

ANNUAL REPORT



2019



ROME, GEORGIA



BANK OF CHOICE. BANK FOR LIFE.
GROW WITH US.

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COMPANY

ABOUT RIVER CITY BANK

River City Bank is a locally owned community bank founded in 2006. We are headquartered at the foothills of the Appalachian Mountains in Rome, Georgia. We offer a full suite of financial solutions for personal and business clients including deposits, loans, cash management, brokerage, and trust services.

For the past 14 years, we have been committed to providing our clients in North Georgia with personalized service and sound financial advice to help them achieve their financial goals. We are proud of our proven track record of supporting our clients, local community, hard-working employees, and loyal shareholders.

PURPOSE

Our Bank strives to exceed our client's expectations with every interaction.

VISION

River City Bank will be recognized as a preeminent financial institution in North Georgia by delivering to our Shareholders, Employees, Clients and Communities immeasurably more than they think possible, consistently demonstrating incomparable care for their needs while enhancing their financial well-being by offering competitive products delivered with unparalleled responsiveness and class-leading client-focused service.



EXECUTIVE LEADERSHIP

Jamie C. Tallent
President
Chief Executive Officer



Connie J. Williams
Chief Financial Officer



Alicia S. Durden
Chief Operations Officer
Information Security Officer



Jonathan P. Jones
Senior Credit Officer



BOARD OF DIRECTORS

- C. King Askew, *Chairman* Attorney
Dr. Paula Englis Educator
Wilson B. (Ben) Garrett Contractor
Dr. W. Barritt Gilbert Urologist
Dr. Darrell Lowrey Orthopedic Surgeon, Retired
Michael W. Mathis Owner-Building Supply Business
Jarrett Shadday Real Estate Investor
Scott Smith Attorney
Jamie C. Tallent Bank Executive
W. Keith Winslette Pharmacist
C. B. (Buster) Wright III Financial Executive, Retired

MISSION



RIVER CITY BANK WILL BUILD EXCEPTIONAL VALUE...

FOR OUR SHAREHOLDERS

We will build exceptional value for our Shareholders, earning their confidence through consistent long-term growth, increasing profitability and achieving top quartile returns measured by Return on Assets and Return on Equity.

FOR OUR EMPLOYEES

We will build exceptional value for our Employees, fostering a culture of trust, individual respect and high-performance expectations. We will create a fulfilling work environment, which recognizes and rewards individual achievements and attracts talented team members to join us.

FOR OUR CLIENTS

We will build exceptional value for our Clients, helping them reach their financial goals through unrivaled care and client-focused service.

FOR OUR COMMUNITIES

We will build exceptional value for our Communities, actively partnering to address their challenges and shaping meaningful solutions, while adding to their economic growth and prosperity.

LETTER TO SHAREHOLDERS

Dear Shareholders and Friends,

The year 2019 can be defined as a year of transition, opportunity, and strategic alignment for RCB Financial Corporation. Much like the prior year, 2019 offered a wide array of industry challenges such as market competition for quality loans and talented bankers, a decreasing interest rate environment, and growing expectations for cutting edge digitalization and technology advancements in our industry. Regardless of these challenges, our dedicated bankers embraced each obstacle they faced and capitalized on market opportunities to achieve sound financial results while remaining keenly focused on our core fundamentals of growth, quality, and profitability.

We experienced yet another year of solid financial performance for RCB Financial Corporation and its subsidiary, River City Bank. Earnings per share of \$0.71 were slightly down in 2019 compared to \$0.78 in 2018. Net income for 2019 totaled \$1,511,317, which was down \$145,001 or 9%, year-over-year. The decrease in net profit and earnings per share, year-over-year, resulted from a charge to earnings at year-end in the amount of \$303,339. By doing this, **we increased our loan loss reserve year-over-year by 44%** as we prepared for increasing economic stress, which we felt could impact credit quality in 2020. **Core earnings for 2019 (pre-provision and pre-tax) totaled \$2,329,215, up \$131,741 or 6%** compared to core earnings of \$2,197,474 in 2018. Net interest income increased \$806,920 or 13%, year-over-year. In 2018, we recognized a one-time gain of \$196,000 in our brokerage department due to the LPL conversion. When comparing the year-over-year non-interest income minus the one-time gain, **we increased total non-interest income by \$145,786 or 22%. Mortgage fee income led the way to higher non-interest income totaling \$115,999, which was up \$69,425 or 149% from the prior year.** Total deposits of \$142,152,445 were slightly down year-over-year; however, River City Bank **added 384 new core deposit clients, representing a 7% increase in 2019.** The decrease in total deposits was part of our strategic plan to reshape our deposit composition, lowering our cost of funds and gaining meaningful relationship clients. Total assets of \$162,095,714 were also down at year-end, resulting from late 4th quarter unscheduled loan payoffs. Separately, our deferred tax asset was reduced by \$770,000 at year-end. RCB continues to carry forward a deferred tax asset resulting from losses in previous years. Pre-tax earnings were \$2,025,878 at the end of 2019. **Tangible book value of common stock increased by 15% or \$1.05 per share to \$7.92 in 2019**, up from \$6.87 in 2018. **Net interest margin increased to 4.65%, up 37 basis points, or 9% from 4.28% the prior year.** We reported ROAA of 0.94% and ROAE of 9.37% in 2019. The provision to the loan loss reserve of \$303,339 impacted these performance ratios. Had we not set aside that provision at year-end 2019, we would have reported an ROAA of 1.08% and an ROAE of 10.83%. Lastly, **RCB Financial Corporation paid a dividend of \$0.05 per share, which is the first dividend in our company's history.**

CORE DEPOSIT GROWTH

+7%

CORE EARNINGS GROWTH

+6%

GROWTH IN TANGIBLE BOOK VALUE
OF COMMON STOCK

+15%

NON-PERFORMING ASSETS

.01%

In addition to the financial accomplishments for the year, we continued to improve in many areas that strengthen the company's outlook, aligning with our strategy to build the best financial institution in North Georgia. During the year, we developed and implemented seven key initiatives highlighted below:

1) **Client Service** - One of our primary goals is to be a class-leading, financial institution with outstanding client service delivered through our traditional and digital channels. In 2019, we continued to refine our digital offering while consistently providing customers with a traditional "Perfect Client Experience." **We have made it our purpose to exceed our client's expectations with every interaction.**

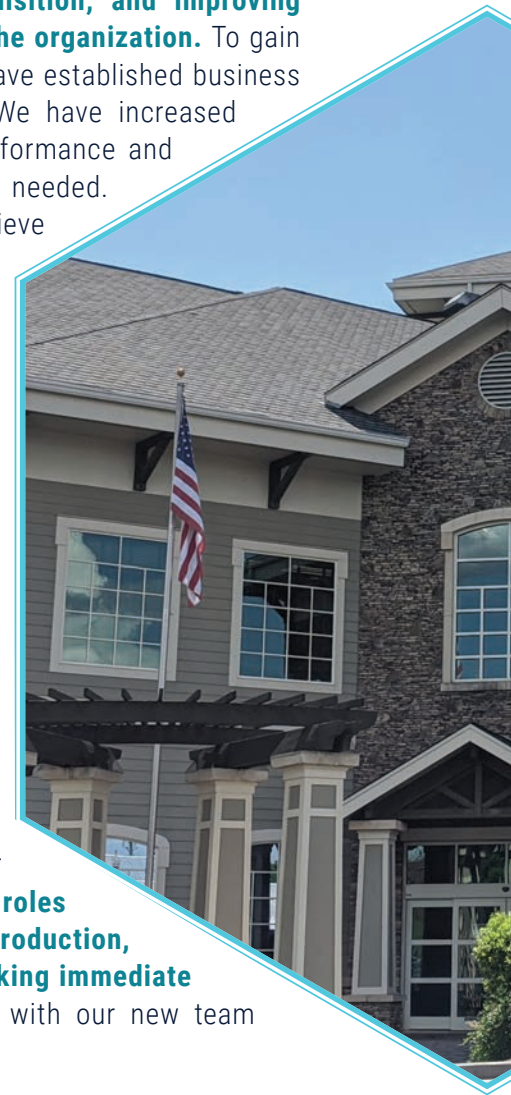
2) **Sales Culture** - In 2019, we introduced a needs-based sales culture, **driving client retention, increasing outbound business development activities, fostering better client acquisition, and improving cross-selling execution as we look to improve the overall performance of the organization.** To gain higher performance and boost organic growth across all business lines, we have established business development goals and communicated our expectations to our bankers. We have increased accountability by implementing weekly and monthly meetings to ensure performance and discuss progress while taking opportunities to coach team members when needed. Our bankers are motivated to assist clients with solutions, helping them achieve their financial goals. These actions align with our commitment to strive for excellence while increasing our productivity and rewarding our shareholders.

3) **Credit** - We improved our credit workflow, **increasing our "speed to market" to ensure a better client experience and more efficiency internally.** We improved every credit metric in the bank throughout the year while implementing higher credit standards and developing reporting and credit modeling to assist us with managing asset quality, asset class concentrations, and credit forecasting. I am pleased with the progress we have made over the last year as we remain committed to originating high-quality loans, managing risk, and diversifying our credit portfolio.

4) **Talent Acquisition** - To have a high-performance organization, we must attract great people. Employee salaries and benefits account for 58% of River City Bank's overall expenses. We believe that creating an environment where team members feel free to provide honest and direct feedback makes us a better company and allows us to attract great people. In 2019, several experienced bankers who are enthusiastic, engaged, and skilled joined our team and embraced our unique bank culture. These individuals **filled critical roles within our organization, such as credit administration, commercial loan production, loan operations, bank strategy, information technology, and marketing, making immediate positive contributions.** The combination of our existing bankers matched with our new team members has significantly strengthened the overall team and team dynamics.

5) **Strategic Plan** - In 2019, we developed a three-year strategic plan which provides a concise direction for the institution as we look ahead. **The strategic plan not only provides guidance for our future and outlines key initiatives, but it also addresses our Mission, Vision, and Purpose Statements.** As part of our implementation strategy, we shared the strategic plan with our team and met to discuss the plan in detail, answer questions, and ask for their full commitment. We continue to routinely review the plan with our team and measure our quarterly progress.

6) **Non-Interest Income** - One of the fastest revenue drivers for return on assets (ROA) is non-interest income. With this knowledge, we assembled a committee of our bankers and charged them with analyzing our non-interest income, surveying our market/region, and providing recommendations on how we could



improve our performance. The committee did an excellent job offering multiple solutions to enhance our results going forward. We have **implemented several initiatives, resulting in an increase in non-interest income compared to prior years.**

7) **Product Innovation** - In 2019, we identified several opportunities to enhance our products and services. We launched **Zelle** (a real-time person-to-person (P2P) payment platform), began offering a **Courtesy Overdraft Solution**, and introduced a **Payroll Solution**. Additionally, we implemented several **new consumer loan and deposit products**, which were rolled out in the first half of 2020.

While we achieved several necessary initiatives in 2019 and celebrated a milestone in paying our first dividend, we realize there is much work yet to accomplish. Once again, I am very proud of our company's achievements and the investments we made last year.

As we turn the page to 2020, I'm excited to report we started the year with great momentum. Both loan and deposit growth were exceptional through the first 73 days of this year. However, on March 13th, our world changed when President Trump declared a National State of Emergency, while state and local governments took preventative and proactive measures to slow the spread of COVID-19. In the days that followed, the battle to contain this virus resulted in the closure of every school in our footprint, darkened most every business, and caused non-essential employed citizens to "shelter in place." No person or business in our market is unaffected by the economic malaise created resulting from the virus.

In response to this pandemic, we activated our Business Continuity Plan in late February and implemented stringent protocols to ensure the safety of our employees and clients. There has been no lack of challenges during the last several months; however, our devoted team members, executive officers, and board of directors have worked countless hours to ensure our bank was open every day. I am inspired by our team's ongoing dedication to serving our clients during this stressful period.

River City Bank is participating in the U.S Treasury's Paycheck Protection Program (PPP), and we originated 207 small business loans totaling over \$13,000,000, of which 52 were new small business clients. We also processed 1,135 U.S. Treasury Economic Impact Payments for our clients during May, totaling \$1,421,400.

As we look at our 2020 financial performance for the first half of the year, as of June 30th, total assets were reported at \$175,720,630. Outstanding loans totaled \$123,424,298, up 17% or \$17,899,972 when compared to year-end 2019. Total deposits over the same period increased by \$12,651,203, up 9% totaling \$154,803,650 by the end of 2nd quarter 2020. Core earnings (pre-provision and pre-tax) through June 30, 2020 totaled \$1,174,633, which is an increase of 12% compared to the same period in 2019. And lastly, tangible book value of common stock as of June 30th was reported at \$8.39, which is an increase of 6% or \$0.47 per share.

At this point, we do not know the extent of the economic damage that COVID-19 has inflicted on our customers and our community. The severity of the economic shutdown will likely become more apparent as we move through the second half of 2020. We began the year with a strong balance sheet and very few credit issues. We remain committed to growing the company daily through relationship banking and delivering on our promise to treat our clients the way we want to be treated. We continue to maintain a strong capital base relative to peers with a leverage ratio of 10.79%, Common Equity Tier 1 Capital Ratio of 16.00%, and Total Risk-Based Capital Ratio of 17.26% as of June 30, 2020. Our balance sheet also remains liquid, with 28% of our assets in cash





and cash equivalents. With the uncertainty of the economic climate, it is prudent that we remain focused on building our allowance for loan losses. At the end of the 2nd quarter, our LLR totaled \$2,422,586, an increase of \$871,887, or 56%, from our 2019 year-end total of \$1,548,899.

We will continue to:

- Invest responsibly in robust infrastructures and systems necessary to support our long-term growth, improve our client experience, increase operating efficiency, and protect our client’s information
- Model corporate citizenship by investing in the communities we serve
- Be firmly committed to building a result-oriented culture - a culture that motivates, rewards, and inspires our team members; a culture that consistently attracts talented bankers; and a culture that provides an environment for all to succeed.

In closing, I want to express my sincere gratitude to our dedicated and committed team. It is because of our employees, their hard work, resiliency, unwavering commitment, and belief in our plans and goals that we can celebrate the many achievements we have realized over the past year.

It is remarkable how much we have accomplished, not only in terms of financial success but in our renewed dedication to helping our clients and the communities we serve. I am thankful for our sustained energy and rekindled passion as we aim to continue pursuing top quartile results.

I am inspired by our Board of Directors, and I am thankful for their support and strategic oversight.

To our customers, thank you for entrusting us with your financial needs, goals, and dreams. Every day we consider it a privilege and honor to serve you. It is because of you we exist.

And lastly, to our Shareholders, thank you for trusting us with your financial success. We are grateful for your continued support, confidence, and loyalty to RCB Financial Corporation and River City Bank.

With sincere appreciation,

Jamie C. Tallent
President and Chief Executive Officer
RCB Financial Corporation



**RCB FINANCIAL CORPORATION
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD AUGUST 11, 2020**

RCB Financial Corporation (the "Holding Company"), will hold its annual meeting of shareholders on **Tuesday, August 11, 2020 at 2:30PM EST at The DeSoto Theatre located at 530 Broad Street, Rome, Georgia to vote on:**

- The election of eleven directors to constitute the board of directors of the Holding Company (the "Board of Directors") to serve until the next annual meeting and until their successors are elected and qualified.
- The approval of the 2020 Stock Incentive Plan of the Holding Company.
- The ratification of the appointment of Wipfli, LLP, as the independent auditors of the Holding Company for fiscal year 2020.
- Such other business as may properly come before the meeting and at any and all adjournments thereof.

Only shareholders of record at the close of business on June 30, 2020 will be entitled to notice of and to vote at the annual meeting or any adjournment or postponement thereof. The holders of shares of the Holding Company's common stock are entitled to one vote per share on all matters to be presented for action by shareholders at the annual meeting.

The Board of Directors of the Holding Company unanimously recommends that shareholders vote FOR each of the director nominees and FOR ratifying the appointment of Wipfli, LLP as the Holding Company's independent auditors for fiscal year 2020.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in blue ink, appearing to read "JCT", is positioned above the printed name of the signatory.

Jamie C. Tallent
President and CEO
RCB Financial Corporation
Rome, Georgia
July 22, 2020



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
RCB Financial Corporation
Rome, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of RCB Financial Corporation and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RCB Financial Corporation and Subsidiary as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of RCB Financial Corporation and Subsidiary as of December 31, 2018, were audited by Porter Keadle Moore, LLC, who effected a Practice Combination with Wipfli LLP as of October 1, 2019 and whose report dated March 1, 2019, expressed an unmodified opinion on those consolidated financial statements.

Wipfli LLP
Atlanta, Georgia
March 6, 2020

RCB FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and due from banks, including net reserve requirements of \$436,000 and \$424,000, respectively	\$ 2,533,620	5,722,427
Interest-earning deposits in banks	<u>9,595,657</u>	<u>9,718,694</u>
Cash and cash equivalents	12,129,277	15,441,121
Bank owned certificates of deposit	1,750,000	1,250,000
Investment securities available-for-sale	34,938,590	32,880,674
Federal Home Loan Bank stock, at cost	150,500	395,300
Loans, net	103,975,420	107,308,729
Premises and equipment, net	5,460,178	5,484,153
Other real estate	-	189,000
Cash surrender value of life insurance	2,273,540	2,219,188
Accrued interest receivable and other assets	<u>1,418,209</u>	<u>2,105,556</u>
Total assets	\$ <u>162,095,714</u>	<u>167,273,721</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits:		
Demand	\$ 31,453,557	29,778,809
Interest-bearing demand	24,452,251	23,877,501
Savings and money market	57,817,228	57,487,284
Time, less than \$250,000	21,955,841	25,512,268
Time, \$250,000 and over	<u>6,473,568</u>	<u>7,125,632</u>
Total deposits	142,152,445	143,781,494
Federal Home Loan Bank advances	-	5,900,000
Subordinated debt	2,700,000	2,700,000
Accrued interest payable and other liabilities	<u>355,796</u>	<u>237,424</u>
Total liabilities	<u>145,208,241</u>	<u>152,618,918</u>
Commitments		
Stockholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized	-	-
Common stock, \$.01 par value; 25,000,000 shares authorized; 2,132,521 shares issued and outstanding	21,325	21,325
Additional paid-in capital	23,760,913	23,760,913
Accumulated deficit	(6,973,790)	(8,378,481)
Accumulated other comprehensive (loss) income	<u>79,025</u>	<u>(748,954)</u>
Total stockholders' equity	<u>16,887,473</u>	<u>14,654,803</u>
Total liabilities and stockholders' equity	\$ <u>162,095,714</u>	<u>167,273,721</u>

RCB FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Income
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Interest income:		
Loans, including fees	\$ 6,376,507	5,484,630
Investment securities	941,879	872,345
Federal funds sold and interest-bearing accounts	<u>109,989</u>	<u>45,720</u>
Total interest income	<u>7,428,375</u>	<u>6,402,695</u>
Interest expense:		
Deposits	743,474	528,633
Borrowings	<u>225,023</u>	<u>221,104</u>
Total interest expense	<u>968,497</u>	<u>749,737</u>
Net interest income	6,459,878	5,652,958
Provision for loan losses	<u>303,339</u>	<u>-</u>
Net interest income after provision for loan losses	<u>6,156,539</u>	<u>5,652,958</u>
Non-interest income:		
Service fees	411,615	390,048
Mortgage banking income	115,999	46,574
Trust fees	519,511	513,546
Brokerage fees	172,621	302,946
Increase in cash surrender value of life insurance	54,352	57,238
(Loss) gain from sales of other real estate, net of write-downs	(45,892)	33,055
(Loss) gain from sales of investment securities available-for-sale	(22,222)	15,454
Other	<u>44,933</u>	<u>34,340</u>
Total non-interest income	<u>1,250,917</u>	<u>1,393,201</u>
Non-interest expenses:		
Salaries and employee benefits	3,146,581	2,801,685
Data and item processing	848,231	768,219
Professional fees	245,229	255,458
Occupancy and equipment	433,283	398,563
Advertising and promotions	149,278	135,349
Other real estate	15,301	28,814
Loss from early disposal of bank owned certificates of deposit	-	13,125
Other operating	<u>543,675</u>	<u>447,470</u>
Total non-interest expenses	<u>5,381,578</u>	<u>4,848,683</u>
Income before income tax expense	2,025,878	2,197,476
Income tax expense	<u>514,561</u>	<u>541,158</u>
Net income	<u>\$ 1,511,317</u>	<u>1,656,318</u>

See accompanying notes to consolidated financial statements.



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RCB FINANCIAL CORPORATION

