



2015 ANNUAL REPORT

**Celebrating 10 Years of Rollin' on the River**  
YOUR CITY. OUR CITY. RIVER CITY.



# Board of Directors



King Askew

Chairman



Mike Mathis



Paula Englis



Jarrett Shadday



Scott Smith



Roger Smith



Darrell Lowrey



Keith Winslette



Barritt Gilbert



Buster Wright



Ben Garrett

Serving with Passion, Service and Excellence.



April 20, 2016

## Dear Shareholder:

May 23, 2016 marks the 10<sup>th</sup> Anniversary of River City Bank. We are grateful and humbled to have had your support throughout the years. It matters!

In the fall of 2014, your Board of Directors had the pleasure of collaborating with a group of energetic Berry College MBA candidates and senior business students. The agenda was to build a new strategic plan to guide River City thru the next three years. The overriding message that emerged was.... **MOVE FORWARD!** The primary goal...*earn 1% ON ASSETS*...by the end of 2017!

These strategic directives guided the board in their decisions which led to the 2015 financial results.

## Significant accomplishments for 2015:

- Demand deposits or non-interest bearing checking accounts grew from \$22.2 million at year-end 2014 to \$25.7 million at year-end 2015, an increase of \$3.5 million or 15%. These deposits are the very foundation of any bank and validate River City's position as a leader in the Rome and Floyd County financial marketplace.
- Net loans grew from \$100.6 million to \$104.3 million, an increase of \$3.7 million or 3.6%.
- Trust and Brokerage assets under management grew from \$148.3 million to \$152 million, an increase of \$3.7 million or 2.5%.
- Substandard/Doubtful loans showed huge improvement over 2014, decreasing from \$6.8 million to just over \$1 million, **an 85% reduction!**

While the reduction of substandard/doubtful loans is significant, it came at a price. At year end 2015, your Directors and Management Team, with the concurrence of our accountants, made the strategic decision to aggressively write down a large foreclosed real estate development by approximately \$1.6 million. This resulted in a net loss for the year of (\$741,215).

The message....River City Bank is no longer looking back....and is in fact....**MOVING FORWARD!**

## So how does 2016 look so far?

- In January, the bank retired \$4,225,000 of our preferred stock (TARP) leaving only \$2,500,000!
- First quarter net income totaled \$224,710 compared to \$140,479 for the same period last year. This represents an increase of 60%.

We are excited about the future, but we have a lot of work to do. If you already bank with us, THANK YOU! If not, then please consider joining River City Bank as we **MOVE FORWARD** ... into a brighter future!

Sincerely,

Roger F. Smith  
President & CEO



**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, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), 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, 2015 and 2014, 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 22, 2016

**RCB FINANCIAL CORPORATION AND SUBSIDIARY**

**Consolidated Balance Sheets**

**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and due from banks, including reserve requirements of \$419,000 and \$766,000, respectively	\$ 4,675,356	3,209,109
Interest earning deposits in banks	8,560,626	11,551,473
Cash and cash equivalents	13,235,982	14,760,582
Investment securities available-for-sale	24,062,493	40,142,822
Federal Home Loan Bank stock, at cost	285,700	280,000
Loans, net	104,271,689	100,622,124
Premises and equipment, net	5,902,000	6,295,231
Other real estate	1,996,145	1,069,245
Cash surrender value of life insurance	2,035,892	-
Accrued interest receivable and other assets	4,125,323	4,249,943
<b>Total assets</b>	<b>\$ 155,915,224</b>	<b>167,419,947</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Demand	\$ 25,655,517	22,224,525
Interest-bearing demand	21,809,643	22,709,529
Savings and money market	48,564,418	52,738,595
Time, less than \$250,000	31,854,965	39,612,086
Time, \$250,000 and over	5,763,709	5,817,238
<b>Total deposits</b>	<b>133,648,252</b>	<b>143,101,973</b>
Line of credit	53,750	15,750
Federal Home Loan Bank advances	2,000,000	3,000,000
Accrued interest payable and other liabilities	583,169	361,126
<b>Total liabilities</b>	<b>136,285,171</b>	<b>146,478,849</b>
Commitments		
Stockholders' equity:		
Preferred Stock, no par value; 5,000,000 shares authorized, 6,725 shares issued and outstanding	6,725,000	6,725,000
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	(11,000,065)	(9,645,866)
Accumulated other comprehensive income	122,880	79,726
<b>Total stockholders' equity</b>	<b>19,630,053</b>	<b>20,941,098</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 155,915,224</b>	<b>167,419,947</b>

See accompanying notes to consolidated financial statements.

**RCB FINANCIAL CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Interest income:		
Loans, including fees	\$ 4,852,369	4,847,100
Investment securities	706,783	700,370
Federal funds sold and interest-bearing accounts	17,711	11,776
Total interest income	<u>5,576,863</u>	<u>5,559,246</u>
Interest expense:		
Deposits	493,281	568,433
Borrowings	42,266	65,906
Total interest expense	<u>535,547</u>	<u>634,339</u>
Net interest income	5,041,316	4,924,907
Provision for loan losses	-	-
Net interest income after provision for loan losses	<u>5,041,316</u>	<u>4,924,907</u>
Non-interest income:		
Service fees	482,941	460,639
Mortgage banking income	61,386	71,151
Trust fees	582,305	590,783
Gain from sales of investment securities available-for-sale	13,582	3,761
Total non-interest income	<u>1,140,214</u>	<u>1,126,334</u>
Non-interest expenses:		
Salaries and employee benefits	2,654,664	2,472,437
Data and item processing	633,894	594,917
Professional fees	127,002	301,863
Occupancy and equipment	469,983	530,891
FDIC insurance	130,957	177,305
Advertising and promotions	105,735	161,176
Other real estate	479,770	122,842
Losses on sale and write down of other real estate	1,731,000	25,780
Net (gains) losses on disposal or sale of premises and equipment	76,291	(748)
Other operating	570,935	549,854
Total non-interest expenses	<u>6,980,231</u>	<u>4,936,317</u>
Earnings (loss) before income tax expense	(798,701)	1,114,924
Income tax expense (benefit)	(57,486)	406,312
Net income (loss)	(741,215)	708,612
Preferred stock dividends and discount accretion on preferred stock	(612,984)	(621,442)
Net income (loss) available to common stockholders	<u>\$ (1,354,199)</u>	<u>87,170</u>

See accompanying notes to consolidated financial statements.

**RCB FINANCIAL CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Net income (loss)	\$ (741,215)	708,612
Other comprehensive income, net of tax:		
Unrealized gains on investment securities available-for-sale arising during the period, net of tax expense of \$31,610 and \$353,160, respectively	51,575	576,208
Reclassification for gains included in operations, net of tax expense of \$5,161 and \$1,429, respectively	(8,421)	(2,332)
Total other comprehensive income	<u>43,154</u>	<u>573,876</u>
Comprehensive income (loss)	<u>\$ (698,061)</u>	<u>1,282,488</u>

See accompanying notes to consolidated financial statements.

**RCB FINANCIAL CORPORATION  
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 10, 2016**

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 10, 2016, at 6:00 p.m., local time to vote on:**

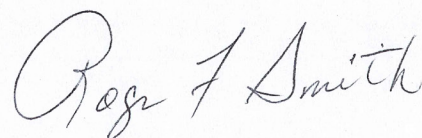
- Electing as directors of RCB Financial Corporation the persons listed as nominees in the Proxy Statement dated April 20, 2016, that accompanies this notice;
- Ratifying the appointment of Porter Keadle Moore, LLP, as the Holding Company's independent auditors for fiscal year 2016; and
- Transacting such other and further business as may properly come before the meeting.

Only shareholders of record at the close of business on March 31, 2016 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.

Please take the opportunity to review the enclosed Proxy Statement and Annual Report. Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting in person, we urge you to vote and return the enclosed Proxy as promptly as possible. Voting your proxy ahead of time will allow for a more efficient and timely meeting.

The Board of Directors of the Holding Company unanimously recommends that shareholders vote FOR each of the nominees for director and FOR ratifying the appointment of Porter Keadle Moore, LLP, as the Holding Company's independent auditors for fiscal year 2016.

**BY ORDER OF THE  
BOARD OF DIRECTORS**



Roger F. Smith  
President and CEO  
RCB Financial Corporation  
Rome, Georgia  
April 20, 2016

**RCB Financial Corporation  
228 North Second Avenue  
Rome, Georgia 30165  
(706) 236-2123**

April 20, 2016

**PROXY STATEMENT  
FOR ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 10, 2016**

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 Annual Meeting of Shareholders of RCB Financial Corporation to be held on Tuesday, May 10, 2016, 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 this Proxy Statement.
- Proposal 2: To ratify the appointment of Porter Keadle Moore, LLP, as the independent auditors of the Holding Company for fiscal year 2016.
- 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, 2016, 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 454 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 2016, 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



## PROPOSAL 1: ELECTION OF DIRECTORS

proxies should be addressed as follows: RCB Financial Corporation, 228 North Second Avenue, Rome, Georgia 30165, Attention: Roger F. Smith, President and CEO.

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 2017 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 2016.

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 statement and the accompanying form of proxy were first mailed to the shareholders on or about April 20, 2016.

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 or 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
Roger F. Smith	Bank Executive
Scott Smith	Attorney
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 AUDITORS

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, 2016. 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 2016.

**DIRECTOR  
AND MANAGEMENT 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, (4) the percentage of the outstanding shares of Holding Company common stock he/she owned at the record date, and (5) the number of shares subject to warrants or options.

<u>Name</u>	<u>Position</u>	<u>Number Of Shares</u>	<u>Percentage of Outstanding Shares</u> <sup>(1)</sup>	<u>Shares Subject to Warrants and Options</u> <sup>(2)</sup>
Michael W. Mathis*	Director	224,046	10.51%	-0-
Darrell Lowrey	Director	48,700	2.28%	-0-
W. Keith Winslette	Director	35,000	1.64%	-0-
C. King Askew	Director	32,500	1.52%	-0-
W. Barritt Gilbert	Director	25,000	1.17%	-0-
Roger F. Smith	CEO and Director	22,500	1.06%	15,000
Scott Smith	Director	22,500	1.06%	-0-
Wilson B. (Ben) Garrett	Director	21,740	1.02%	-0-
C. B. Wright III	Director	19,000	0.89%	-0-
Jarrett Shadday	Director	18,500	0.87%	-0-
Connie J. Williams	CFO/COO	3,000	0.14%	10,000
T. Grant Espy	CCO	750	0.04%	5,000
Dr. Paula Englis	Director	500	0.02%	-0-
<b>Executive Officers and Director Nominees as a Group (13)</b>		<b>473,736</b>	<b>22.21%</b>	<b>30,000</b>

(1) The calculation of ownership of each individual and the group is based upon 2,132,521 shares outstanding as of the record date, and will change if and when options are exercised.

(2) All outstanding options vested over a 3 year period, are now fully vested, and carry an exercise price of \$10.00 per share.

**PRINCIPAL SHAREHOLDERS OF THE HOLDING COMPANY**

One shareholder group is authorized to directly or indirectly own, control, or hold with the power to bore more than 10% of the stock of RCB Financial Corporation. That group is comprised of Mike Mathis (a director), Sharon Mathis (his wife) and Will Mathis (his son). The group currently owns 224,046 shares or 10.51% of the outstanding shares of the Holding Company stock as of the date of record, March 31, 2016.

**OTHER MATTERS**

The Board of Directors of the Holding Company does not know of any matters 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 judgment.

By Order of the Board of Directors

  
\_\_\_\_\_  
Susan Dunwoody, Corporate Secretary

**RESOLUTIONS OF  
THE BOARD OF DIRECTORS OF  
RCB FINANCIAL CORPORATION**

**I. Annual Meeting of Shareholders**

**WHEREAS**, RCB Financial Corporation (the “Company”) plans to hold its 2016 annual meeting of shareholders (the “Annual Meeting”) and at such meeting to consider (i) a proposal to elect directors to serve a one-year term or until their successors are duly elected and qualified; and (ii) a proposal to ratify the appointment of Porter Keadle Moore, LLP, as the Company’s independent auditors for the fiscal year 2016.

**NOW, THEREFORE, BE IT RESOLVED**, that the Annual Meeting date is hereby set for May 10, 2016 at 6:00 p.m. local time, at River City Bank, 228 North Second Avenue, Rome, Georgia 30165; and

**RESOLVED FURTHER**, that the record date for shareholders to vote at the Annual Meeting shall be the close of the Company’s business on March 31, 2016; and

**RESOLVED FURTHER**, that Connie J. Williams, CFO, be and is hereby appointed as the Company’s Inspector of Elections at its Annual Meeting, and to perform such duties in connection therewith as required by law; and

**RESOLVED FURTHER**, that the following individuals are hereby nominated for election as directors at the Annual Meeting to serve until the 2017 Annual Meeting or until their successors are duly elected and qualified; and

W. Barritt Gilbert  
C. B. (Buster) Wright, III  
Darrell Lowrey  
Jarrett Shadday  
W. Keith Winslette  
C. King Askew  
Michael W. Mathis  
Paula Englis  
Scott Smith  
Ben Garrett  
Roger F. Smith

**RESOLVED FURTHER**, that the proper officers of the Company be, and they hereby are, authorized and directed to prepare or cause to be prepared, with the assistance of legal counsel and to distribute proxy materials in connection with the Annual Meeting; and

**RESOLVED FURTHER**, that the Board of Directors hereby appoints C. King Askew and Roger F. Smith to be named in appointments of proxy solicited by the Company as the Proxies for shareholders at the Annual Meeting.

**II. Independent Auditors**

**WHEREAS**, the Board of Directors has considered the qualifications and experience of Porter Keadle Moore, LLP, as independent auditors for the Company for the previous fiscal year which ended December 31, 2015.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby appoints Porter Keadle Moore, LLP, as independent auditors for the Company for the current fiscal year which ends December 31, 2016.

Given under hand and seal of RCB Financial Corporation, this 8<sup>th</sup> day of March, 2016.

  
\_\_\_\_\_  
Susan Dunwoody, Corporate Secretary

For a copy of River City Bank’s Annual Disclosure Statement for 2015, which is available upon request, you may contact Connie Williams, CFO. She can be reached at:

River City Bank  
228 North Second Avenue  
Rome, Georgia 30165  
706-236-2123



