12
Bank Transactions with Directors and Management 12
Executive Officers 13
Compensation Committee Interlocks and Insider Participation 14

EXECUTIVE COMPENSATION 14
Summary Compensation 14
Equity Based Compensation 15
Employment Agreements 17
Valley Republic Bank 401(k) Plan 19

PROPOSAL 2 – BANK HOLDING COMPANY REORGANIZATION 20
General 20
Reasons for the Merger 20
Description of the Merger 21
Ratification and Approval of the Merger 21
Description of Valley Republic Common Stock 22
Comparison of Valley Republic Bank and Valley Republic Bancorp Corporate Structures 22
The Holding Company 23
Directors and Executive Officers 24
Supervision and Regulation 25
Permitted Non-Banking Activities 36
Federal Income Tax Consequences 37
Dissenters' Rights 38
Restrictions on Affiliates 38
Business of Valley Republic Bank 38
Vote Required 39

PROPOSAL 3 – APPROVAL OF THE VALLEY REPUBLIC BANCORP 2016 OMNIBUS EQUITY INCENTIVE PLAN 39
Introduction 39
Summary of the Plan 39
Restricted Shares 40
Stock Options 41
Vote Requirement; Recommendation 42

PROPOSAL 4 – RATIFICATION OF AUDITORS 42

OTHER INFORMATION 43
Shareholder Communications to Board of Directors 43
Other Matters 43

Exhibit "A" - Plan of Reorganization and Merger Agreement..... A-1

This Proxy Statement is being furnished in connection with the solicitation of proxies for Valley Republic Bank's 2016 Annual Meeting of Shareholders to be held on April 26, 2016, and is also being furnished in connection with the offering of shares of Valley Republic Bancorp Common Stock pursuant to the holding company reorganization proposed herein.

This Proxy Statement has not been approved or disapproved by the Securities and Exchange Commission (the "SEC"), the Board of Governors of the Federal Reserve System (the "FRB"), the Federal Deposit Insurance Corporation (the "FDIC") or the California Department of Business Oversight (the "DBO"), nor have the SEC, the FRB, the FDIC or the DBO passed upon the accuracy or adequacy of this Proxy Statement. Any representation to the contrary is a criminal offense. The shares of Valley Republic Bancorp Common Stock offered hereby are being offered pursuant to an exemption from registration under the Securities Act of 1933, as amended, and have not been registered with the SEC.

The shares of Valley Republic Bancorp Common Stock offered hereby do not constitute bank deposits and will not be insured by the FDIC or any other government agency.

No person has been authorized to give any information or make any representation not contained in this Proxy Statement in connection with the offer contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by Valley Republic Bancorp or Valley Republic Bank. This Proxy Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities other than those to which it relates or an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person to whom it is unlawful to make such offer in any jurisdiction. The delivery of this Proxy Statement shall not create, under any circumstances, an implication that there has been no change in the affairs of Valley Republic Bank or Valley Republic Bancorp since the date hereof.

GENERAL

This Proxy Statement and the accompanying proxy card are being mailed to shareholders of Valley Republic Bank (the "Bank") beginning on or about March 22, 2016. The Bank's Board of Directors is soliciting proxies to be used at the 2016 Annual Meeting of Shareholders (the "Annual Meeting"), which will be held at 5:00 p.m. PDT, Tuesday, April 26, 2016, at Stockdale Country Club, 7001 Stockdale Highway, Bakersfield, California 93309, or at any adjournment or postponement of the Annual Meeting. Proxies are solicited to give all shareholders of record an opportunity to vote on matters to be presented at the Annual Meeting. In the following pages of this Proxy Statement, you will find information on matters to be voted on at the Annual Meeting.

The matters to be considered and voted upon at the Annual Meeting will be:

1. **Election of Directors.** Electing the following 12 directors to serve until the 2017 Annual Meeting of Shareholders:

Greg Bynum	Willy Reyneveld
Annette Davis	Carlos Sanchez
Michael F. Hair, Sr.	Shawn Shambaugh
Bruce Jay	James Shuler
Anthony Leggio	Eugene Voiland
Angelo Mazzei	Warner Williams

2. **Bank Holding Company Reorganization.** Approving the Plan of Reorganization and Merger Agreement that provides for the merger of VRB Merger Company with and into the Bank (the "Merger"), as a result of which shareholders of the Bank will receive for their shares of the Bank's Common Stock an equal number of shares of Valley Republic Bancorp's Common Stock;

3. **Ratification of Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan.** Ratifying, as prospective shareholders of Valley Republic Bancorp, the Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan;

4. **Ratification of Auditors.** Ratifying the appointment of Vavrinek, Trine, Day & Co., LLP as independent auditors for 2016; and

5. **Other Business.** Transacting such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Bank Holding Company Reorganization

Shareholders are being asked to consider and vote upon a Plan of Reorganization and Merger Agreement. If approved by the Bank's shareholders and regulatory authorities, the business of the Bank will be conducted as a wholly-owned subsidiary of Valley Republic Bancorp, a California corporation (the "Holding Company"), and each outstanding share of the Bank's Common Stock will be converted into an equal number of shares of Valley Republic Bancorp Common Stock.

At the direction of the Bank, the Holding Company was incorporated on February 22, 2016, under the laws of the State of California, to serve as the holding company for the Bank. At the effective date of the Merger, shareholders of the Bank will automatically become shareholders of the Holding Company and, accordingly, shareholders will not be requested to surrender their Bank stock certificates for new certificates. The Bank will conduct its business in substantially the same manner and from the

same offices as the Bank did prior to the Merger. (See "PROPOSAL 2 - BANK HOLDING COMPANY REORGANIZATION - Description of the Merger.")

Reasons for the Merger

The Board of Directors believes the establishment of a holding company structure for the Bank will provide greater flexibility in responding to the expanding financial needs of the Bank's customers and in meeting increasing and ever-changing forms of competition for the furnishing of financial services. (See "PROPOSAL 2 - BANK HOLDING COMPANY REORGANIZATION - Reasons for the Merger.")

Federal Income Tax Consequences

The Merger is intended to qualify for federal income tax purposes as a tax-free "reorganization" under Section 368(a)(1)(A) of the Internal Revenue Code in which no gain or loss will be recognized by a Bank shareholder upon the receipt of Holding Company stock in exchange for Bank stock. (See "PROPOSAL 2 - BANK HOLDING COMPANY REORGANIZATION - Federal Income Tax Consequences.")

Government Regulation and Supervision

After the Merger, the Holding Company will be subject to the Bank Holding Company Act of 1956, as amended, and will be subject to regulation by the Board of Governors of the Federal Reserve System with respect to its operations as a bank holding company. The Bank will continue to be subject to regulation by the same governmental agencies that currently regulate the Bank. (See "PROPOSAL 2 - BANK HOLDING COMPANY REORGANIZATION - Supervision and Regulation.")

Rights of Dissenting Shareholders

Those shareholders of the Bank who object to the Merger are not entitled to dissent from the Merger and receive payment of the fair value of their shares.

Voting Information

Who May Vote

You are entitled to vote if you were a shareholder of record of Bank Common Stock as of the close of business on March 4, 2016 (the "Record Date"). On March 4, 2016, which has been fixed as the record date for the purpose of determining the shareholders eligible to vote, there were issued and outstanding 3,517,605 shares of Bank Common Stock held by approximately 277 shareholders of record. Your shares can be voted at the Annual Meeting only if you are present or are represented by a valid proxy.

You are generally entitled to one vote for each share of Bank Common Stock that you owned of record at the close of business on the Record Date, except that in connection with the election of directors, the shares are entitled to be voted cumulatively if a candidate's or candidates' name(s) have been properly placed in nomination prior to the voting and a shareholder has given notice at the Annual Meeting, and prior to the voting, of his or her intention to vote his or her shares cumulatively. If a shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination. Cumulative voting entitles a shareholder to give one nominee as many votes as is equal to the number of directors to be elected multiplied by the number of shares owned by such shareholder, or to distribute his or her votes on the same principle between two or more nominees as he or she deems appropriate. If cumulative

voting is declared at the Annual Meeting, votes represented by proxies delivered pursuant to this Proxy Statement may be cumulated at the discretion of the Proxy Holders in accordance with the recommendation of the Board of Directors. The 12 candidates receiving the highest number of votes will be elected.

The accompanying proxy card indicates the number of shares you are entitled to vote at the Annual Meeting.

Proxy Card

The Board has designated Greg Bynum, Anthony Leggio, and Willy Reyneveld to serve as Proxy Holders for the Annual Meeting. As Proxy Holders, they will vote the shares represented by proxies at the Annual Meeting. If you sign, date and return the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the Proxy Holders in favor of the election of all the director nominees, for approving the Plan of Reorganization and Merger Agreement, for the ratification of the Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan and for ratifying the appointment of independent auditors for 2016. The Proxy Holders will have discretionary authority to vote in accordance with their judgment on any other matter that may properly come before the Annual Meeting.

Quorum and Shares Outstanding

A quorum, which is a majority of the total shares outstanding as of the Record Date, must be present to hold the Annual Meeting. A quorum is calculated on the number of shares represented by shareholders attending in person or by proxy. On the Record Date, 3,517,605 shares of the Bank's Common Stock were outstanding.

Vote Required for Approval of Proposals

Under California law, directors are elected by a plurality of all the votes cast, so that the 12 nominees for director receiving the greatest number of votes will be elected. If your proxy is marked "Withhold" with regard to the election of any nominee, your shares will be counted toward a quorum but they will not be voted for or against the election of that nominee. Approval of the bank holding company reorganization requires the approval of the holders of a majority of the Bank Common Stock issued and outstanding as of March 4, 2016, the record date. Approval of the Valley Republic Bank 2016 Omnibus Equity Incentive Plan requires the approval of the holders of a majority of the Bank Common Stock voting on this matter, assuming at least a majority of the issued and outstanding shares of the Bank Common Stock as of the record date vote on this matter. The affirmative vote of a majority of shares represented and entitled to vote at the Annual Meeting is required to ratify the selection of independent auditors.

Abstentions are deemed "present" for the purpose of obtaining a quorum, but for purposes of determining the outcome of the proposal, abstentions will not be treated as affirmative votes. In other words, abstentions will have the same effect as negative votes. The Inspector(s) of Election appointed for the Annual Meeting will tabulate all votes cast in person or by proxy at the Annual Meeting.

IF NO INSTRUCTION IS SPECIFIED WITH RESPECT TO A PROPOSAL TO BE ACTED UPON, THE SHARES REPRESENTED BY YOUR EXECUTED PROXY WILL BE VOTED IN FAVOR OF THAT PROPOSAL.

Broker Non-Votes

Broker non-votes will be included as "present" for the purpose of determining the presence of a quorum. A broker non-vote occurs under the stock exchange rules when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given by the beneficial owner on a timely basis. Brokers may vote in their discretion on routine matters, but not on non-routine matters. Applicable rules governing brokers classify the ratification of auditors as routine matters but not the election of directors, the approval of the Plan of Reorganization and Merger Agreement, or the ratification of the Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan. As a result, broker non-votes will not affect the outcome of "routine" matters.

How You Can Vote

You may vote by proxy or in person at the Annual Meeting. If you choose to vote by proxy, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided. You may also vote electronically using a toll-free telephone number or via the Internet. Please refer to the electronic voting instructions contained on the proxy card. If you choose to vote electronically, you do not need to return your proxy card.

Shares Registered in the Name of a Bank or Brokerage Firm

If your shares of Common Stock are held by a bank, broker or other nominee in "street name," you will receive voting instructions from the record holder (including instructions, if any, on how to vote by telephone or through the Internet). You must follow these instructions in order to have your shares voted by proxy. To be able to vote in person at the Annual Meeting, you must obtain a proxy, executed in your favor, from the institution that holds your shares, indicating that you were the beneficial owner of the shares on the record date for voting.

Revocation of Proxy

If you vote by proxy, you may revoke that proxy at any time before it is voted at the Annual Meeting. You may do this by: (a) signing another proxy card with a later date and delivering it to us prior to the Annual Meeting; (b) sending a notice of revocation to the Corporate Secretary of Valley Republic Bank at 5000 California Avenue, Suite 110, Bakersfield, CA 93309; or (c) attending the Annual Meeting in person and casting a ballot.

Solicitation of Proxies

The enclosed proxy is being solicited by the Bank's Board of Directors. The principal method of proxy solicitation for the Annual Meeting will be by mail, although additional solicitation may be made by telephone, personal visit by directors, officers and employees of the Bank, or by other means of communication. The Bank will pay for all costs of soliciting proxies.

Multiple Copies of Annual Reports to Shareholders

If you own Bank Common Stock through a bank, broker, or other holder of record and received more than one copy of the Valley Republic Bank Annual Report at the same address, contact the holder of record to ask them to eliminate duplicate mailings. You should also contact the holder of record if, at a later date, you wish to resume the mailing of an Annual Report. To request additional Annual Reports or Proxy Statements, you can call Valley Republic Bank at (661) 371-2000 or you can send your request in

writing to the Corporate Secretary of Valley Republic Bank at 5000 California Avenue, Suite 110, Bakersfield, CA 93309.

At least one account at your address must continue to receive an Annual Report. Mailing of dividends, proxy materials, and special notices will not be affected by your election to discontinue duplicate mailings of the Annual Report.

Stock Ownership

Security Ownership of Certain Beneficial Owners

The Bank is aware of only two shareholders who beneficially own 5% or more of the total number of outstanding shares of the Bank Common Stock, Dr. James Shuler and Mr. Anthony Leggio. Information regarding their stock ownership is included in the table, below, in the section entitled "Security Ownership of Directors and Management."

Security Ownership of Directors and Management

The following table shows the number of shares of the Bank Common Stock and the percentage of the Bank Common Stock beneficially owned (as defined below) by each of the nominees for election to the Board of Directors (all of whom are currently directors), including the Chief Executive Officer, by the other three most highly compensated executive officers during 2015, and by all director/nominees and executive officers of the Bank as a group as of the Record Date. For the purposes of the disclosure of ownership of shares by directors and management below, shares are considered to be "beneficially" owned if a person, directly or indirectly, has or shares the power to vote or direct the voting of the shares, the power to dispose of or direct the disposition of the shares, or the right to acquire beneficial ownership, such as through the exercise of a stock option or the vesting of restricted stock awards within 60 days of the Record Date. Management is not aware of any change in control of the Bank since January 1, 2015, or of any arrangement which may, at a subsequent date, result in a change in control of the Bank, other than the bank holding company reorganization pursuant to which all of the Bank's shareholders will become shareholders of Valley Republic Bancorp.

Name , Title and Address of Beneficial Owner*	Number of Shares Beneficially Owned[1]	Percentage of Shares Beneficially Owned
Stephen M. Annis [2] , EVP & CFO	40,000	1.12%
Greg Bynum[3], Director/Nominee	80,863	2.29%
Annette Davis[4], Director/Nominee	88,217	2.50%
Michael F. Hair, Sr.[5], Director/Nominee	3,369	0.10%
Bruce Jay[6], Director/Nominee, President & CEO	178,600	4.87%

(1) Shares subject to outstanding stock options that are currently exercisable or exercisable within 60 days of the Record Date and awards of restricted stock that will vest within 60 days of the Record Date ("Vested") are treated as issued and outstanding for the purpose of computing the percent of the class owned by such person or group of persons but not for the purpose of computing the percent of class owned by any other person.

(2) Includes 40,000 shares underlying options that are Vested.

(3) Includes 18,000 shares underlying options and 388 shares underlying restricted stock awards that are Vested. Includes 62,475 shares held by The Gregory & Mary Bynum Family Trust that Gregory Bynum is deemed to beneficially own as a co-trustee. Mary M. Bynum, Mr. Bynum's wife, is also a co-trustee of The Gregory & Mary Bynum Family Trust.

(4) Includes 17,500 shares underlying options and 369 shares underlying restricted stock awards that are Vested. Includes 69,220 shares held by the Davis Family Trust that Annette Davis is deemed to beneficially own as a co-trustee. H. Arthur Davis, Mrs. Davis' husband, is also a co-trustee of the Davis Family Trust.

(5) Includes 3,000 shares underlying options and 369 shares underlying restricted stock awards that are Vested.

Name , Title and Address of Beneficial Owner*	Number of Shares Beneficially Owned[1]	Percentage of Shares Beneficially Owned
Anthony Leggio[7], Director/Nominee	194,490	5.50%
Angelo Mazzei[8], Director/Nominee	90,693	2.57%
Philip McLaughlin[9], EVP & Sales Manager	66,000	1.85%
Willy Reyneveld[10], Director/Nominee	106,753	3.02%
Carlos Sanchez[11], Director/Nominee	59,717	1.69%
Shawn Shambaugh[12], Director/Nominee	53,693	1.52%
James Shuler[13], Director/Nominee	237,417	6.71%
John C. Smith, EVP & CCO	1,000	0.03%
Eugene Voiland[14], Chairman of the Board/Nominee	159,864	4.51%
Warner Williams[15], Director/Nominee	94,223	2.67%
All director/nominees and Named Executive Officers as a group (15 persons)[16]	1,454,899	36.94%

* The address of all persons listed is 5000 California Ave., Suite 110, Bakersfield, CA 93309.

PROPOSAL 1 – ELECTION OF DIRECTORS

The Bank's Bylaws provide for a range of between 9 and 15 directors and specifies that the exact number of directors shall be fixed at 12 until changed within that range by an amendment to the Bylaws, or by a resolution duly adopted by the Board of Directors or shareholders. The number of directors of the Board to be elected at the Annual Meeting to hold office for the ensuing year and until their successors are elected and have qualified has been set at 12. It is the intention of the Proxy Holders named in the enclosed proxy to vote such proxies (except those containing contrary instructions) for the 12 nominees named below. The Board does not anticipate that any of the nominees will be unable to serve as a director, but if that should occur before the Annual Meeting, the Proxy Holders reserve the right to substitute another person as nominee and vote for such person as directed by the Bank's Board of Directors.

---

(6) Includes 147,600 shares underlying options that are Vested. Includes 20,000 shares held in the Bruce C. Jay Rollover Individual Retirement Account. Includes 11,000 shares held by the Jay Living Trust which Bruce Jay is deemed to beneficially own as the trustee of the Jay Living Trust.

(7) Includes 19,500 shares underlying options and 434 shares underlying restricted stock awards that are Vested. Includes 29,056 shares held by The Anthony and Dayna Leggio Family Trust that Anthony Leggio is deemed to beneficially own as a co-trustee. Dayna Leggio, Mr. Leggio's wife, is also a co-trustee of The Leggio Family Trust. Includes 50,000 shares held in The Anthony Leggio Separate Property Trust that Anthony Leggio is deemed to beneficially own as the trustee. Includes 20,500 shares held in trust for family members, including children and grandchildren, that Mr. Leggio is deemed to beneficially own as trustee. Includes 75,000 shares held by Bolthouse Properties, LLC, that Anthony Leggio is deemed to beneficially own as the president of Bolthouse Properties, LLC.

(8) Includes 16,500 shares underlying options and 296 shares underlying restricted stock awards that are Vested. Includes 65,897 shares held in The Angelo Mazzei and Mary Mazzei Family Trust that Angelo Mazzei is deemed to beneficially own as a co-trustee. Mary Mazzei, Mr. Mazzei's wife, is also a co-trustee of The Angelo Mazzei and Mary Mazzei Family Trust.

(9) Includes 45,000 shares underlying options that are Vested. Includes 4,000 shares held by The Philip McLaughlin and Kristen McLaughlin Family Trust that Philip McLaughlin is deemed to beneficially own as a co-trustee. Kristen McLaughlin, Mr. McLaughlin's wife, is also a co-trustee of The Philip McLaughlin and Kristen McLaughlin Family Trust. Includes 17,000 shares held by Philip McLaughlin in an Individual Retirement Account.

(10) Includes 17,000 shares underlying options and 388 shares underlying restricted stock awards that are Vested. Includes 6,500 shares held in the W/K Reyneveld Family Trust that Willy Reyneveld is deemed to beneficially own as a trustee.

(11) Includes 17,000 shares underlying options and 369 shares underlying restricted stock awards that are Vested. Includes 20,000 shares held in the Carlos G. Sanchez SEP Individual Retirement Account. Includes 22,348 shares held in the Carlos and Juana Sanchez Family trust that Carlos Sanchez is deemed to beneficially own as a trustee. Mr. Sanchez's wife, Juana Sanchez, is also a trustee of the Carlos and Juana Family Trust.

(12) Includes 16,500 shares underlying options and 296 shares underlying restricted stock awards that are Vested.

(13) Includes 18,500 shares underlying options and 360 shares underlying restricted stock awards that are Vested. Includes 204,057 shares held by The Shuler Family Trust that James Shuler is deemed to beneficially own as a trustee. Includes 4,000 shares held jointly with Mr. Shuler's son, Michael Shuler, and 3,000 shares held jointly with Mr. Shuler's daughter, Jennifer Shuler. Includes 7,500 shares held in the MRS Irrevocable trust that James Shuler is deemed to beneficially own as a trustee.

(14) Includes 24,500 shares underlying options and 554 shares underlying restricted stock awards that are Vested. Includes 131,250 shares held by The Voiland Living Trust that Eugene Voiland is deemed to beneficially own as a co-trustee. Linda Voiland, Mr. Voiland's wife, is also a co-trustee of The Voiland Living Trust.

(15) Includes 16,500 shares underlying options and 342 shares underlying restricted stock awards that are Vested. Includes 77,381 shares held by The Warner M. and Pamela M. Williams Revocable Trust that Warner Williams is deemed to beneficially own as a co-trustee. Pamela Williams, Mr. Williams' wife, is also a co-trustee of The Warner M. and Pamela M. Williams Revocable Trust.

(16) Includes 417,100 options and 4,165 shares underlying restricted stock awards that are Vested.

Nominees to the Board of Directors

The 12 nominees for election to the Board of Directors and certain information with respect to these nominees are set forth in the table below. The information has been furnished to the Bank by the respective nominees. All of the nominees have engaged in their indicated principal occupation for more than five years, unless otherwise indicated.

Name	Age	Position
Greg Bynum	65	Director
Annette Davis	63	Director
Michael F. Hair, Sr.	73	Director
Bruce Jay	65	Director, President and Chief Executive Officer
Anthony Leggio	63	Director
Angelo Mazzei	72	Director
Willy Reyneveld	54	Director
Carlos Sanchez	50	Director
Shawn Shambaugh	56	Director
James Shuler	55	Director
Eugene Voiland	69	Director, Chairman of the Board
Warner Williams	64	Director

Greg Bynum has served as a member of the Bank's Board of Directors since 2008. Mr. Bynum is the owner and CEO of Gregory D. Bynum and Associates, Inc., a full service real estate development, management, brokerage, and appraisal/analysis firm headquartered in Bakersfield, California. His firm was established in 1981.

Annette Davis has served as a member of the Bank's Board of Directors since 2008. Mrs. Davis is the president of Adavco, Inc., one of the main land development companies in Bakersfield. Mrs. Davis co-founded the company in 1982.

Michael F. Hair, Sr., D.D.S. joined the Bank's Board of Directors in 2015. He founded dental practices in Wasco, McFarland and Taft, and practiced dentistry for over 20 years. He is presently involved in residential and commercial real estate development and has built over 2,000 homes and numerous commercial projects throughout California, Nevada and Arizona. Dr. Hair serves on the Board of Directors of Remington Designs in Los Angeles County.

Bruce Jay has served as the Bank's President and Chief Executive Officer and as a member of its Board of Directors since 2008. Mr. Jay's prior banking experience includes 22 years of executive management experience with Bank of Stockdale and its successor, Valley Independent Bank, as well as three years of *de novo* bank experience at Bank of Santa Clarita. Mr. Jay is a CPA and is a member of the American Institute of CPAs and the Colorado Society of CPAs.

Anthony Leggio has served as a member of the Bank's Board of Directors since 2008. Mr. Leggio is a business attorney. From 1977 to 2001, Mr. Leggio was an attorney with the Bakersfield law firm of Clifford & Brown, where he served as Principal/Managing Partner. He was instrumental in establishing the firm's business department. Mr. Leggio served as Vice-President/General Counsel of Wm. Bolthouse Farms from 2001 to 2005. Mr. Leggio currently serves as the president of Bolthouse Properties, LLC, a real estate development and investment management company and as a director of

Tejon Ranch Company, a diversified real estate development and agri-business company traded on the New York Stock Exchange under the symbol "TRC."

Angelo Mazzei has served as a member of the Bank's Board of Directors since 2008. Mr. Mazzei is the founder and CEO of Mazzei Injector Corporation, in Bakersfield, California. Founded in 1978, the company manufactures and distributes patented high efficiency venturi injectors and related equipment. The products are distributed worldwide for a variety of uses in agricultural irrigation, recreational waters, industrial and municipal drinking water treatment, and wastewater management.

Willy Reyneveld has served as a member of the Bank's Board of Directors since 2008. Mr. Reyneveld is the President/CEO of W. Reyneveld Construction Inc., which he founded in 1994. The company specializes in super flat concrete floors for warehouses. In addition, Mr. Reyneveld has developed several industrial real estate projects in Bakersfield.

Carlos Sanchez has served as a member of the Bank's Board of Directors since 2008. Mr. Sanchez is a realtor in Kern County with over 25 years of experience in real estate sales. He has worked for Realty World Skyway, RE/MAX Golden Empire, and for the past 22 years has been working for Coldwell Banker Preferred Realtors.

Shawn Shambaugh, M.D. has served as a member of the Bank's Board of Directors since 2008. Dr. Shambaugh has been a physician specializing in oncology for over 20 years. He is also the Diagnostic Laboratory Director with Comprehensive Blood and Cancer Center, and serves as the Medical Director of the Houchin Community Blood Bank. He is also a director of another community bank headquartered in Los Angeles County.

James Shuler, M.D. has served as a member of the Bank's Board of Directors since 2008. Dr. Shuler was the founder and president of Empire Eye and Laser Center in Bakersfield from 1998-2007. Dr. Shuler also founded and served as the Medical Director of Empire Surgery Center, specializing in ophthalmic and orthopedic surgery, from 1999-2007. Dr. Shuler currently performs plastic surgery at Bakersfield Eye Institute and is a consultant for Anthem Blue Cross of California.

Eugene (Gene) Voiland is the retired President and CEO of Aera Energy LLC, where he served for more than 10 years. He has a long history in the energy industry, having worked over 28 years for Shell before his service at Aera Energy LLC. During his career with Shell, he worked as an engineer and manager throughout the US. He also held senior management positions with Shell, having been appointed General Manager of Engineering and General Manager of Corporate Planning. Mr. Voiland is on a number of for profit and nonprofit boards, and is a management consultant. He is also a board member of Saltchuk Resources, a transportation, energy, and real estate investment and management company. He is Chairman of the Board of the Bank and has served in that capacity since 2008. He is active in state and community affairs, serving on four local non-profit boards, as well as a Leadership Council Member of California Forward. He is also a Board Member and Past Chairman of the California State Chamber of Commerce. Mr. Voiland is a 1969 graduate of Washington State University with a BS degree in Chemical Engineering. He is a member of the WSU Foundation Board of Governors and the WSU Foundation Investment Committee.

Warner Williams has served as a member of the Bank's Board of Directors since 2008. He is the retired Vice President of Chevron North America Exploration and Production, in charge of Chevron's operations in Louisiana and Alabama. He has worked for over 40 years in the energy industry in both domestic and international locations. He holds a MS degree in Petroleum Engineering and serves on the Board of Councilors for the University of Southern California Viterbi School of Engineering.

No family relationships exist between any of the directors or executive officers of the Bank.

THE BOARD RECOMMENDS A VOTE OF "AUTHORITY GIVEN" WITH RESPECT TO THE ELECTION OF THESE 12 NOMINEES.

Board of Directors and Committees

Director Independence

The Board of Directors has considered whether any relationships or transactions related to a director were inconsistent with a determination that a director is independent. Based on this review, the Board affirmatively determined that Greg Bynum, Annette Davis, Michael F. Hair, Sr., Anthony Leggio, Angelo Mazzei, Willy Reyneveld, Carlos Sanchez, Shawn Shambaugh, James Shuler, Eugene Voiland and Warner Williams are "independent directors," as that term is defined by the applicable rules of NASDAQ.

Meetings

The Bank expects all Board members to attend all meetings, including the Annual Meeting of Shareholders, except for reasons of health or special circumstances. The Board held a total of 13 meetings during 2015. Every director attended at least 75% of the combination of the Board meetings and the total number of meetings of any committee of the Board on which that director also served, except that Warner Williams attended 71%. Michael Hair joined the Board on June 17, 2015, and has attended at least 75% of the Board meetings and meetings of committees of the Board during the term of his service.

Committees of the Board

Asset/Liability Management Committee

Members: James Shuler (Chair), Michael Hair (joined August 19, 2015), Bruce Jay, Angelo Mazzei, Shawn Shambaugh, Eugene Voiland, and Warner Williams.

Number of Meetings in 2015: 12

Functions: The Asset/Liability Management Committee is responsible for setting and monitoring the Asset/Liability Management policy and the Interest Rate Risk policy, and monitoring and reviewing the overall Asset/Liability Management program of the Bank. This committee also is responsible for establishing and monitoring the investment policy that governs the operation of the Bank's investment activities. These activities are accomplished by monitoring and reviewing all activities undertaken in the Bank's investment portfolio. This committee is also charged with the responsibility for oversight of the Bank's capital management and liquidity management functions.

Audit Committee

Members: Eugene Voiland (Chair), Annette Davis (Vice-Chair), Angelo Mazzei, Shawn Shambaugh and Warner Williams. The Board of Directors has determined that all members are independent, as that term is defined by applicable rules of NASDAQ.

Number of Meetings in 2015: 5

Functions: The Audit Committee provides independent, objective oversight of the Bank's accounting, internal controls and financial reporting. The Audit Committee selects and retains the independent auditors and reviews the plan and results of the auditing engagement. The Audit Committee acts pursuant to a written charter that has been duly adopted by the Board of Directors. The Compliance Sub-Committee is responsible for monitoring the implementation and effective functioning of a comprehensive compliance program that encompasses the Bank's operations, including compliance with the Bank Secrecy Act and the USA Patriot Act, as well as all consumer compliance laws and regulations.

Compensation Committee

Members: Warner Williams (Chair), Annette Davis, Angelo Mazzei, Willy Reyneveld and Eugene Voiland. The Board of Directors has determined that all members are "independent," as that term is defined by applicable rules of NASDAQ. All members are also "non-employee directors" as defined by Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and "outside directors" as defined by Section 162(m) of the Internal Revenue Code.

Number of Meetings in 2015: 5

Functions: The Compensation Committee is responsible for the Bank's compensation program relating to performance-driven compensation of executive officers and groups of employees who can have a material impact on the organization. The Committee is responsible for considering, recommending, administering, and implementing the Bank's executive compensation, incentive compensation and equity-based compensation plans. These responsibilities include annually reviewing and approving or recommending to the board for determination, compensation, including salary, bonus and other perquisites and benefits, severance agreements, change of control agreements and any special, supplemental or retirement benefits of executive officers and certain other designated officers. The committee also approves or recommends to the Board for determination, the terms of employment, including compensation, title, reporting relationship, authority, duties and responsibilities, of the executive officers.

Executive Committee

Members: Eugene Voiland (Chair), Greg Bynum, Bruce Jay, Anthony Leggio, Willy Reyneveld (joined September 16, 2015) and James Shuler.

Number of Meetings in 2015: 12

Functions: The Executive Committee provides general oversight of all Board functions and is primarily responsible to ensure that appropriate corporate governance procedures and processes are properly established and implemented. The Committee also serves as an *ad hoc* committee to address extraordinary issues that may arise from time to time that require Board attention.

Loan Committee

Members: Anthony Leggio (Chair), Greg Bynum, Annette Davis, Michael Hair (joined August 19, 2015), Bruce Jay, Willy Reyneveld, Carlos Sanchez, and Eugene Voiland.

Number of Meetings in 2015: 43

Functions: The Loan Committee is responsible for establishing and monitoring the loan policies that govern the operation of the Bank's lending program. The Loan Committee has loan approval authority for all credits of the Bank and delegates certain approval and review authority to the Chief Credit Officer and lending staff. The Loan Committee monitors the overall risk and performance of the loan portfolio and provides independent, objective oversight of the Bank's credit administration.

Nominating Committee

The full Board of Directors performs functions similar to those of a nominating committee. Other than provisions in the Bank's Bylaws (discussed below – see "Nominating Directors"), the Bank does not have a written charter related to the director nomination process at this time.

Functions: The Board recommends the slate of director nominees to be presented for election by the shareholders and screens and recommends qualified candidates for Board membership. A majority of the members of the full Board are independent, as described under "Director Independence," above. The Board seeks to identify potential candidates for membership on the Bank's Board of Directors through conversations with members of the Board, senior management and other members of the community served by the Bank. Early in 2015, the Board considered and elected Michael Hair to the Board to replace Robert Stine, who resigned from the Board effective May 29, 2015. The Board believes that the full Board has functioned effectively as a nominating body this year and that no nominating committee was necessary in connection with this year's Annual Meeting since no new nominees were considered or deemed necessary. The Board will revisit this determination and will also review whether a nomination committee charter or formal nomination policies will be adopted prior to the 2017 Annual Meeting of Shareholders.

The Board of Directors may consider nominees recommended by the Bank's shareholders. The Board of Directors and senior management of the Bank will consider a candidate's qualifications, including the individual's background, skills and abilities, and whether such characteristics are consistent with and fulfill the needs of the Board at that time. Based on this assessment and the input of senior management, the Board will determine whether to recommend a candidate for election to the Board of Directors.

Nominating Directors

Pursuant to the Bylaws, any shareholder may nominate a person for election to the Board of Directors at any meeting of shareholders called for the election of directors. The full text of the Bylaw provision is included in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement.

Compensation of Non-Employee Directors

The following table sets forth information regarding the compensation received by each of the Bank's directors during 2015:

Name	Fees Earned or Paid in Cash ($)	Stock Awards[17]($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Greg Bynum	0	18,500	0	0	0	0	18,500
Annette Davis	0	17,507	0	0	0	0	17,507
Michael F. Hair, Sr. [18]	0	8,754	0	0	0	0	8,754
Anthony Leggio	0	20,005	0	0	0	0	20,005
Angelo Mazzei	0	14,496	0	0	0	0	14,496
Willy Reyneveld	0	17,754	0	0	0	0	17,754
Carlos Sanchez	0	17,507	0	0	0	0	17,507
Shawn Shambaugh	0	14,496	0	0	0	0	14,496
James Shuler	0	18,003	0	0	0	0	18,003
Robert Stine [19]	0	4,501	0	0	0	0	4,501
Eugene Voiland	0	26,250	0	0	0	0	26,250
Warner Williams	0	16,994	0	0	0	0	16,994

The President and Chief Executive Officer, Bruce Jay, is compensated as an employee of the Bank and did not receive any directors' fees.

Bank Transactions with Directors and Management

Certain of the directors, executive officers and their associates have had banking transactions with the Bank in the ordinary course of business. All outstanding loans and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, did not involve more than a normal risk of collectability and did not present other favorable features.

In addition, the Bank has strong policies regarding such loans to ensure that they are made using credit underwriting procedures that are no less stringent than those applicable for comparable transactions with persons outside the Bank. At December 31, 2015, the aggregate indebtedness of all officers, directors and principal shareholders of the Bank, and their associates, stood at approximately $14,833,000, constituting approximately 32.5% of the Bank's shareholders' equity at that date.

The Bank leases its Grand Island Village branch office premises from Bolthouse Properties, LLC, of which Director Anthony Leggio is President and Manager and in which he has a 4.72% ownership interest. The lease is a 10 year lease which commenced in 2012, and the noncancellable commitments under the lease require minimum payments to Bolthouse Properties, LLC totaling $579,000 over the

[17] This column shows the full grant date fair value of restricted stock granted to each of the non-employee directors in 2015.

[18] Mr. Hair joined the Board on June 17, 2015.

[19] Mr. Stine resigned from the Board of Directors effective as of May 29, 2015 and, as a result, forfeited 870 of the 1,160 shares of restricted stock awarded to him during 2015.

period from 2016 through 2022. Mr. Leggio's 4.72% interest in these payments totals approximately $27,328. Mr. Leggio's affiliation with Bolthouse Properties, LLC was fully disclosed to the Board of Directors, and independent legal counsel for the Bank reviewed the terms of the lease, before entering into the lease. Mr. Leggio abstained from the Board's discussions regarding, and voting on, the lease. The Board believes that the terms of the lease are no less favorable to the Bank than could have been obtained from an independent third party.

Executive Officers

The following table sets forth certain information with respect to the executive officers of the Bank who are not also members of the Board of Directors. For information concerning Bruce Jay, see "Nominees to the Board of Directors."

Name	Age	Position
Stephen M. Annis	68	Executive Vice President and Chief Financial Officer
Phil McLaughlin	59	Executive Vice President and Sales Manager
John C. Smith	64	Executive Vice President and Chief Credit Officer

Stephen M. Annis has served as the Bank's Executive Vice President and Chief Financial Officer since February 2010. Mr. Annis brings 46 years of banking experience to the Bank, primarily in the areas of internal audit, operations management, finance, investment management, and information systems, including 25 years as the chief financial officer for another California community bank. Mr. Annis graduated Magna Cum Laude from Pepperdine University, earning a Bachelor's degree in Administrative Science in 1977 and a Master's degree in Business Administration in 1980. Mr. Annis also holds a California Community College Instructor's Credential in Business and Industrial Management. In June 2001, Mr. Annis was awarded the Certified Risk Professional (CRP) designation conferred by The Bank Administration Institute.

Philip McLaughlin has served as the Bank's Executive Vice President since the Bank's opening in 2009. He has 28 years' experience in community banking, primarily focusing on business development with an emphasis on managing community relationships, at another California community bank. Prior to beginning his career in community banking, Mr. McLaughlin was AVP, Retail Loan Manager, at First Interstate Bancorp. Mr. McLaughlin received his Bachelor of Science degree in Management from California State University, Bakersfield in 1982. He completed the Graduate School of Banking in Boulder, Colorado in 1994.

John C. Smith has served as the Bank's Executive Vice President and Chief Credit Officer since September 2013. Mr. Smith's professional career spans over 40 years. He has extensive banking experience in credit and relationship management of commercial, real estate, and agricultural credit from twenty-five years at Wells Fargo and prior experience at Farm Credit and Bank of America. He received his Bachelor of Science degree in Business Administration from the University of Arizona in 1973.

Code of Ethics

The Board of Directors of the Bank has adopted a Code of Ethics (the "Code") that applies to the Bank's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and all other executive officers. The Code contains provisions consistent with the SEC's requirements for a code of ethics. The Code supplements the Bank's Code of Business Conduct and Ethics that applies to all Bank directors, officers and employees. The Board believes the Code is reasonably designed to deter wrongdoing and to promote: (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interests between personal and

professional relationships; (2) compliance with applicable governmental laws, rules and regulations; (3) the prompt reporting of violations of the Code to an appropriate person or persons identified in the Code; and (4) accountability for adherence to the Code.

A copy of the Code is available without charge, upon written request to the Office of the Corporate Secretary, Valley Republic Bank, 5000 California Avenue, Suite 110, Bakersfield, California 93309.

Compensation Committee Interlocks and Insider Participation

None of the executive officers of the Bank has served on the Board of Directors or on the Compensation Committee of any other entity whose officers served on the Bank's Board of Directors.

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth the compensation of the Bank's Chief Executive Officer and the three other most highly compensated executive officers (each a "Named Executive Officer") for services in all capacities to the Bank during 2015, 2014, and 2013:

		Annual Compensation[20]		Long-Term Compensation			
Name and Principal Position	**Year**	**Salary ($)**	**Bonus [21] ($)**	**Stock Awards (#)**	**Securities Underlying Options (#)**	**All Other Compensation[22] ($)**	**Total ($)**
Bruce Jay President, Chief Executive Officer and Director	2015 2014 2013	253,200 239,374 225,000	84,118 80,564 68,896	0 0 0	0 0 0	161,121 154,428 62,437	498,439 474,366 356,333
Stephen Annis Executive Vice President, Chief Financial Officer	2015 2014 2013	186,000 177,187 170,000	41,206 39,756 34,753	0 0 0	0 0 0	119,090 114,144 46,149	346,296 331,087 250,902
Philip McLaughlin Executive Vice President	2015 2014 2013	201,000 191,729 185,500	44,531 43,019 37,968	0 0 0	0 0 0	74,122 71,044 28,723	319,653 305,792 252,191
John C. Smith Executive Vice President, Chief Credit Officer[23]	2015 2014 2013	192,000 184,313 45,000	42,548 41,355 36,888	0 0 2,000	0 0 0	69,205 66,331 N/A	303,753 291,999 83,888

[20] The Named Executive Officers received perquisites in addition to their annual compensation during the periods presented. The amounts disclosed exclude perquisites and other personal benefits, securities or property, which aggregated to less than the lower of $50,000 or 10% of the total of annual salary and bonus reported for each Named Executive Officer.

[21] The amounts in this column are bonuses earned in the period shown, regardless of when actually paid.

[22] The amounts reported as "All Other Compensation" for Messrs. Jay, Annis, McLaughlin and Smith for 2013, 2014 and 2015 are the changes in the actuarial value of the Bank's supplemental executive retirement plan for these executive officers.

[23] Mr. Smith's annual salary for 2013 represents a partial year. His annual salary was set at $180,000 in 2013.

Equity Based Compensation

Options Granted

The Bank did not grant any stock options to any Named Executive Officers or directors in 2013, 2014, or 2015.

Total Options Exercised in 2015 and Year-End Option Values

The following table sets forth information relating to outstanding stock options held by the Named Executive Officers as of December 31, 2015. The value of the unexercised "in-the-money" options is based on the fair market value of $14.80[24] per share of the Bank Common Stock as of December 31, 2015, minus the exercise price, multiplied by the number of "in-the-money" options.

Total Options Exercised in 2015 and Year-End Option Values						
			Number of Securities Underlying Unexercised Options at December 31, 2015(#)		Value of Unexercised In-the-Money Options at December 31, 2015 ($)	
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Bruce Jay	0	0	147,600	0	$798,480	$0
Stephen Annis	0	0	40,000	0	$112,000	$0
Philip McLaughlin	0	0	45,000	0	$216,000	$0
John C. Smith	0	0	0	0	$0	$0

Restricted Stock Grants During 2015

The Bank did not award any restricted stock during 2015 to any of the Named Executive Officers.

Equity Compensation Plan Information

The following table provides information as of December 31, 2015 about the Bank Common Stock that may be issued upon the exercise of options under the Bank's 2008 Stock Option Plan that was approved by the Bank's shareholders or that may be issued upon the exercise of options granted outside of that plan:

[24] Fair market value is based on the last sale preceding close of business on December 31, 2015.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#)(a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights ($)(b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plan (Excluding Securities Reflected in Column (a)) (#)(c)
Equity compensation plans approved by shareholders	567,600[25]	$10.76	92,462[26]
Equity compensation plans not approved by shareholders	2,500[27]	n/a	268,646[28]
Total	570,100	$10.76	361,108

Equity Compensation Plans

The Bank has one stock option plan pursuant to which options to purchase the Bank Common Stock may be granted. The Bank also has one restricted share plan pursuant to which restricted shares of Bank Common Stock may be awarded. The Bank adopted the plans to promote the long-term success of the Bank and to create shareholder value by: (i) encouraging key personnel to focus on critical long-range objectives; (ii) increasing the ability of the Bank to attract and retain key personnel; and (iii) linking key personnel directly to shareholder interests through increased stock ownership.

2008 Stock Option Plan

The Bank's Board of Directors adopted the Valley Republic Bank 2008 Stock Option Plan (the "Stock Option Plan") in 2008. The Stock Option Plan was approved by the Bank's shareholders through the execution of written consent forms that were completed in conjunction with the execution of stock subscription agreements signed at the time of the completion of the Bank's initial stock offering. The Stock Option Plan became effective on the date that the Bank opened for business, February 2, 2009. The Stock Option Plan is administered by the Board of Directors. Subject to the terms of the Stock Option Plan, the Board determines the number of options in the award as well as the vesting and all other conditions.

Stock Options granted under the Stock Option Plan may include options which are qualified as incentive stock options under Section 422 of the Internal Revenue Code (the "Code") and nonqualified stock options. Incentive stock options may only be granted to the Bank's officers and employees, while nonqualified options may be granted to the Bank's organizers, directors, officers and employees.

Options will not be exercisable at a price that is less than 100% of the fair market value of the Bank Common Stock on the date of grant, or if the optionee holds at least 10% of the voting power of the Bank Common Stock, 110% of fair market value. The term of options will generally be ten years, except that incentive stock options granted to 10% shareholders will have a term of no more than five years.

[25] Represents options granted and outstanding under the 2008 Stock Option Plan.
[26] Represents the remaining shares available for issuance under the 2008 Stock Option Plan.
[27] Represents outstanding unvested restricted stock awards.
[28] Represents the remaining shares available for award under the 2013 Restricted Share Plan.

As of the Record Date, non-employee directors have been granted options under the Stock Option Plan to purchase an aggregate of 184,500 shares of the Bank Common Stock at a weighted average exercise price of $10.38 per share.

Subject to certain adjustments, the Bank is able to grant options for shares of Bank Common Stock equal to 30% of the total number of shares sold during the initial stock offering. As of December 31, 2012, a total of 737,937 shares were available for issuance, based upon this calculation. If an option granted under the Stock Option Plan expires, is cancelled, forfeited or terminates without having been fully exercised, the unpurchased shares which were subject to that option again become available for the grant under the Stock Option Plan. As of the Record Date, there were options outstanding under the Stock Option Plan to purchase an aggregate of 567,600 shares of the Bank's Common Stock at exercise prices ranging between $10.00 and $15.38 per share, or a weighted average exercise price per share of $10.76.

2013 Restricted Share Plan

The Bank's Board of Directors adopted the Valley Republic Bank 2013 Restricted Share Plan (the "Restricted Share Plan") on January 23, 2013. The Restricted Share Plan provides for the award of restricted shares of the Bank Common Stock and is administered by the Board of Directors. Subject to the terms of the Restricted Share Plan, the Board determines the number of shares in the restricted share award as well as the vesting, performance conditions, and all other conditions.

Subject to certain adjustments, the Bank is able to issue a number of restricted share awards equal to 299,542 shares. If an award granted under the Restricted Share Plan expires, is cancelled, forfeited or terminates without having been fully vested, the unpurchased shares which were subject to that award again become available for the award of restricted stock under the Restricted Share Plan. As of the Record Date, an aggregate of 48,408 awards had been issued with 19,142 unvested and outstanding and 870 forfeited under the Restricted Share Plan.

Employment Agreements

In January 2009 and June 2012, the Bank entered into certain Employment Agreements (each, an "EA") with Bruce Jay and Philip McLaughlin, respectively. In February 2010, the Bank entered into an EA with Stephen M. Annis. In August 2013, the Bank entered into an EA with John C. Smith (together the "Executives"). The EAs are designed to provide employment stability among the executive officers of the Bank, to establish the terms of such employment, and to avoid the loss of key employees in the event of speculation about possible changes of control. Each EA contains a change of control provision. It is generally believed that such protection allows executives to remain focused on the business of a company even if hostile actions are brought against the company. The Bank knows of no plans by any person or entity to attempt a hostile takeover.

Under the terms of each EA, if the Executive's employment is terminated under the provisions of the EA within two years following a change of control, the Bank will pay the Executive liquidated damages equal to one (1) year's annual salary computed with reference to the annual salary in effect immediately preceding the date of termination. The liquidated damages payment to which the Executive is entitled pursuant to the terms of the EA will be paid in a single installment within one (1) month of his or her termination. The Executive will cease to be an employee on the effective date of any notice given under the terms of the EA, and except as provided by applicable law, will cease to be entitled to further compensation or benefits from the Bank.

The EA defines a "change of control" to mean a change of the Bank of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act whether or not the Bank is then subject to such reporting requirement; provided, however, that without limitation, such a change of control shall be deemed to have occurred if:

a. Any person or group (as such terms are used in connection with Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of securities of the Bank representing fifty percent (50%) or more of the combined voting power of the Bank's then outstanding securities, except if such person or group currently is the beneficial owner of ten percent (10%) or more of the combined voting power of the Bank's currently outstanding securities;

b. The Bank is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors of the Bank in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors of the Bank thereafter; or

c. During any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board of Directors of the Bank (including for this purpose any new director whose election or nomination for election by the Bank's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors of the Bank at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

Pursuant to their respective EAs, if December 31, 2015 were used as the applicable change of control date, Mr. Jay would be entitled to a lump sum payment of $253,200; Mr. McLaughlin would be entitled to a lump sum payment of $291,000; Mr. Annis would be entitled to a lump sum payment of $186,000; and Mr. Smith would be entitled to a lump sum payment of $192,000.

Salary Continuation Agreements

The Bank has entered into Salary Continuation Agreements (each a "Continuation Agreement") with each of its Named Executive Officers that provide certain retirement and termination benefits in exchange for their continued service to the Bank. The benefits include: (i) retirement benefits payable over 15 years after the Named Executive Officer reaches a certain retirement age (as set forth in their respective Continuation Agreements) following continuous employment with the Bank (the "Retirement Benefit"); (ii) early termination benefits (other than termination for cause); (iii) disability benefits; (iv) severance benefits for termination within 24 months following a change in control of the Bank (the "Change in Control Benefit"); and (v) death benefits. Under the terms of the Continuation Agreements, the Named Executive Officers would not be entitled to any benefits thereunder if their employment with the Bank is terminated for cause, other than a termination for cause in connection with a change in control of the Bank. The following table summarizes these benefits to the Named Executive Officers under their respective Continuation Agreements:

Name	Retirement Age	Retirement Benefit per year for 15 years	Early Termination Benefits	Change in Control Benefit	Pre-Retirement Disability Benefit	Death Benefit per year for 15 years[29]
Bruce Jay	69	$100,000 per year for 15 years	Accrued Pension Benefit	$1,111,669	Accrued Pension Benefit	$100,000 for 15 years
Stephen Annis	72	$75,000 for 15 years	Accrued Pension Benefit	$833,752	Accrued Pension Benefit	$75,000 for 15 years
Philip McLaughlin	67	$75,000 for 15 years	Accrued Pension Benefit	$833,752	Accrued Pension Benefit	$75,000 for 15 years
John C. Smith	72	$75,000 for 15 years	Accrued Pension Benefit	$833,752	Accrued Pension Benefit	$75,000 for 15 years

Valley Republic Bank 401(k) Plan

The Bank has in place a contributory retirement plan known as the Valley Republic Bank 401(k) Plan (the "401(k) Plan"), which is designed to be tax deferred in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The 401(k) Plan provides that an employee may elect to enroll on January 1, April 1, July 1, or October 1 of any plan year, provided that the employee has attained age 18 and has been employed by the Bank for at least 3 months. For each plan year, an employee's elective deferrals may not exceed a specific dollar amount determined by the IRS. In 2015 such amount was the lesser of $18,000 or 10% of an employee's annual salary.

To encourage its employees to elect to make salary reduction contributions, the Bank has elected to match such contributions to the extent of fifty percent (50%) of contributions on the first six percent (6%) of the employee's pay (a maximum of 3.0% of the employee's compensation). The Bank's matching contributions to the 401(k) Plan in 2015, 2014, and 2013 were $97,000, $77,000 and $71,000, respectively.

[29] If the executive dies while receiving benefit payments, but prior to receiving all payments due, the beneficiary will be entitled to receive the same amounts at the same times as the Bank would have paid the executive had the executive survived. However, if the executive dies subsequent to disability, but prior to receiving all payments due, the monthly benefit to which their beneficiary is entitled shall increase as follows: (a) with respect to Mr. Jay, $8,333 for the remaining months; and (ii) with respect to all other executive officers, $6,250 for the remaining months.

PROPOSAL 2 – BANK HOLDING COMPANY REORGANIZATION

General

Shareholders are being asked to consider and vote upon a Plan of Reorganization and Merger Agreement (the "Merger Agreement"), pursuant to which VRB Merger Company, a newly organized California corporation (the "Subsidiary") and wholly-owned subsidiary of Valley Republic Bancorp, will merge with and into the Bank (the "Merger"), as a result of which shareholders of the Bank will receive for their shares of the Bank's Common Stock an equal number of shares of Valley Republic Bancorp's Common Stock. If approved by the Bank's shareholders and regulatory authorities, the business of the Bank will be conducted as a wholly-owned subsidiary of Valley Republic Bancorp, a California corporation, and each outstanding share of the Bank's Common Stock will be converted into an equal number of shares of Valley Republic Bancorp's Common Stock.

THE BOARD OF DIRECTORS OF THE BANK HAS UNANIMOUSLY APPROVED THE PROPOSED MERGER AND IS RECOMMENDING THAT THE BANK'S SHAREHOLDERS VOTE "FOR" THE PROPOSAL.

The summaries of the provisions of the Merger Agreement set forth herein do not purport to be complete statements thereof and are qualified in their entirety by reference to the Merger Agreement, a copy of which is attached as **Exhibit "A"** hereto and incorporated herein by this reference.

Reasons for the Merger

Management and the Board of Directors believe a holding company will permit shareholders of the Bank to participate in the ownership of a more flexible entity for financing and growth within the banking industry and in areas related to banking. For example, in the event an opportunity for the acquisition of another bank were to develop, it might be desirable to maintain the separate existence of the other bank after the acquisition rather than merging it into the Bank. The existence of a holding company would allow such an acquisition.

A bank holding company may provide more alternatives in the raising of funds required by a bank subsidiary, or by the holding company, under changing conditions in financial and monetary markets. For example, if a subsidiary bank required additional capital, its holding company might raise funds by relying on its own borrowing ability without having to go to the equity market.

A bank holding company also provides certain flexibility for acquiring or engaging in other businesses related to banking. Prudent bank management might dictate that some of those activities be conducted wholly apart from the Bank. A holding company would permit that kind of separation.

Finally, it is believed that the Merger will enhance the Bank's ability to continue to satisfy the ever changing and expanding needs of present customers for banking and banking-related services and to continue to attract new customers for financial services. The recommended corporate form will better suit expansion into new areas of financial service and interstate banking acquisitions than would the existing structure. Most major banking institutions in the United States and in California have been reorganized into bank holding companies and the Bank's directors believe that such reorganization is desirable for the Bank to maintain and enhance its competitive position.

Description of the Merger

Valley Republic Bancorp has been organized under the laws of the State of California at the direction of the Bank's Board of Directors and holds all of the stock of Subsidiary.[30] The Merger is proposed to be accomplished by merging the Subsidiary into the Bank pursuant to the terms of the Merger Agreement. Upon the effective date of the Merger of the Subsidiary into the Bank, the shares of capital stock of the respective corporate parties to the Merger Agreement shall be converted as follows:

1. Each outstanding share of the Bank Common Stock will be converted into one share of the Holding Company Common Stock. Shareholders of the Bank may but are not required to exchange their present share certificates for new certificates evidencing shares of the Holding Company Common Stock. However, if no request is made, new certificates will be issued whenever old certificates are surrendered for transfer. Until so exchanged, the certificates of the Bank's shares will represent the Holding Company's shares into which the Bank's shares have been converted.

2. The Subsidiary will disappear. The Bank will issue new shares of Bank Common Stock to the Holding Company and, as a result, all of the outstanding shares of the Bank Common Stock will be owned by the Holding Company.

3. The shareholders of the Bank will be the shareholders of the Holding Company in the same ownership percentages. As shareholders of the Holding Company, they will have essentially the same rights to govern that corporation's activities as they have with respect to the Bank; however, as shareholders of the Holding Company, they will not be entitled to vote on matters requiring the approval of the Bank's sole shareholder. A discussion of those rights is contained in the section entitled "Comparison of Valley Republic Bank and Valley Republic Bancorp Corporate Structures" herein.

Ratification and Approval of the Merger

Applications for approval for the proposed bank holding company reorganization will be filed with the California Department of Business Oversight (the "DBO"), the Federal Deposit Insurance Corporation (the "FDIC") and the Federal Reserve Bank of San Francisco (the "FRB"). The Merger will not take place until approvals have been received from each of these regulatory agencies. Although no assurances can be given, the Bank is not aware of any reasons why the applications would not be approved on a timely basis.

Implementation of the Merger requires the affirmative vote of the holders of a majority of the outstanding shares of the Bank Common Stock. The directors of the Bank, the Holding Company, and the Subsidiary have unanimously approved the Merger Agreement and the Merger, and the current shareholders of the Holding Company and the sole shareholder of the Subsidiary (the Holding Company) have also unanimously approved the Merger Agreement and the Merger.

The Merger will become effective when all necessary ratifications and approvals have been obtained and the requisite filings, as described in the Merger Agreement, have been made. It is anticipated that the Merger will become effective on or about June 30, 2016.

---

[30] Valley Republic Bancorp and VRB Merger Company were incorporated on February 22, 2016 at the direction of the Bank's Board of Directors. Neither the Holding Company nor the Subsidiary has conducted any business.

If any action, suit, proceeding or claim has been instituted, made or threatened relating to the Merger so as to make its consummation inadvisable in the opinion of the Board of Directors of the Bank, then the Merger may be terminated at any time before it becomes effective.

Should the shareholders of the Bank fail to approve the Merger or should it be otherwise terminated, the Merger Agreement would be cancelled and the Bank would continue to operate with the same shareholders as it had prior to adoption of the Merger Agreement. Upon termination, there shall be no liability by reason of the Merger or the termination thereof on the part of the Bank, the Subsidiary, the Holding Company or their respective directors, officers, employees, agents or shareholders.

The expenses of the Merger are estimated at approximately $125,000. In the event the Merger is consummated, the Bank and the Holding Company, as the surviving corporations, will bear the expenses of the bank holding company reorganization. It is anticipated that the Bank will pay a dividend to the Holding Company so that the Holding Company can pay its share of the expenses and have additional funds to support its ongoing operations. In the event the Merger is not consummated, the expenses incurred will be assumed by the Bank.

Description of Valley Republic Bancorp Common Stock

The authorized capital stock of the Holding Company consists of 50,000,000 shares of Common Stock.

Holders of shares of the Holding Company Common Stock are entitled to one vote for each share held of record on all matters voted upon by shareholders. Upon liquidation or dissolution of the Holding Company, the assets legally available for distribution to holders of shares of the Holding Company Common Stock, after payment of all obligations of the Holding Company are distributable ratably among the holders of the Holding Company Common Stock.

The holders of the Holding Company Common Stock have no preemptive rights to subscribe for new issue securities, and shares of the Holding Company Common Stock are not subject to redemption, conversion, or sinking fund provisions. The shares of the Holding Company Common Stock, when issued in connection with the Merger, will be validly issued, fully paid, and non-assessable.

The holders of the Holding Company Common Stock are entitled to such dividends as may be declared by the Board of Directors out of funds legally available therefore under the laws of the State of California. (See "Comparison of Valley Republic Bank and Valley Republic Bancorp Corporate Structures," below.)

Comparison of Valley Republic Bank and Valley Republic Bancorp Corporate Structures

General

The following discusses some of the similarities and some of the differences in the corporate structures of the Bank and the Holding Company. Upon consummation of the Merger, the Holding Company will have the same number of shares issued and outstanding as were issued and outstanding for the Bank just prior to consummation of the Merger, but the Bank's shareholders will become the Holding Company's shareholders and the Holding Company will become the Bank's sole shareholder. Thus, after consummation of the Merger, matters requiring the approval of the Bank's shareholders, such as amendments to the Bank's articles of incorporation or a merger of the Bank and another corporation, will be subject to the approval of the Holding Company as the Bank's sole shareholder. The Bank's present

shareholders will become the shareholders of the Holding Company and will be entitled to vote on similar matters affecting that corporation.

Similarities

The articles of incorporation of both corporations authorize indemnification of directors, officers and agents to the fullest extent permissible under California law, eliminate directors' liability for monetary damages to the fullest extent permissible under California law, and authorize the purchase of liability insurance. The Bank has such liability insurance and it is anticipated that the Holding Company will assume the Bank's insurance coverage. Further, the Holding Company has entered into indemnification agreements with each of its directors and officers to implement the indemnification provisions of its articles of incorporation. In addition, both corporations have the same liquidation rights and shareholders of both corporations have no preemptive rights.

Differences

The Bank's and the Holding Company's corporate structures differ with respect to dividends and amendments to their charter documents. Under California law, funds available for cash dividend payments by a bank are restricted to the lesser of: (1) retained earnings; or (2) the bank's net income for its last three fiscal years (less any distributions to shareholders made during such period). Cash dividends may also be paid out of the greater of: (i) net income for a bank's last preceding fiscal year; (ii) a bank's retained earnings; or (iii) net income for a bank's current fiscal year, upon the prior approval of the DBO. If the DBO finds that the stockholders' equity of a bank is not adequate or that the payment of a dividend would be unsafe or unsound for the bank, the DBO may order the bank not to pay any dividend to the bank's shareholders.

Under California law, the Holding Company would be permitted to make a distribution/dividend from retained earnings to the extent that the retained earnings exceed (a) the amount of the distribution plus (b) the amount if any, of dividends in arrears on shares with preferential dividend rights. Alternatively, the Holding Company would be permitted to make a distribution/dividend if, immediately after the distribution, the value of its assets would equal or exceed the sum of (a) its total liabilities plus (b) the liquidation preference of any shares which have a preference upon dissolution over the rights of shareholders receiving the distribution/dividend. Pursuant to the foregoing statutory formulas, as of December 31, 2015, the Bank had available approximately $6.99 million for dividends, and on a pro forma basis, assuming the Merger had been consummated on that date, the Holding Company would have had available approximately $6.99 million for dividends. (See "Supervision and Regulation – Dividends" herein.)

With respect to their charter documents, under California law amendments to the Bank's articles of incorporation require the DBO's prior approval before filing with the Secretary of State, in addition to any shareholder approvals which may be required. Amendments to the Holding Company's articles of incorporation do not require the DBO's prior approval.

The Holding Company

General

The Holding Company was incorporated at the direction of the Board of Directors of the Bank for the purpose of acquiring all of the outstanding shares of the Bank's Common Stock.

The Holding Company will file an application with the FRB for prior approval to become a bank holding company and has filed applications with the FDIC and the DBO for approval of the Merger. The Holding Company has not yet engaged in any business activity and there are no current plans to engage in any activities other acting as a holding company for the Bank.

The Holding Company presently has total assets of $12,000, including the Subsidiary Common Stock, owns no properties and, therefore, as necessary, will use the Bank's existing premises, facilities and personnel. The Holding Company's needs in this regard are expected to be minimal and the Holding Company will reimburse the Bank for such expenses. The Holding Company's offices are located in the Bank's offices at 5000 California Avenue, Suite 110, Bakersfield, California 93309. The Holding Company does not contemplate any substantial expenditures for equipment, office space, or additional personnel prior to consummation of the Merger or for the foreseeable future.

The Holding Company is not a party to any pending legal proceedings before any court, administrative agency or other tribunal. Further, the Holding Company is not aware of any material litigation which is threatened against it or the Bank in any court, administrative agency, or other tribunal.

After consummation of the Merger, the business of the Bank will then be carried on as a subsidiary of the Holding Company. Administrative expenses and taxes incurred in the operation of the Holding Company will be in addition to those of the Bank; however, the Merger is not expected to result in any change in management remuneration or benefits. It is anticipated that the Bank will pay a cash dividend in the approximate amount of $150,000 to the Holding Company to provide the Holding Company with liquid resources to pay its share of the costs of the Merger and to fund its initial separate operations. On an ongoing basis it is anticipated that the Bank will pay additional cash dividends to the Holding Company to provide the Holding Company with liquid resources to fund its separate operations.

Directors and Executive Officers

After the Merger, the Bank's directors will remain the same and will, in addition, continue to serve as the directors of the Holding Company until the 2017 Annual Meetings of Shareholders of both corporations or until their successors are elected and have qualified. The following table sets forth certain information regarding the Bank's and the Holding Company's directors:

Name	Age	Position
Greg Bynum	65	Director
Annette Davis	63	Director
Michael F. Hair, Sr.	73	Director
Bruce Jay	65	Director, President and Chief Executive Officer
Anthony Leggio	63	Director
Angelo Mazzei	72	Director
Willy Reyneveld	54	Director
Carlos Sanchez	50	Director
Shawn Shambaugh	56	Director
James Shuler	55	Director
Eugene Voiland	69	Director, Chairman of the Board
Warner Williams	64	Director

After the Merger, the Bank's senior officers will remain the same and will, in addition, continue to serve as the senior officers of the Holding Company. The following officers of the Bank have been appointed to serve as the officers of the Holding Company:

Name	Position with the Bank	Position with the Holding Company
Eugene Voiland	Chairman of the Board	Chairman of the Board
Bruce Jay	President and Chief Executive Officer	President and Chief Executive Officer
Stephen M. Annis	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer
Phil McLaughlin	Executive Vice President and Sales Manager	Executive Vice President
John C. Smith	Executive Vice President and Chief Credit Officer	Executive Vice President

The members of the Holding Company's Board of Directors were appointed by the Sole Incorporator of the Holding Company, at the direction of the Bank's Board of Directors, and the Holding Company's Board of Directors appointed the officers at its first (organizational) board meeting.

Supervision and Regulation

General

The Bank Holding Company Act of 1956, as amended, places the Holding Company under supervision of the Board of Governors of the Federal Reserve System, or FRB. In the future, the Holding Company will be required to obtain the approval of the FRB before it may acquire all or substantially all of the assets of any bank, or ownership or control of any voting securities of any bank if, after giving effect to such acquisition, the Holding Company would own or control 5% or more of the voting shares of that bank.

A bank holding company is prohibited from engaging in, or acquiring direct or indirect control of 5% or more of the voting shares of any company engaged in non-banking activities unless the FRB, by order or by regulation, has determined such activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making such determinations, the FRB considers whether the performance of such activities by a bank holding company would offer advantages to the public which outweigh possible adverse effects. (See "Permitted Non-Banking Activities" herein.)

The Holding Company will be required to file reports with the FRB and provide such additional information as the FRB may require. The FRB will also have the authority to examine the Holding Company and each of its subsidiaries with the cost thereof to be borne by the Holding Company.

Under California banking law, the Holding Company and its subsidiaries are also subject to examination by, and may be required to file reports with, the DBO. Regulations have not yet been proposed or adopted or steps otherwise taken to implement the DBO's powers in this regard.

The Holding Company and any subsidiaries which it may acquire or organize after the Merger will be deemed affiliates of the Bank within the meaning of the Federal Reserve Act. Pursuant thereto, loans by the Bank to affiliates, investments by the Bank in affiliates' stock, and taking affiliates' stock by the Bank as collateral for loans to any borrower will be limited to 10% of the Bank's capital in the case of all affiliates. The Holding Company and its subsidiaries will also be subject to certain restrictions with respect to engaging in the underwriting, public sale and distribution of securities.

The Holding Company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions the Bank may not condition an extension of credit on a customer's obtaining other services provided by it, the Holding Company or any other subsidiary, or on a promise from its customer not to obtain other services from a competitor.

The shares of the Holding Company's Common Stock to be issued in connection with the Merger will not be registered with the SEC pursuant to the Securities Act of 1933 or qualified with the DBO. However, future stock issuances by the Holding Company will be subject to registration with the SEC and DBO, absent available exemptions, in accordance with the SEC's rules and regulations and California securities laws.

As a state-chartered bank that is not a member of the Federal Reserve System and whose deposits are insured by the Federal Deposit Insurance Corporation up to the maximum extent provided by law, the Bank is subject to supervision, examination and regulation by the DBO and by the FDIC. The regulations of these agencies govern most aspects of the Bank's business, including capital adequacy ratios, reserves against deposits, restrictions on the rate of interest which may be paid on some deposit instruments, limitations on the nature and amount of loans which may be made, the location of branch offices, borrowings, and dividends. Supervision, regulation and examination of the Bank by the regulatory agencies are generally intended to protect depositors and are not intended for the protection of the Bank's shareholders.

The Bank's profitability, like most financial institutions, is primarily dependent on interest rate differentials. In general, the difference between the interest rates paid by the Bank on its interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received on its interest-earning assets, such as loans extended to customers and securities held in its investment portfolio, will comprise the major portion of its earnings. These rates are highly sensitive to many factors that are beyond the Bank's control, such as inflation, recession and unemployment, and the impact which future changes in domestic and foreign economic conditions might have on the Bank cannot be predicted.

The Bank's business is also influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the FRB. The FRB implements national monetary policies through its open-market operations in U.S. Government securities by adjusting the required level of reserves for depository institutions subject to its reserve requirements, and by varying the target federal funds and discount rates applicable to borrowings by depository institutions. The monetary policies of the FRB in these areas influence the growth of loans, investments, and deposits and also affect interest earned on interest-earning assets and paid on interest-bearing liabilities. The nature and impact of any future changes in monetary and fiscal policies on the Bank's operations and financial condition cannot be predicted.

Recent Legislation and Regulation

Dodd Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, significantly revised and expanded the rulemaking, supervisory and enforcement authority of the federal bank regulatory agencies. The numerous rules and regulations being promulgated pursuant to the Dodd-Frank Act are impacting the Bank's operations and compliance costs. Certain provisions of the Dodd-Frank Act are now effective and have been fully implemented, including the revisions in the deposit insurance assessment base for FDIC insurance and the permanent increase in deposit insurance coverage

to $250,000; the permissibility of paying interest on business checking accounts; the removal of barriers to interstate branching and required disclosure and shareholder advisory votes on executive compensation. Recent efforts to implement the final the Dodd-Frank Act provisions included: (i) final new capital rules; (ii) a final rule to implement the so called "Volcker Rule" restrictions on certain proprietary trading and investment activities and (iii) final rules and increased enforcement action by the Consumer Finance Protection Bureau, or "CFPB."

In July 2013, the federal bank regulatory agencies adopted final regulations which revised their risk-based and leverage capital requirements for banking organizations to meet the requirements of the Dodd–Frank Act and to implement international agreements reached by the Basel Committee on Banking Supervision (the "Basel Committee") intended to improve both the quality and quantity of banking organizations' capital ("Basel III"). The Dodd-Frank Act requires the FRB to apply consolidated capital requirements to depository institution holding companies that are no less stringent than those currently applied to depository institutions. Although many of the rules contained in these final regulations are applicable only to large, internationally active banks, some of them will apply on a phased-in basis to all banking organizations, including the Holding Company and the Bank.

The following are among the new requirements that were phased in beginning January 1, 2015:

- An increase in the minimum Tier 1 capital ratio from 4.00% to 6.00% of risk-weighted assets;
- A new category and a required 4.50% of risk-weighted assets ratio is established for "common equity Tier 1" as a subset of Tier 1 capital limited to common equity;
- A minimum non-risk-based leverage ratio is set at 4.00% eliminating a 3.00% exception for higher rated banks;
- Changes in the permitted composition of Tier 1 capital to exclude trust preferred securities, mortgage servicing rights and certain deferred tax assets and include unrealized gains and losses on available for sale debt and equity securities;
- A new additional capital conservation buffer of 2.5% of risk-weighted assets over each of the required capital ratios are being phased in beginning January 2016 at 0.625% of risk-weighted assets until fully implemented in January 2019. This conservation buffer level must be met to avoid limitations on the ability to pay dividends, repurchase shares or pay discretionary bonuses;
- The risk weights of certain assets for purposes of calculating the risk-based capital ratios are changed for high volatility commercial real estate acquisition, development and construction loans, certain past due non-residential mortgage loans and certain mortgage-backed and other securities exposures; and
- An additional "countercyclical capital buffer" is required for larger and more complex institutions.

Including the capital conservation buffer of 2.5% above, the new regulatory minimum capital ratios established under the new final capital rule would result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The Bank does not expect the countercyclical capital buffer to be applicable to it.

The final rules also revised the prompt corrective action framework effective January 1, 2015. Under the new prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from former rules); and (iv) a Tier 1 leverage ratio of 5% (increased from 4%).

Under the Dodd-Frank Act, trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than $15 billion in assets.

While the new final capital rule sets higher regulatory capital standards for the Holding Company and the Bank, bank regulators may also continue their past policies of expecting banks to maintain additional capital beyond the new minimum requirements. The implementation of the new capital rules or more stringent requirements to maintain higher levels of capital or to maintain higher levels of liquid assets could adversely impact the Bank's net income and return on equity, restrict the ability to pay dividends and require the raising of additional capital.

Final Volcker Rule

In December 2013, the federal bank regulatory agencies adopted final rules that implement a part of the Dodd-Frank Act commonly referred to as the "Volcker Rule." Under these rules and subject to certain exceptions, banking entities, including the Holding Company and the Bank, are restricted from engaging in activities that are considered proprietary trading and from sponsoring or investing in certain entities, including hedge or private equity funds that are considered "covered funds." These rules were originally scheduled to become effective on April 1, 2014; however, the FRB granted banking institutions two additional one-year extensions to conform their ownership interests in and sponsorship of these covered funds. Certain collateralized loan obligations ("CLO") backed by trust preferred securities were initially defined as covered funds subject to the investment prohibitions of the final rule. Action taken by the FRB in January 2014 exempted many such securities to address the concern that many community banks holding such CLO securities may have been required to recognize losses on those securities.

At December 31, 2015, the Bank did not have any investment positions which were subject to the Volker Rule. Therefore, while these new rules may require that the Bank conduct certain internal analyses and reporting, the Bank's management believes that the rules will not require any material changes in its operations or business.

Bureau of Consumer Financial Protection

The Dodd-Frank Act established a new Bureau of Consumer Financial Protection, or CFPB, with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. In addition to its rule making authority, the CFPB has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. For banks like the Bank, enforcement of CFPB regulations and examination of compliance with CFPB regulations continue to be the primary obligation of the FRB and the DBO. The Dodd-Frank Act also weakened the federal preemption rules that have been applicable for national banks and gives state attorneys general the ability to enforce federal consumer protection laws.

The Dodd-Frank Act impacts many aspects of the financial industry and, in many cases, will impact larger and smaller financial institutions and community banks differently over time.

Significant recent CFPB developments that may affect the Bank's operations and compliance costs include:

- The issuance of final rules for residential mortgage lending, which became effective January 10, 2014, including definitions for "qualified mortgages" and detailed standards by which lenders must satisfy themselves of the borrower's ability to repay the loan and revised forms of disclosure under the Truth in Lending Act and the Real Estate Settlement Procedures Act;
- The issuance of a policy report on arbitration clauses which could result in the restriction or prohibition of lenders including arbitration clauses in consumer financial services contracts;
- Actions taken to regulate and supervise credit bureaus and debt collections; and
- Positions taken by CFPB on fair lending, including applying the disparate impact theory in auto financing, which could make it harder for lenders to charge different rates or apply different terms to loans to different customers.

The Bank does not expect that the new CFPB rules with regard to residential mortgage lending will have a substantial impact on its operations.

Other Regulatory Changes

Additional initiatives may be proposed or introduced before Congress, the California Legislature, and other government bodies in the future. Such proposals, if enacted, may further alter the structure, regulation, and competitive relationship among financial institutions and may subject the Holding Company and the Bank to increased supervision and disclosure, compliance costs and reporting requirements. In addition, the various bank regulatory agencies often adopt new rules and regulations and policies to implement and enforce existing legislation. Bank regulatory agencies have been very aggressive in the current economic environment in responding to concerns and trends identified in examinations, and this has resulted in the increased issuance of enforcement actions to financial institutions requiring action to address credit quality, liquidity and risk management, capital adequacy, compliance with the Bank Secrecy Act, as well as other safety and soundness concerns.

It cannot be predicted whether, or in what form, any such legislation or regulatory changes in policy may be enacted or the extent to which the Holding Company's and the Bank's business would be affected thereby. In addition, the outcome of examinations, any litigation, or any investigations initiated by state or federal authorities may result in necessary changes in their respective operations and increased compliance costs.

Current Capital Adequacy Guidelines

Bank holding companies and banks are currently subject to various regulatory capital requirements administered by state and federal banking agencies which apply until the increased capital requirements of the new capital rules are effective and fully phased in. (See "Recent Legislation and Regulation" above). Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting, and other factors.

The current risk-based capital guidelines for bank holding companies and banks adopted by the federal banking agencies are expected to provide a measure of capital that reflects the degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets, such as loans, and those recorded as off-balance sheet items, such as commitments, letters of credit and recourse arrangements. The risk-based capital ratio is determined by classifying assets and certain off-balance sheet financial instruments into weighted categories, with higher levels of capital being required for those categories perceived as representing greater risks and dividing its qualifying capital by

its total risk-adjusted assets and off-balance sheet items. Bank holding companies and banks engaged in significant trading activity may also be subject to the market risk capital guidelines and be required to incorporate additional market and interest rate risk components into their risk-based capital standards.

The currently effective risk-based capital guidelines of the regulatory agencies were based upon the 1988 capital accord ("Basel I") of the Basel Committee, a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines, which each country's supervisors can use to determine the supervisory policies they apply to their home jurisdiction. In 2004 the Basel Committee proposed a new capital accord ("Basel II") to replace Basel I that provided approaches for setting capital standards for credit risk and capital requirements for operational risk and refining the existing capital requirements for market risk exposures. U.S. banking regulators published a final rule for Basel II implementation requiring banks with over $250 billion in consolidated total assets. However, a definitive rule was not issued and instead the new capital rules to implement Basel III were first proposed in 2010.

Qualifying capital is classified depending on the type of capital:

- "Tier 1 capital" includes common equity and retained earnings.
- "Tier 2 capital" includes hybrid capital instruments, other qualifying debt instruments, a limited amount of the allowance for credit losses, and a limited amount of unrealized holding gains on equity securities.
- "Tier 3 capital" consists of qualifying unsecured debt. The sum of Tier 2 and Tier 3 capital may not exceed the amount of Tier I capital.
- Under the current capital guidelines, there are four fundamental capital ratios: a total risk-based capital ratio; a Tier 1 risk-based capital ratio; a common equity Tier 1 ratio; and a Tier 1 leverage ratio. To be deemed "well capitalized" a bank must have a total risk-based capital ratio, a Tier 1 risk-based capital ratio, a common equity Tier 1 ratio and a Tier 1 leverage ratio of at least 10%, 8%, 6.5% and 5%, respectively. There is currently no Tier 1 leverage requirement for a holding company to be deemed well-capitalized.

The following table sets forth the regulatory capital guidelines and the actual capitalization levels for the Bank as of December 31, 2015:

Valley Republic Bank's Regulatory Capital Ratios	Minimum Acceptable Regulatory Ratios	Ratios Required to be Considered "Well Capitalized" Under Prompt Corrective Action Regulations	Actual Ratios
Total capital to risk-weighted assets	8%	10%	12.47%
Tier 1 capital to risk-weighted assets	6%	8%	11.31%
Common Equity Tier 1 capital to risk-weighted assets	4.5%	6.5%	11.31%
Tier 1 capital to average total assets	4%	5%	9.36%

Dividends

In addition to the California legal limitations on the ability of the Holding Company to pay dividends (see "Comparison of Valley Republic Bank and Valley Republic Bancorp Corporate Structures" herein), it is the FRB's policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also the FRB's policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to its banking subsidiaries. The FRB has also discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

The Holding Company is a legal entity that is separate and distinct from the Bank. As a result, the Holding Company will be dependent on the performance of the Bank for funds which may be received as dividends from the Bank for use in its operations and to pay dividends to its shareholders. California law restricts the amount available for cash dividends the Bank may pay to the Holding Company. (See "Comparison of Valley Republic Bank and Valley Republic Bancorp Corporate Structures" herein.) Accordingly, cash dividends by the Bank will depend upon the foregoing legal requirements as well as the Bank's Board of Director's assessment of future capital requirements, contractual restrictions, and other factors. When effective, the new minimum capital rule may restrict dividends by the Bank if the additional capital conservation buffer is not achieved.

Prompt Corrective Action Requirements

The Federal Deposit Insurance Corporation Improvement Act, or FDICIA, requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including but not limited to those that fall below one or more prescribed minimum capital ratios. The federal banking agencies possess broad powers to take prompt corrective action to resolve the problems of insured banks. Each federal banking agency has issued regulations defining five capital categories: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." Under the regulations, a bank shall be deemed to be:

- "well capitalized" if it has a total risk-based capital ratio of 10.0 percent or more, a Tier 1 risk-based capital ratio of 8.0 percent or more, a common equity Tier 1 risk-based capital ratio of 6.5 percent or more, a leverage capital ratio of 5.0 percent or more, and is not subject to specified requirements to meet and maintain a specific capital level for any capital measure;
- "adequately capitalized" if it has a total risk-based capital ratio of 8.0 percent or more, a Tier 1 risk-based capital ratio of 6.0 percent or more, a common equity Tier 1 risk-based capital ratio of 4.5 percent or more, a leverage capital ratio of 4.0 percent or more (3.0 percent under certain circumstances) and does not meet the definition of "well capitalized";
- "undercapitalized" if it has a total risk-based capital ratio that is less than 8.0 percent, a Tier 1 risk-based capital ratio that is less than 6.0 percent, a common equity Tier 1 risk-based capital ratio that is less than 4.5 percent, or a leverage capital ratio that is less than 4.0 percent (3.0 percent under certain circumstances);
- "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0 percent, a Tier 1 risk-based capital ratio that is less than 4.0 percent, a common equity Tier 1 risk-based capital ratio that is less than 3.0 percent, or a leverage capital ratio that is less than 3.0 percent; and
- "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0 percent.

Banks are prohibited from paying dividends or management fees to controlling persons or entities if, after making the payment, the bank would be "undercapitalized." Asset growth and branching restrictions apply to "undercapitalized" banks. Broad regulatory authority was granted with respect to "significantly undercapitalized" banks, including forced mergers, growth restrictions, ordering new elections for directors, forcing divestiture by its holding company, if any, requiring management changes, and prohibiting the payment of bonuses to senior management. Even more severe restrictions are applicable to "critically undercapitalized" banks, those with capital at or less than 2 percent. Restrictions for these banks include the appointment of a receiver or conservator. All of the federal banking agencies have promulgated substantially similar regulations to implement this system of prompt corrective action.

In addition to measures taken under the prompt corrective action provisions, insured banks may be subject to potential enforcement actions by the federal banking agencies for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency.

The DBO, as the primary regulator for state-chartered banks, also has a broad range of enforcement measures, from cease and desist powers and the imposition of monetary penalties to the ability to take possession of a bank, including causing its liquidation.

Safety and Soundness Standards

The federal banking agencies have adopted guidelines designed to assist the federal banking agencies in identifying and addressing potential safety and soundness concerns before capital becomes impaired. The guidelines set forth operational and managerial standards relating to: (i) internal controls, information systems and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) asset growth; (v) earnings; and (vi) compensation, fees and benefits. In addition, the federal banking agencies have also adopted safety and soundness guidelines with respect to asset quality and earnings standards. These guidelines provide nine standards for establishing and maintaining a system to identify problem assets and prevent those assets from deteriorating.

Transactions with Affiliates

Under Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W, loans by the Bank to affiliates, investments by them in affiliates' stock, and taking affiliates' stock as collateral for loans to any borrower is limited to 10 percent of the Bank's capital, in the case of any one affiliate, and is limited to 20 percent of the Bank's capital, in the case of all affiliates. The Bank's holding company and any subsidiaries it may purchase or organize are deemed to be affiliates of the Bank within the meaning of Sections 23A and 23B and Regulation W. In addition, transactions between the Bank and other affiliates must be on terms and conditions that are consistent with safe and sound banking practices; in particular, a bank and its subsidiaries generally may not purchase from an affiliate a low-quality asset, as defined in the Federal Reserve Act. These restrictions also prevent a bank holding company and its other affiliates from borrowing from a banking subsidiary of the bank holding company unless the loans are secured by marketable collateral of designated amounts. The Holding Company and the Bank are also subject to certain restrictions with respect to engaging in the underwriting, public sale and distribution of securities.

FDIC Insurance and Insurance Premium Assessments

The FDIC is an independent federal agency that insures deposits, up to prescribed statutory limits, of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The FDIC insures the Bank's customer deposits through the Deposit Insurance

Fund (the "DIF") up to prescribed limits for each depositor. Pursuant to the Dodd-Frank Act, the maximum deposit insurance amount has been permanently increased to $250,000 per depositor. As required by the Dodd-Frank Act, the FDIC adopted a DIF restoration plan which became effective on January 1, 2011. Among other things, the plan: (1) raises the minimum designated reserve ratio, which the FDIC is required to set each year, to 1.35 percent (from the former minimum of 1.15 percent) and removes the upper limit on the designated reserve ratio (which was formerly capped at 1.5 percent) and consequently on the size of the fund; (2) requires that the fund reserve ratio reach 1.35 percent by 2020; (3) eliminates the requirement that the FDIC provide dividends from the fund when the reserve ratio is between 1.35 percent and 1.5 percent; and (4) continues the FDIC's authority to declare dividends when the reserve ratio at the end of a calendar year is at least 1.5 percent, but grants the FDIC sole discretion in determining whether to suspend or limit the declaration or payment of dividends. The Federal Deposit Insurance Act continues to require that the FDIC's Board of Directors consider the appropriate level for the designated reserve ratio annually and, if changing the designated reserve ratio, engage in notice-and-comment rulemaking before the beginning of the calendar year. The FDIC has set a long-term goal of getting its reserve ratio up to 2% of insured deposits by 2027.

On February 7, 2011, the FDIC approved a final rule, as mandated by the Dodd-Frank Act, changing the deposit insurance assessment system from one that is based on total domestic deposits to one that is based on average consolidated total assets minus average tangible equity. In addition, the final rule creates a scorecard-based assessment system for larger banks (those with more than $10 billion in assets) and suspends dividend payments if the DIF reserve ratio exceeds 1.5 percent, but provides for decreasing assessment rates when the DIF reserve ratio reaches certain thresholds. Larger insured depository institutions will likely pay higher assessments to the DIF than under the old system. Additionally, the final rule includes an adjustment for depository institution debt whereby an institution would pay an additional premium equal to 50 basis points on every dollar of long-term, unsecured debt held as an asset that was issued by another insured depository institution to the extent that all such debt exceeds 3 percent of the other insured depository institution's Tier 1 capital. The new rule became effective for the quarter beginning April 1, 2011.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices that pose a risk to the DIF or that may prejudice the interest of the bank's depositors. The termination of deposit insurance for a bank would also result in the revocation of the bank's charter by the DBO.

Depositor Preference

The Federal Deposit Insurance Act provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institutions, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured non-deposit creditors, with respect to any extensions of credit they have made to such insured depository institution.

Money Laundering and Currency Controls

Various federal statutory and regulatory provisions are designed to enhance record-keeping and reporting of currency and foreign transactions. Pursuant to the Bank Secrecy Act, financial institutions must report high levels of currency transactions or face the imposition of civil monetary penalties for reporting violations. The Money Laundering Control Act imposes sanctions, including revocation of

federal deposit insurance, for institutions convicted of money laundering. The Patriot Act, enacted in 2001, was designed to deny terrorists and others the ability to obtain access to the United States financial system, and has significant implications for depository institutions and other businesses involved in the transfer of money. The Patriot Act, as implemented by various federal regulatory agencies, requires financial institutions, including the Bank, to implement new policies and procedures or amend existing policies and procedures with respect to, among other matters, anti-money laundering, compliance, suspicious activity and currency transaction reporting and due diligence on customers. The Patriot Act and its implementing regulations also permit information sharing for counter-terrorist purposes between federal law enforcement agencies and financial institutions, as well as among financial institutions, subject to certain conditions, and require the FRB and other federal banking agencies to evaluate the effectiveness of an applicant in combating money laundering activities when considering regulatory merger applications. The Bank has augmented its systems and procedures to accomplish this. The Bank believes that the ongoing cost of compliance with the Patriot Act is not likely to be material to the Bank.

Branching

With prior regulatory approval and/or notices, as applicable, California law permits banks based in the state to either establish new or acquire existing branch offices throughout California. With respect to interstate branching, bank holding companies from any state may generally acquire banks and bank holding companies located in any other state, subject in some cases to nationwide and state-imposed deposit concentration limits and limits on the acquisition of recently established banks. Banks also have the ability, subject to specific restrictions, to acquire by acquisition or merger branches located outside their home state. The establishment of new interstate branches is also possible in those states with laws that expressly permit it. Interstate branches are subject to many of the laws of the states in which they are located.

Safeguarding of Customer Information and Privacy

The FRB and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require financial institutions to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazard to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. The Bank has adopted a customer information security program to comply with such requirements. Federal banking rules also limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties.

Risk Management and Exposure

The federal banking agencies have begun examining banks and bank holding companies with respect to their exposure to and management of different categories of risk, including: legal, operations, market, credit, interest rate, price, foreign exchange, transaction, compliance, strategic, credit, liquidity, and reputation risk. This examination approach causes bank regulators to focus on risk management procedures, rather than simply examining every asset and transaction. This approach supplements rather than replaces existing rating systems based on the evaluation of an institution's capital, assets, management, earnings and liquidity.

Consumer Protection Laws and Regulations

The bank regulatory agencies are focusing greater attention on compliance with consumer protection laws and implementing regulations. These laws and implementing regulations impact overall bank operations as well as specific consumer-oriented products and services. Examination and enforcement have become more intense in nature, and insured institutions have been advised to carefully monitor compliance with various consumer protection laws and implementing regulations. Banks are subject to many federal consumer protection laws and regulations, including:

- the Community Reinvestment Act (intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities);
- the Truth in Lending Act (designed to ensure that credit terms are disclosed in a meaningful way so that consumers may compare credit terms more readily and knowledgeably);
- the Fair Housing Act (regulates many practices, including making it unlawful for any lender to discriminate against any person in its housing-related lending activities);
- the Equal Credit Opportunity Act (prohibits discrimination in any credit transaction);
- the Home Mortgage Disclosure Act (provides public information that will help show whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located); and
- the Real Estate Settlement Procedures Act (requires lenders to provide borrowers with disclosures regarding the nature and costs of real estate settlement).

Violations of these various consumer protection laws and regulations can result in civil liability to the aggrieved party, regulatory enforcement including civil money penalties, and even punitive damages.

Other Aspects of Banking Law

The Bank is also subject to federal statutory and regulatory provisions covering, among other things, security procedures, management interlocks, electronic funds transfers, funds availability, and truth-in-savings.

California and Federal Change in Bank Control Laws

The Federal Change in Bank Control Act of 1978 prohibits a person or group of persons "acting in concert" from acquiring "control" of a bank or holding company unless the appropriate federal regulatory agency has been given 60 days' prior written notice of such proposed acquisition and, within that time period, has not issued a notice disapproving the proposed acquisition or extending for up to another 30 days the period during which such a disapproval may be issued. An acquisition may be made prior to the expiration of the disapproval period if the agency issues written notice of its intent not to disapprove the action. The acquisition of more than 10% of a class of voting stock of a bank (or holding company) with a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (such as the Bank's Common Stock or the Holding Company's Common Stock), is generally presumed, subject to rebuttal, to constitute the acquisition of control.

Under the California Financial Code, no person shall, directly or indirectly, acquire control of a California licensed bank or a bank holding company unless the DBO has approved such acquisition of control. A person would be deemed to have acquired control of the Holding Company under this state law if such person, directly or indirectly, has the power (i) to vote 25% or more of the voting power of the Company or (ii) to direct or cause the direction of the management and policies of the Company. For

purposes of this law, a person who directly or indirectly owns or controls 10% or more of the Holding Company's Common Stock would be presumed to control the Holding Company, subject to rebuttal.

In addition, any "company" would be required to obtain the approval of the Federal Reserve under the Bank Holding Company Act of 1956, before acquiring 25% (5% in the case of an acquirer that is, or is deemed to be, a bank holding company) or more of the outstanding Common Stock of, or such lesser number of shares as constitute control over, the Bank or the Holding Company.

Permitted Non-Banking Activities

The FRB's Regulation "Y" sets out those activities which are regarded as closely related to banking or managing or controlling banks and, thus, permissible for bank holding companies under the law, subject to the FRB's approval or prior notification; depending on the activity. The future scope of permitted activities may change; however, the major non-banking activities which may presently be carried on by a bank holding company or its affiliates are:

(1) Making or acquiring loans or other extensions of credit for its own account or for the account of others.

(2) Servicing loans and other extensions of credit for any person.

(3) Operating an industrial bank, Morris Plan bank, or industrial loan company, as authorized under state law, so long as the institution is not a bank.

(4) Operating a trust company in the manner authorized by federal or state law, so long as the institution is not a bank and does not make loans or investments or accept deposits, except as permitted under the FRB's Regulation Y.

(5) Subject to certain limitations, acting as an investment or financial adviser to investment companies and other persons.

(6) Leasing personal and real property or acting as agent, broker, or adviser in leasing such property in accordance with various restrictions imposed by Regulation Y, including a restriction that it is reasonably anticipated that each lease will compensate the lessor for not less than the lessor's full investment in the property.

(7) Making equity and debt investments in corporations or projects designed primarily to promote community welfare.

(8) Providing financial, banking, or economic data processing and data transmission services, facilities, data bases, or providing access to such services, facilities, or data bases.

(9) Acting as principal, agent, or broker for insurance directly related to extensions of credit which are limited to assuring the repayment of debts in the event of death, disability, or involuntary unemployment of the debtor.

(10) Acting as agent or broker for insurance directly related to extensions of credit by a finance company subsidiary.

(11) Owning, controlling, or operating a savings association provided that the savings association engages only in activities permitted for bank holding companies under Regulation Y.

(12) Providing courier services of limited character.

(13) Providing management consulting advice to non-affiliated bank and nonbank depository institutions, subject to the limitations imposed by Regulation Y.

(14) Selling money orders, travelers' checks and U.S. Savings Bonds.

(15) Appraisal of real estate and personal property.

(16) Acting as an intermediary for the financing of commercial or industrial income-producing real estate.

(17) Providing securities brokerage services, related securities credit activities pursuant to Regulation T, and other incidental activities.

(18) Underwriting and dealing in obligations of the U.S., general obligations of states and their political subdivisions, and other obligations authorized for state member banks under federal law.

(19) Providing general information and statistical forecasting, advisory and transactional services with respect to foreign exchange through a separately incorporated subsidiary.

(20) Acting as a futures commission merchant for non-affiliated persons in the execution and clearance on major commodity exchanges of futures contracts and options on futures contracts through a separately incorporated subsidiary.

(21) Providing investment advice, including counsel, publications, written analysis and reports, as a futures commission merchant with respect to the purchase and sale of futures contracts and options on futures contracts.

(22) Providing advice, educational courses, and instructional materials to consumers on individual financial management matters.

(23) Providing individuals, businesses, and nonprofit organizations and tax planning and tax preparation services.

(24) Providing check guaranty services.

(25) Operating an agency for the collection of overdue accounts.

(26) Operating a consumer credit bureau for the collection and reporting of consumer credit information.

Federal Income Tax Consequences

The Merger Agreement has been structured to qualify the Merger as a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended. An advance ruling from

the Internal Revenue Service to that effect has not been obtained and will not be sought. The following summarizes the federal income tax consequences of the Merger:

(1) No gain or loss will be recognized by the parties to the Merger as a result of the Merger;

(2) The basis and holding periods of the assets exchanged between the parties to the Merger shall remain the same as those prior to the Merger;

(3) No gain or loss will be recognized by the shareholders of the Bank upon the exchange of their shares of the Bank's Common Stock solely for shares of the Holding Company's Common Stock and the basis in their shares of the Holding Company's Common Stock received will be the same as that in their shares in the Bank's Common Stock exchanged; and

(4) Where shareholders held their shares in the Bank's Common Stock as a capital asset, the period of time for which they have held such Common Stock shall be included in their holding period for the Holding Company's Common Stock received in the exchange.

MANAGEMENT CANNOT ADVISE INDIVIDUAL SHAREHOLDERS AND PROSPECTIVE SHAREHOLDERS OF THE PROPER TAX CONSEQUENCES OR SUGGEST THE METHODS OF REPORTING THE MERGER. EACH SHAREHOLDER OR PROSPECTIVE SHAREHOLDER IS ADVISED TO CONTACT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE MERGER AND THE MEANS OF REPORTING THE TRANSACTION, AS WELL AS REGARDING STATE OR LOCAL TAX CONSEQUENCES, WHICH MAY OR MAY NOT PARALLEL THE FEDERAL INCOME TAX CONSEQUENCES.

Dissenters' Rights

California law does not provide dissenters' rights for holders of the Bank's Common Stock who object to the Merger.

Restrictions on Affiliates

Shares of the Holding Company's Common Stock will be freely transferrable and are anticipated to be traded on the OTC Bulletin Board. However, shares of the Holding Company's Common Stock held by its affiliates will be subject to the resale limitations imposed by the SEC's Rule 144 promulgated under the Securities Act of 1933, as amended. For the purposes of Rule 144, "affiliates" include the Holding Company's directors, executive officers, and principal shareholders. The resale restrictions include the limitation, subject to certain exemptions, that not more than 1% of the total number of shares outstanding be sold for the account of any affiliate in any three month period.

Business of Valley Republic Bank

Valley Republic Bank was incorporated in the State of California in February 2009 and organized by a group of local professionals as a single operating segment in Bakersfield, California. The Bank opened its second branch in southwest Bakersfield in September 2011. The Bank opened a third branch office in Northwest Bakersfield on March 9, 2016. Through its history, the Bank believes that it has become a reliable, responsive "relationship banking" resource for its customers. The Bank's primary source of revenue is providing loans to customers, who are predominately small and middle-market businesses and individuals located primarily in Kern County, California. Other than as described in this Proxy Statement, the Merger is expected to have no effect on Valley Republic Bank's business, which it intends to continue to operate consistent with past practice.

Vote Required

The Merger requires the approval by a majority of the outstanding shares of the Bank's Common Stock.

THE BOARD RECOMMENDS A VOTE OF "FOR" THE BANK HOLDING COMPANY REORGANIZATION PROPOSAL.

PROPOSAL 3 – APPROVAL OF THE VALLEY REPUBLIC BANCORP 2016 OMNIBUS EQUITY INCENTIVE PLAN

Introduction

In contemplation of the bank holding company reorganization, on March 16, 2016, the Holding Company's Board of Directors adopted the Valley Republic Bancorp 2016 Omnibus Equity Incentive Plan (the "Plan") pursuant to which: (i) the Holding Company would issue stock options and restricted share awards to holders of outstanding stock options and restricted share awards, respectively, under the Bank's 2008 Stock Option Plan and 2013 Restricted Share Plan (the "Bank Plans") (see "EXECUTIVE COMPENSATION – Equity Compensation Plans" above); and (ii) the Holding Company would be permitted to grant additional stock options and restricted share awards to eligible persons, as more fully described below. The Plan provides for the granting to eligible participants of such incentive awards as the Board of Directors or a committee established by the Board, in its sole discretion, to administer the Plan (the "Committee") may from time to time approve.

Holders of the Bank's Common Stock, as prospective holders of the Holding Company's Common Stock, are being asked to approve and ratify the Plan. The Holding Company's Board of Directors believes it is advisable for the shareholders to ratify the Plan in order to qualify stock options issuable under the Plan for incentive tax treatment pursuant to the Internal Revenue Code (the "Code"). The Bank Plans provide for the issuance of up to 1,037,479 shares of the Bank's Common Stock. As of March 16, 2016, 107,271 shares had become vested or issued under the Bank Plans, leaving 930,208 shares of the Bank's Common Stock available pursuant to the Bank Plans. The total number of shares of the Holding Company's Common Stock available pursuant to the Plan is 1,000,000, representing approximately 28.4% of the total shares currently outstanding.

The following description of the Plan is intended to highlight and summarize the principal terms of the Plan, and is qualified in its entirety by the text of the Plan, a copy of which is available at the Holding Company's office during normal business hours.

Summary of the Plan

The Plan is administered by a Committee comprised of three or more non-employee directors; provided, however, that the Board may, in its sole discretion, resolve to administer the Plan. Awards under the Plan may be in the form of restricted shares and/or stock options, including incentive stock options and may be granted to directors, officers, and key employees of, and consultants to, the Holding Company, the Bank or any subsidiary. Presently, that includes 12 directors, 4 executive officers (including one that is also a director) and approximately 18 additional officers and employees.

Shares Available for Awards

Subject to adjustment for stock dividends and the like, as provided in the Plan, the maximum number of shares of the Holding Company's Common Stock that may be issued or paid out under the Plan is 1,000,000. If any awards are forfeited, surrendered, cancelled, terminated, or settled in cash in lieu of the Holding Company's Common Stock, the shares of the Holding Company's Common Stock subject to such awards shall again be available for awards under the Plan.

Transfer of Awards under the Plan

Except to the extent otherwise provided in the Plan and/or in the applicable award agreement, awards granted under the Plan are not assignable or transferable other than by will or by the laws of descent and distribution, and all such awards and rights will be exercisable during the life of the participant only by the participant or the participant's legal representative.

Termination of the Plan

The Plan will automatically terminate and all outstanding awards granted under the Plan will terminate upon the occurrence of a "Terminating Event." Terminating Events include: (i) the consummation of a plan of dissolution or liquidation of the Holding Company; (ii) a plan of reorganization, merger or consolidation of the Holding Company with one or more corporations, as a result of which the Holding Company is not the surviving entity; or (iii) the sale of all or substantially all the assets of the Holding Company to another corporation; provided however, that if provision is made in connection with such transaction for assumption of awards granted under the Plan (in which case such awards will be converted into awards for a like number and kind for shares of the surviving entity), or substitution for such awards with new awards covering stock of a successor employer corporation, or a parent or subsidiary thereof, solely at the discretion of such successor corporation, or parent or subsidiary, with appropriate adjustments as to number and kind of shares and prices, then the consummation of such transaction shall not be deemed a Terminating Event for purposes of the Plan or the applicable award agreement.

Restricted Shares

An award of restricted shares is a grant of shares of the Holding Company Common Stock conditioned upon either the achievement of certain performance criteria or the lapse of time. Performance criteria may include results for net income, return on average assets, return on average equity, efficiency ratio, and various measure of credit quality such as the ratio of non-performing assets to total assets.

Subject to the terms of the Plan, the Committee will determine the number of restricted shares subject to an award to a participant. The Committee may provide or impose different terms and conditions on any particular award, including without limitation: (i) restrictions on the sale, assignment, transfer, hypothecation or other disposition of any right or interest in the award; (ii) the requirement that the participant's rights and interests in the award be forfeited upon termination of employment for specified reasons within a specified period of time; and (iii) the requirement that the participant's rights and interests in the award be forfeited upon the failure to achieve previously designated performance-based criteria.

Until the restrictions have lapsed, participants may not assign, transfer, sell, exchange, encumber, pledge, or otherwise hypothecate or dispose of any right or interest in the award, including the underlying restricted shares, other than as permitted by the Plan. If participant is employed on the date a Terminating Event occurs, then all restrictions, terms and conditions applicable to such participant's restricted shares

then outstanding shall be deemed lapsed and satisfied and the participant will become fully vested as of such date.

Until vested and issued in accordance with the Plan and the restricted share award agreement, restricted shares underlying an award will not be deemed to be issued and outstanding, and a participant will have no right to vote such shares or receive cash dividends on such shares.

Stock Options

Grant of Stock Options

Awards under the Plan may also be in the form of grants of stock options for a number of shares of the Holding Company Common Stock, at price(s) and time(s), and on the terms and conditions as the Committee or the Board deems advisable. Stock option grants typically vest over time and require the participant to pay the Holding Company the exercise price to purchase the stock and will be evidenced by a written stock option agreement containing the material terms of each particular grant, including whether the stock options are intended to qualify as incentive stock options.

If stock options are granted to officers or key employees who own, directly or indirectly, 10% or more of the outstanding Holding Company Common Stock, and the stock options are intended to qualify as incentive stock options, then the minimum Option Exercise Price must be at least 110% of the fair market value of the Holding Company Common Stock on the date of grant.

Subject to the limitations and restrictions set forth in the Plan, a participant who has been granted a stock option may, if otherwise eligible, be granted additional stock options if the Committee shall so determine.

Incentive and Non-Qualified Stock Options

The Plan provides for the grant of both incentive stock options and non-qualified stock options. All shares are available to be granted as incentive stock options. Incentive stock options are available only to participants who are also employees of the Holding Company, the Bank or any subsidiary, and are subject to limitations imposed by applicable sections of the Internal Revenue Code of 1986, as amended (the "Code"), including a $100,000 limit on the aggregate fair market value (determined on the date the stock options are granted) of shares of the Holding Company Common Stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year. Any stock options granted under the Plan which do not meet the limitations for incentive stock options, or which are otherwise not deemed to be incentive stock options, shall be deemed "non-qualified." Subject to the foregoing and other limitations set forth in the Plan, the exercise price, permissible time or times of exercise, and the remaining terms pertaining to any stock options are determined by the Committee; however, the per share Option Exercise Price under any stock option may not be less than 100% of the fair market value of the Holding Company Common Stock on the date of grant of the stock options.

Exercise of Options

Subject to the limitation set forth in the Plan, stock options granted under the Plan may be exercised in such increments, which need not be equal, and upon such contingencies as the Committee may determine. If a participant does not exercise an increment of a stock option in any period during which such increment becomes exercisable, the unexercised increment may be exercised at any time prior to expiration of the stock option unless the respective stock option agreement provides otherwise. Stock

options are exercisable only for whole shares of the Holding Company Common Stock and fractional share interest are disregarded except that they may be accumulated.

Subject to the restrictions set forth in the Plan, each stock option may be exercised in accordance with the terms of the individual stock option agreement. Full payment by the participant for all shares as to which the stock option is being exercised is due and payable at the time of exercise of the stock option. Payment must be in cash and/or, with the prior written approval of the Committee, and subject to any required regulatory approval, in shares of the Holding Company Common Stock.

Certain Information Concerning All Options

The Holding Company will incur an excise tax of 20% and will be disallowed a deduction for compensation to its employees, officers, shareholders, and others that results in an "excess parachute payment" within the meaning of Section 280G(b) of the Code. If such a person is granted an incentive stock option and there is a change of control, the incentive stock option may be considered in the determination of whether an excess parachute payment has been made.

Vote Required; Recommendation

The approval of a majority of the outstanding shares of the Bank's Common Stock is required for the shares covered by the Plan to qualify as incentive stock options pursuant to the requirements of Section 422 of the Code. Absent shareholder approval, all stock options granted pursuant to the Plan will be non-qualified stock options.

THE BOARD RECOMMENDS A VOTE "FOR" RATIFICATION OF THE VALLEY REPUBLIC BANCORP 2016 OMNIBUS EQUITY INCENTIVE PLAN.

PROPOSAL 4 – RATIFICATION OF AUDITORS

The Audit Committee has approved the selection of the firm of Vavrinek, Trine, Day & Co., LLP to serve as independent auditors for 2016 to examine the financial statements of the Bank. Action by the shareholders is not required by law in the appointment of independent auditors, but their appointment is submitted by the Audit Committee and the Board of Directors in order to give the shareholders an opportunity to present their views. If the proposal is approved, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Bank and its shareholders. If the proposal to ratify the selection of Vavrinek, Trine, Day & Co., LLP as the Bank's independent auditors is rejected by the shareholders, then the Audit Committee will reconsider its choice of independent auditors.

In the event that the Merger is approved and the bank holding company reorganization is consummated, it is anticipated that Vavrinek, Trine, Day & Co., LLP will serve as independent auditors for the Holding Company.

Audit Fees

The aggregate fees paid to Vavrinek, Trine, Day & Co., LLP with respect to services performed for fiscal 2015 and 2014 are as follows:

	2015	2014
Audit fees [31]	$44.000	$43,000
Audit related fees [32]	0	0
Tax fees [33]	8,000	8,000
Other fees	0	0
Total	$52,000	$51,000

The Audit Committee's policy is to pre-approve all audit, audit-related, and tax services and fees by the Bank's independent auditors and approve all other audit services and fees. The Audit Committee pre-approved all audit services, audit-related services and tax services performed for the Bank by Vavrinek, Trine, Day & Co., LLP and approved all other audit services and fees during fiscal 2015 and 2014.

The Audit Committee considered whether the provision of the services other than the audit services is compatible with maintaining Vavrinek, Trine, Day & Co., LLP's independence.

Representatives of Vavrinek, Trine, Day & Co., LLP will be present at the Annual Meeting and, therefore, will be afforded the opportunity to make a statement, if they desire to do so, and respond to appropriate questions.

THE BOARD RECOMMENDS A VOTE "FOR" RATIFICATION OF VAVRINEK, TRINE, DAY & CO., LLP AS INDEPENDENT AUDITORS FOR 2016.

OTHER INFORMATION

Shareholder Communications to Board of Directors

The Board encourages that written communication from shareholders be sent to: Corporate Secretary, Valley Republic Bank, 5000 California Avenue, Suite 110, Bakersfield, CA 93309. All communication will be reviewed and processed by the Corporate Secretary. Correspondence requesting corporate information or asking questions that can more efficiently be addressed by management will be handled in that manner. However, shareholder communication regarding employee fraud, financial reporting issues, internal control/risk issues, corporate governance/oversight issues or other matters appropriately handled by the Board will be forwarded to the Board, a Committee of the Board, or the appropriate Board member.

Other Matters

Management and the Board of Directors of the Bank do not know of any matters to be presented at the Annual Meeting other than those specifically referred to herein. If any other matters should properly come before the Annual Meeting or any postponement or adjournment thereof, the persons named in the enclosed proxy intend to vote thereon in accordance with their best business judgment.

[31] Audit fees consisted of fees billed by Vavrinek, Trine, Day & Co., LLP for professional services rendered for the audit of the Bank's consolidated financial statements included in the Annual Report.

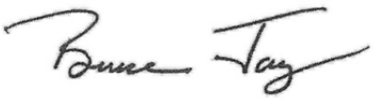
[32] Audit related fees would consist of fees for professional services for assurance and related services that are reasonably related to the performance of audits or review of the Bank's financial statements but that are not reported under the heading "Audit Fees."

[33] Tax fees consisted principally of fees billed by Vavrinek, Trine, Day & Co., LLP for assistance relating to tax compliance and reporting, and preparation of tax returns in fiscal years 2014 and 2013.

The cost of the solicitation of proxies in the accompanying form will be borne by the Bank. The Bank will reimburse banks, brokers and others holding stock in their names or names of nominees or otherwise for reasonable out-of-pocket expenses incurred in sending proxies and proxy materials to the beneficial owners of such stock.

BY ORDER OF THE BOARD OF DIRECTORS





Eugene Voiland
Chairman of the Board

Bruce Jay
President & Chief Executive Officer

Dated: March 24, 2016

EXHIBIT "A"

PLAN OF REORGANIZATION AND MERGER AGREEMENT

This Plan of Reorganization and Merger Agreement (this "**Merger Agreement**") is entered into as of March 16, 2016, by and between Valley Republic Bank ("**Bank**") and VRB Merger Company ("**Subsidiary**"), to which Valley Republic Bancorp ("**Company**") is a party, with reference to the following:

RECITALS

A. Bank is a California banking corporation with its principal office in the City of Bakersfield, County of Bakersfield, State of California. Subsidiary and Company are each corporations duly organized and existing under the laws of the State of California with their principal offices in the City of Bakersfield, County of Bakersfield, State of California.

B. As of the date hereof, Bank has 50,000,000 shares of no par value common stock authorized, of which 3,517,605 shares are outstanding.

C. As of the date hereof, Subsidiary has 1,000,000 shares of no par value common stock authorized, and at the time of the merger referred to herein 100 of such shares will be outstanding, all of which outstanding shares will be owned by Company.

D. As of the date hereof, Company has 50,000,000 shares of no par value common stock authorized, 1,200 shares of which will be outstanding at the time of the merger referred to herein.

E. The Boards of Directors of Bank and Subsidiary have approved this Merger Agreement and authorized its execution, and the Board of Directors of Company has approved this Merger Agreement, undertaken that Company shall join in and be bound by it, and authorized the undertakings hereinafter made by Company.

For good and valuable consideration, receipt of which is hereby acknowledged, Bank, Subsidiary and Company hereby agree as follows:

AGREEMENT

Section 1. General

1.1 The Merger. On the Effective Date, Subsidiary shall be merged with and into Bank (the "**Merger**"), with the Bank surviving the merger (the "**Surviving Corporation**") and becoming a wholly-owned subsidiary of Company, and its name shall continue to be "Valley Republic Bank."

1.2 Effective Date. This Merger Agreement shall become effective at the close of business on the day (the "**Effective Date**") on which an executed counterpart of this Merger Agreement shall have been filed with the Secretary of State of the State of California in accordance with Section 1103 of the General Corporation Law.

1.3 Articles of Incorporation, Bylaws and Charter. On the Effective Date, the Articles of Incorporation of Bank, as in effect immediately prior to the Effective Date, shall be and remain the Articles of Incorporation of the Surviving Corporation; the Bylaws of Bank shall be and remain the Bylaws of the Surviving Corporation until altered, amended or repealed; the banking charter and certificate of authority of Bank issued by the Commissioner of the California Department of Business Oversight (the "**Commissioner**") shall be and remain the charter and certificate of authority of the Surviving Corporation; and the insurance of deposits coverage by the Federal Deposit Insurance Corporation (the "**FDIC**") shall be and remain the deposit insurance of the Surviving Corporation.

1.4 Directors and Officers of the Surviving Corporation. On the Effective Date, the directors and officers of the Bank immediately prior to the Effective Date shall become the directors and officers of the Surviving Corporation. The directors of the Surviving Corporation shall serve until the next annual meeting of shareholders of the Surviving Corporation or until such time as their successors are elected and have qualified.

1.5 Effect of the Merger.

(a) Assets and Rights. All rights, privileges, franchises and property of Bank or Subsidiary, and all debts and liabilities due or to become due to Bank or Subsidiary, including things in action and every interest or asset of conceivable value or benefit, shall be deemed fully and finally and without any right of reversion transferred to and vested in the Surviving Corporation without further act or deed, and the Surviving Corporation shall have and hold the same in its own right as fully as the same was possessed and held by Bank or Subsidiary.

(b) Liabilities. All debts, liabilities, and obligations due or to become due of, and all claims or demands for any cause existing against, Bank or Subsidiary shall be and become the debts, liabilities, obligations or, and the claims and demands against, the Surviving Corporation in the same manner as if the Surviving Corporation had itself incurred or become liable for them.

(c) Creditor's Rights and Liens. All rights of creditors of Bank or Subsidiary, and all liens upon the property of Bank or Subsidiary, shall be preserved unimpaired, limited in lien to the property affected by the liens immediately prior to the time of the Merger.

(d) Pending Actions. Any action or proceeding pending by or against Bank or Subsidiary shall not be deemed to have abated or been discontinued, but may be prosecuted to judgment with the right to appeal or review as in other cases as if the Merger had not taken place or the Surviving Corporation may be substituted for Bank or Subsidiary, as the case may be.

(e) Further Assistance. Bank and Subsidiary each agree that at any time, or from time to time, as and when requested by the Surviving Corporation, or by its successors and assigns, it will execute and deliver, or cause to be executed and delivered in its name by its last acting officers, or by the corresponding officers of the Surviving Corporation, all such conveyances, assignments, transfers, deeds or other instruments, and will take or cause to be taken such further or other action as the Surviving Corporation, its successors or assigns may deem necessary or desirable in order to evidence the transfer, vesting or devolution of any property right, privilege or franchise or to vest or perfect in or confirm to the Surviving Corporation, its successors and assigns, title to and possession of all the property, rights, privileges, powers, immunities, franchises and interests referred to in this Section 1 and otherwise to carry out the intent and purposes thereof.

Section 2. Capital Stock of the Surviving Corporation

2.1 Stock of Subsidiary. The shares of common stock of Subsidiary issued and outstanding immediately prior to the Effective Date shall thereupon be converted into and exchanged by Company for 100 shares of fully paid and non-assessable common stock of Bank as the Surviving Corporation.

2.2 Common Stock of Valley Republic Bank. All shares of common stock of Bank issued and outstanding immediately prior to the Effective Date shall upon the Effective Date, by virtue of the Merger and without any action on the part of the holders thereof, be exchanged for and converted into an equal number of shares of fully paid and non-assessable common stock of Company.

2.3 Exchange of Stock. Upon the Merger becoming effective:

(a) The common shareholders of Bank of record at the time the Merger becomes effective, for each share of common stock of Bank then held by them, shall be allocated and entitled to receive one share of the common stock of Company;

(b) Company shall issue the shares of its common stock which the shareholders of Bank shall be entitled to receive; and

(c) Outstanding certificates representing shares of the common stock of Bank shall thereafter represent shares of the common stock of Company, and such certificates may, but need not, be exchanged by the holders thereof for new certificates for the appropriate number of shares bearing the name of Company.

2.4 Other Rights to Stock. Upon and by reason of the Merger becoming effective:

(a) The options to purchase shares of common stock of Bank which have been granted by Bank pursuant to its 2008 Stock Option Plan shall be deemed to be options granted by Company pursuant to its 2016 Omnibus Equity Incentive Plan, with the same terms and conditions and for the same number of shares of common stock of Company instead of Bank's common stock.

(b) The awards of restricted shares of common stock of Bank issued pursuant to Bank's 2013 Restricted Share Plan shall be deemed to be awards of restricted shares of Company pursuant to its 2016 Omnibus Equity Incentive Plan, with the same terms and conditions and for the same number of shares of common stock of Company instead of Bank's common stock.

(c) From time to time, as and when required by the provisions of any agreement to which Bank or Company shall become a party after the date hereof providing for the issuance of shares of common stock or other equity securities of Bank or Company in connection with a merger into Bank or any other banking institution or other corporation, Company will issue in accordance with the terms of any such agreement shares of its common stock or other equity securities as required by such agreement or in substitution for the shares of common stock or other equity securities of Bank required to be issued by such agreement, as the case may be, which the shareholders of any other such banking institution or other corporation shall be entitled to receive by virtue of any such agreement.

Section 3. Approvals

3.1 Shareholder Approval. This Merger Agreement shall be submitted to the shareholders of Bank and Subsidiary for approval in accordance with the applicable provisions of the law.

3.2 Dissenters' Rights. The provisions of Chapter 13, Section 1300 et seq. of the General Corporation Law of California (dissenters' rights) shall apply to the shareholders of Bank, to the extent required by law.

3.3 Regulatory Approvals. The parties shall proceed expeditiously and cooperate fully in the procurement of any other consents and approvals and in the taking of any other action, and the satisfaction of all other requirements prescribed by law or otherwise, necessary or desirable for consummation of the Merger on the terms provided in this Merger Agreement, including, without being limited to, those consents and approvals referred to in Section 4.1(b).

Section 4. Conditions Precedent, Termination and Payment of Expenses

4.1 Conditions Precedent to the Merger. Consummation of the Merger is conditional upon:

(a) Approval of this Merger Agreement by the shareholders of Bank and Subsidiary, as required by law;

(b) Obtaining all other consents and approvals, and the satisfaction of all other requirements prescribed by law which are necessary for consummation of the Merger, including, but not limited to, approval of the FDIC, the Commissioner and the Board of Governors of the Federal Reserve System;

(c) Obtaining all consents or approvals, governmental or otherwise, which are, or in the opinion of counsel for Bank may be, necessary to permit or enable the Surviving

Corporation, upon and after the Merger, to conduct all or any part of the business and activities of Bank up to the time of the Merger, in the manner in which such activities and business are then conducted;

(d) Bank's obtaining for Company, prior to the Effective Date, a letter, in form and substance satisfactory to Company's counsel, signed by each person who is an "affiliate" of Bank for purposes of Rule 145 of the Securities and Exchange Commission to the effect that: (i) such person will not dispose of any shares of Company's common stock to be received pursuant to the Merger, in violation of the Securities Act or the rules and regulations of the SEC promulgated thereunder, or in any event prior to such time as financial results covering at least 30 days of post-Merger combined operations have been published; and (ii) such person consents to the placing of a legend on the certificate(s) evidencing such shares referring to the issuance of such shares in a transaction to which Rule 145 is applicable and to giving of stop-transfer instructions to Company's transfer agent with respect to such certificate(s); and

(e) Performance by each party hereto of all of its obligations hereunder to be performed prior to the Merger becoming effective.

4.2 Termination of the Merger. If any condition in Section 4.1 has not been fulfilled, or, in the opinion of a majority of the Board of Directors of any of the parties:

(a) any action, suit, proceeding or claim has been instituted, made or threatened relating to the Merger which makes consummation of the Merger inadvisable; or

(b) for any other reason consummation of the Merger is deemed inadvisable;

then this Merger Agreement may be terminated at any time before the Merger becomes effective. Upon termination, this Merger Agreement shall be void and of no further effect, and there shall be no liability by reason of this Merger Agreement or the termination thereof on the part of the parties or their respective directors, officers, employees, agents or stockholders.

4.3 Expenses of the Merger. All of the expenses of the Merger, including filing fees, printing costs, mailing costs, accountant's fees and legal fees shall be borne by the Surviving Corporation. In the event the Merger is abandoned for any reason, the expenses shall be paid by the Bank.

[*Signatures appear on following page*.]

IN WITNESS WHEREOF, the parties hereto have caused this Plan of Reorganization and Merger Agreement to be executed by their duly authorized officers as of the day and year first above written.

VALLEY REPUBLIC BANK

By: /s/ Bruce Jay
Bruce Jay,
President & CEO

By: /s/ Marcy Unruh
Marcy Unruh,
Corporate Secretary

VRB MERGER COMPANY

By: /s/ Bruce Jay
Bruce Jay,
President & CEO

By: /s/ Marcy Unruh
Marcy Unruh,
Corporate Secretary

VALLEY REPUBLIC BANCORP

By: /s/ Bruce Jay
Bruce Jay,
President & CEO

By: /s/ Marcy Unruh
Marcy Unruh,
Corporate Secretary