

2018 Annual Report



RCB | Financial Corporation



Dear Shareholders and Friends,

2018 represented a remarkable year of financial progress for RCB Financial Corporation and its subsidiary, River City Bank. Despite many ongoing industry challenges such as rapid technology changes, market competition and increasing interest rates, we had an outstanding year of performance. I am very proud of the accomplishments and I'm optimistic about the future for our company.



During 2018, total assets grew to \$167,273,721 by year-end driven primarily by growth in our loan portfolio, which represented an increase of 6% or \$5,875,666 over year-end 2017. Deposit growth remained flat year over year which aligned with our strategic expectations. By reshaping the deposit composition of our balance sheet in 2018, we have begun to mitigate certain funding risks as we look ahead. By year-end, we were successful in expanding our Net Interest Margin to 4.28% adding 56 basis points to the margin, which is an increase of 15% over year-end 2017. Net Income increased by 205% totaling \$1,656,318 at year-end. We also achieved an Operating Return on Average Assets (ROAA) of 1.07% on an operating basis by year-end 2018 which represents a 182% increase over year-end 2017. Asset quality remained very strong with non-performing assets to total assets of 0.18% at year-end 2018.

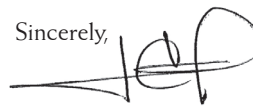
In addition to the financial accomplishments for the year, we continue to focus and improve the short and long-term prospects of the company as we seek to be one of the best financial institutions in North Georgia. To do this our strategies will focus on five key areas:

- 1) *Customer Service* — Our goal is to have industry-leading customer service across our delivery channels. Banking is a people business; to excel we must consistently take care of the core business daily. We will remain intensely focused on the Golden Rule of Banking, treating our customers the way we want to be treated.
- 2) *Talent Recruitment and Development* — We will continue to focus on building our unique culture while creating an environment that will attract great people from inside and outside the region to join the company. We will continue to invest in the development of our team utilizing both external and internal comprehensive programs to improve their understanding of the industry along with our strategies and goals.
- 3) *Achieve Top-Quartile Financial Performance* — We will strive to generate consistent high-performance results relative to our peers. Our goal is to be a top performer. To do that we will continue to look for growth opportunities, innovate our product and service offerings, identify additional lines of business to diversify our revenue sources, and enhance our risk culture.
- 4) *Infrastructure Development* — We are firmly committed to having the support, governance and delivery systems that enable our company to grow responsibly. We acknowledge and understand that technology is increasingly critical to the future of our business. We will continue to invest in digital capabilities to improve our customer experience. To that end, we will maintain a rigorous focus on technology and digitalization while remaining vigilant in investing in robust programs to protect customer information.
- 5) *Balance Sheet and Capital Strength* — Our goal is to maintain a strong capital base relative to peers and to be good stewards of that capital. We are also committed to maintaining a high level of asset quality and will be prudent in our execution of all strategies with that goal in mind.

As we look ahead, we are excited about our prospects and I'm supremely confident in River City Bank's future. We will continue to remain deeply rooted in Floyd County, while evaluating growth opportunities within our region. The purpose of this strategy is to improve long-term shareholder value through expansion. There will be continued new hire opportunities in new markets, yet we believe we will have opportunities to deepen our organic market penetration locally. Disruption in our market and region from several announced large bank mergers will also provide opportunities for our team to grow market share. Our commitment to investing in digital delivery and marketing opportunities are promising for the long-term growth and success of our company.

In closing, I want to thank you, our shareholders, for your continued support, commitment and loyalty to River City Bank. Your investment is important to us and we realize the responsibility you have placed in us. Additionally, I want to recognize Roger Smith for his many years of leadership and the countless contributions he made to the team and our organization. Finally, I want to extend my sincere appreciation to our remarkable team of bankers. It is because of their commitment, dedication and loyalty to our customers and our company they so purposefully represent that we can enjoy these financial results.

Sincerely,



Jamie C. Tallent

PRESIDENT AND CHIEF EXECUTIVE OFFICER



River City Bank is uniquely positioned with Jamie as President and CEO to leverage our strong balance sheet and efficient operations into a top performing bank in Rome and across the state. The bank is still young, having opened in 2006 and successfully navigated the economic downturn and recession. Our Board and team members have worked extremely hard to ensure we built and maintained a solid foundation for a successful community bank through a difficult time. Now we look forward to the future.

C. King Askew, CHAIRMAN OF THE BOARD



RCB FINANCIAL CORPORATION
NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 14, 2019

RCB Financial Corporation (the "Holding Company"), will hold its annual meeting of shareholders at River City Bank, 228 North Second Avenue, Rome Georgia, 30165, on Tuesday, May 14, 2019 at 6:00 p.m., local time to vote on:

- Electing as directors of RCB Financial Corporation the persons listed as nominees in the Proxy Statement dated April 19, 2019, that accompanies this notice;
- Ratifying the appointment of Porter Keadle Moore, LLP, as the Holding Company's independent auditors for fiscal year 2019; and
- Transacting such other and further business as may properly come before the meeting.

Only shareholders of record at the close of business on March 31, 2019 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.

Enclosed for your review are the Holding Company's proxy detail statement and proxy sheet for the proposals that shareholders will vote on at the annual meeting.

BY ORDER OF
THE BOARD OF DIRECTORS

Whether or not you plan to attend the meeting, please complete, sign, and date the accompanying proxy sheet and return it in the enclosed postage-prepaid envelope before May 10, 2019. If you attend the meeting you may revoke your proxy and vote your shares personally.



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 sheets as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Porter Keadle Moore, LLC

Atlanta, Georgia
March 1, 2019

RCB FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and due from banks, including net reserve requirements of \$424,000 and \$409,000, respectively	\$ 5,722,427	4,386,605
Interest-earning deposits in banks	9,718,694	7,717,411
Cash and cash equivalents	15,441,121	12,104,016
Bank owned certificates of deposit	1,250,000	1,500,000
Investment securities available-for-sale	32,880,674	34,471,072
Federal Home Loan Bank stock, at cost	395,300	144,200
Loans, net	107,308,729	101,433,063
Premises and equipment, net	5,484,153	5,608,175
Other real estate	189,000	468,945
Cash surrender value of life insurance	2,219,188	2,161,950
Accrued interest receivable and other assets	2,105,556	2,563,552
Total assets	\$ <u>167,273,721</u>	<u>160,454,973</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits:		
Demand	\$ 29,778,809	34,265,957
Interest-bearing demand	23,877,501	25,311,428
Savings and money market	57,487,284	53,837,285
Time, less than \$250,000	25,512,268	24,493,174
Time, \$250,000 and over	7,125,632	6,046,494
Total deposits	143,781,494	143,954,338
Line of credit	-	115,250
Federal Home Loan Bank advances	5,900,000	-
Subordinated debt	2,700,000	2,700,000
Accrued interest payable and other liabilities	237,424	322,629
Total liabilities	152,618,918	147,092,217
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	(8,378,481)	(10,034,799)
Accumulated other comprehensive (loss) income	(748,954)	(384,683)
Total stockholders' equity	14,654,803	13,362,756
Total liabilities and stockholders' equity	\$ <u>167,273,721</u>	<u>160,454,973</u>

RCB FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Income
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Interest income:		
Loans, including fees	\$ 5,484,630	4,982,232
Investment securities	872,345	739,041
Federal funds sold and interest-bearing accounts	45,720	29,735
Total interest income	<u>6,402,695</u>	<u>5,751,008</u>
Interest expense:		
Deposits	528,633	427,459
Borrowings	221,104	134,887
Total interest expense	<u>749,737</u>	<u>562,346</u>
Net interest income	5,652,958	5,188,662
Reduction in provision for loan losses	-	(300,000)
Net interest income after provision for loan losses	<u>5,652,958</u>	<u>5,488,662</u>
Non-interest income:		
Service fees	727,334	566,509
Mortgage banking income	46,574	33,324
Trust fees	513,546	588,119
Increase in cash surrender value of life insurance	57,238	59,802
Gain from sales of other real estate, net of write-downs	33,055	59,326
Gain from sales of investment securities available-for-sale	15,454	4,994
Total non-interest income	<u>1,393,201</u>	<u>1,312,074</u>
Non-interest expenses:		
Salaries and employee benefits	2,801,685	2,665,612
Data and item processing	768,219	739,060
Professional fees	255,458	59,861
Occupancy and equipment	398,563	407,689
FDIC insurance	38,085	75,337
Advertising and promotions	135,349	103,575
Other real estate	28,814	150,065
Net losses on disposal or sale of premises and equipment	-	9,379
Loss from early disposal of bank owned certificates of deposit	13,125	-
Other operating	409,385	431,818
Total non-interest expenses	<u>4,848,683</u>	<u>4,642,396</u>
Income before income tax expense	2,197,476	2,158,340
Income tax expense	541,158	1,571,231
Net income	1,656,318	587,109
Preferred stock dividends	-	(43,708)
Net income available to common stockholders	<u>\$ 1,656,318</u>	<u>543,401</u>

See accompanying notes to consolidated financial statements.

April 19, 2019

**PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 14, 2019**

This Proxy Statement is being furnished to the shareholders of RCB Financial Corporation (the “Holding Company”) in connection with the solicitation of proxies by the Board of Directors of the Holding Company for use at the Annual Meeting of Shareholders of RCB Financial Corporation to be held on Tuesday, May 14, 2019 at 6:00 p.m., local time, and to any adjournment thereof, for the purposes set forth below and in the accompanying Notice of the Annual Meeting of Shareholders. The meeting will be held at River City Bank, 228 North Second Avenue, Rome, Georgia, 30165.

The shareholders’ meeting is being held to consider and vote the following proposals:

- Proposal 1: To elect as Holding Company directors the persons listed as nominees in the Proxy Statement.
- Proposal 2: To ratify the appointment of Porter Keadle Moore, LLP, as the independent auditors of the Holding Company for fiscal year 2019.
- Proposal 3: To transact such other business as may properly come before the meeting and at any and all adjournments thereof.

Record Date, Solicitation and Revocability of Proxies

RCB Financial Corporation has fixed March 31, 2019 as the record date for determining the shareholders entitled to notice of and to vote at the meeting. At the close of business on the record date, there were outstanding and entitled to vote 2,132,521 shares of common stock of RCB Financial Corporation, \$0.01 par value per share, held by 435 shareholders of record. A majority of the outstanding shares of common stock represented at the meeting, in person or by proxy, will constitute a quorum.

Shares of RCB Financial Corporation’s common stock represented by a properly executed proxy, if such proxy is received prior to the vote at the shareholders meeting and not revoked, will be voted at the shareholders meeting in accordance with the instructions indicated in such proxy. **If a proxy is received and no instructions are indicated, such shares of the common stock will be voted “FOR” the election as Directors of the Holding Company the eleven nominees listed in the Proxy Statement, “FOR” ratifying the appointment of Porter Keadle Moore, LLP, as the independent auditors of the Holding Company for fiscal year 2019, and in accordance with the recommendations of the Board of Directors as to any other matter which may properly come before the shareholders’ meeting.**

A shareholder who has given a proxy may revoke it at any time prior to its exercise at the shareholders meeting by either (i) giving written notice of the revocation to the Chief Executive Officer of the Holding Company, (ii) properly submitting to the Chief Executive Officer of the Holding Company a duly executed proxy bearing a later date, or (iii) appearing in person at the shareholders’ meeting and voting in person. All written notices of revocation or other communications with respect to revocation of proxies

should be addressed as follows: RCB Financial Corporation, P.O. Box 1791, Rome, Georgia 30162-1791, Attention: Shareholder Services.

Proxies are being solicited by, and on behalf of the Board of Directors of RCB Financial Corporation. Directors, officers, and employees of the Holding Company may solicit proxies personally or by telephone or facsimile. None of these people will receive any special compensation for solicitation activities.

Voting of Shares

The holders of shares of RCB Financial Corporation’s common stock are entitled to one vote per share on all matters presented at the meeting for action by shareholders.

The affirmative vote of a majority of RCB Financial Corporation’s outstanding common stock present in person or represented by proxy and entitled to vote at the meeting will be required to elect the eleven directors to serve until the 2020 Annual Shareholder’s Meeting.

The affirmative vote of a majority of RCB Financial Corporation’s outstanding common stock present in person or represented by proxy and entitled to vote at the meeting will be required to ratify the appointment of Porter Keadle Moore, LLP, as the Holding Company’s independent auditors for fiscal year 2019.

All other matters that may properly come before the meeting require the affirmative vote of a majority of shares of common stock present in person or by proxy and entitled to vote on such matters, unless a stricter requirement is imposed by applicable law.

This proxy details statement and the accompanying form of proxy were first mailed to the shareholders on or about April 26, 2019.

PROPOSAL 1: ELECTION OF DIRECTORS

The table below sets forth certain information about the director nominees, including name and principal occupation or employment. Duly elected directors will serve until the next annual meeting of shareholders, or until their respective successors are duly elected and qualified.

<u>Name</u>	<u>Principal Occupation/Employment</u>
C. King Askew	Attorney
Dr. Paula Englis	Educator
Wilson B. (Ben) Garrett	Contractor
W. Barritt Gilbert	Urologist
Darrell Lowrey	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	Retired

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF THE ELEVEN NOMINEES NAMED ABOVE.

**PROPOSAL 2: RATIFYING THE APPOINTMENT OF
PORTER KEADLE MOORE LLP AS INDEPENDENT AUDITOR**

The Audit Committee of the Board of Directors has considered the qualifications and experience of Porter Keadle Moore, LLP, and based upon the recommendation of the Audit Committee, the Board of Directors has appointed Porter Keadle Moore, LLP, as independent auditors for the Holding Company for the current fiscal year which ends December 31, 2018. Although the submission of this matter is not required by law, the Board of Directors desires to obtain the shareholders' ratification of such appointment. A resolution ratifying the appointment will be offered at the Annual Meeting. If the resolution is not adopted, the adverse vote will be referred to the Audit Committee for further review.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFYING THE APPOINTMENT OF PORTER KEADLE MOORE, LLP, AS THE HOLDING COMPANY'S INDEPENDENT AUDITORS FOR FISCAL YEAR 2018.

PROPOSAL 3: OTHER MATTERS

The Board of Directors of the Holding Company does not know of any matter to be brought before this meeting of Holding Company shareholders other than those described above. If any other matters properly come before the meeting, the persons designated as proxies will vote on such matters in accordance with their best judgement.

DIRECTOR AND EXECUTIVE OFFICER STOCK OWNERSHIP

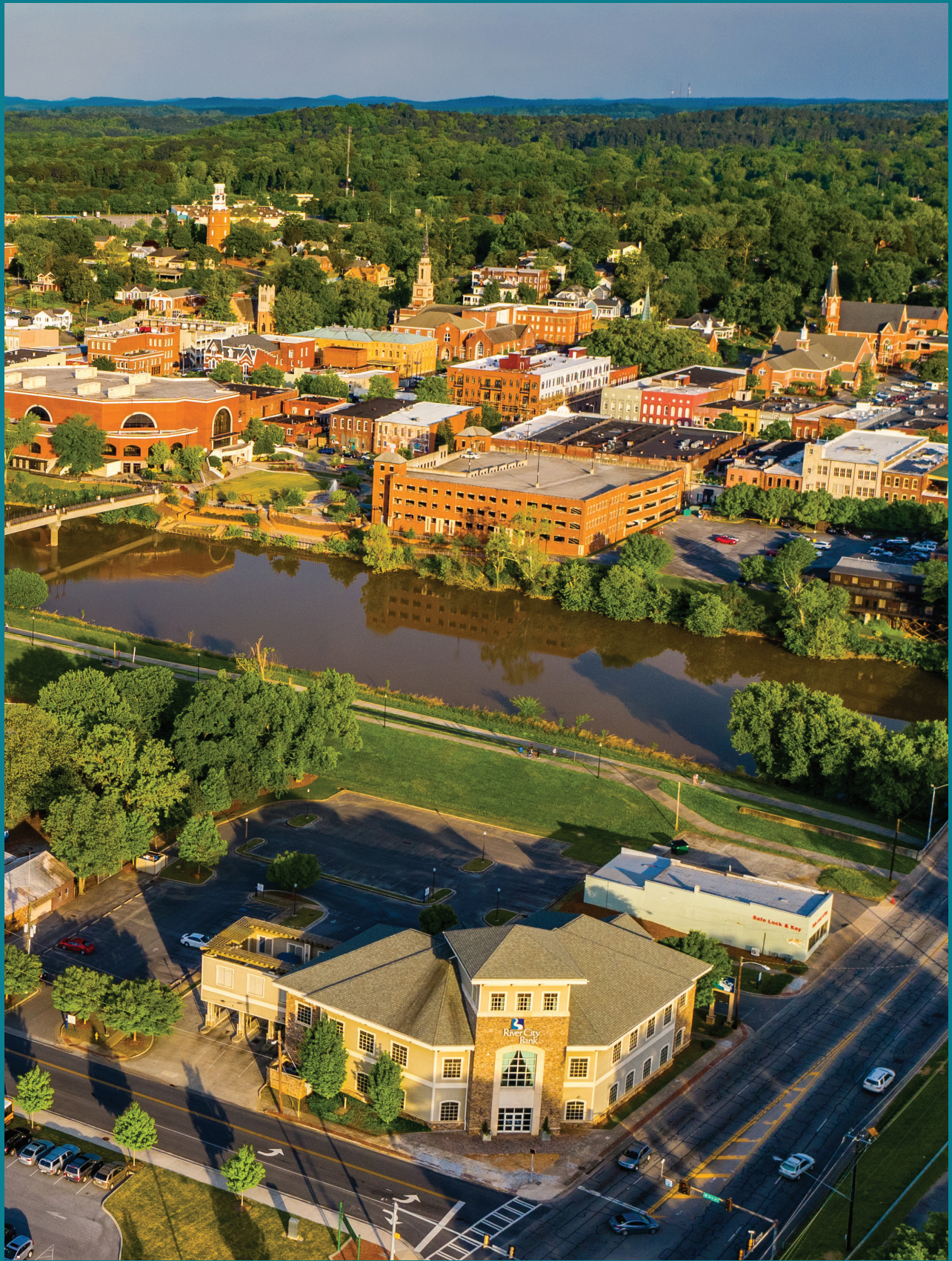
The following table presents stock ownership information as of the record date for each of the executive officers and director nominees of RCB Financial Corporation, and all executive officers and director nominees as a group. The table sets forth: (1) each person's name, (2) his/her respective position within the Holding Company, (3) the number of shares of Holding Company common stock he/she directly or indirectly owned, controlled or held with the power to vote as of the record date, and (4) the percentage of the outstanding shares of Holding Company common stock owned at the record date.

<u>Name</u>	<u>Position</u>	<u>Number Of Shares</u>	<u>Percentage of Outstanding Shares</u> ⁽¹⁾
Michael W. Mathis	Director	275,644	12.93%
Jarrett Shadday	Director	143,436	6.73%
Darrell Lowrey	Director	48,700	2.28%
W. Keith Winslette	Director	35,000	1.64%
C. King Askew	Director/Chairman	32,500	1.52%
W. Barritt Gilbert	Director	27,300	1.28%
Wilson B. (Ben) Garrett	Director	26,088	1.22%
Scott Smith	Director	22,500	1.06%
C. B. Wright III	Director	19,000	0.89%
Connie J. Williams	CFO/COO	3,000	0.14%
T. Grant Espy	CCO	750	0.04%
Dr. Paula Englis	Director	500	0.02%
Director Nominees and Executive Officers as a Group (12)		634,418	29.75%

(1) The calculation of ownership of each individual/group is based upon 2,132,521 shares outstanding as of the record date.

PRINCIPAL SHAREHOLDERS OF THE HOLDING COMPANY

One shareholder/group is authorized to directly or indirectly own, control, or hold with the power to vote more than 10% of the stock of RCB Financial Corporation. That shareholder is Michael W. Mathis (a director). The Group is comprised of Mr. Mathis, Sharon L. Mathis, M. William Mathis, N. Von Lambert, Mark Mathis, and Victoria Mathis. The shares and percentage owned by the Group are reflected in the Director and Executive Officer Stock Ownership schedule.



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