



**River City Bank**

2017

ANNUAL REPORT

# BOARD OF DIRECTORS



**SHAWN DEVLIN**  
**Director since 2001**  
Chairman of the Board, River City Bank



**STEPHEN FLEMING**  
**Director since 2008**  
President and Chief Executive Officer,  
River City Bank



**LON BURFORD**  
**Director since 2012**  
Founding Partner, Genovese,  
Burford & Brothers



**FREDERICK DURST**  
**Director since 2008**  
Farmer/Rancher



**RYAN GILBERT**  
**Director since 2012**  
Partner, Propel Venture Partners and  
Executive Chairman, Better Finance



**KERRY GORDON**  
**Director since 2018**  
Retired Regional Managing  
Partner, Moss Adams



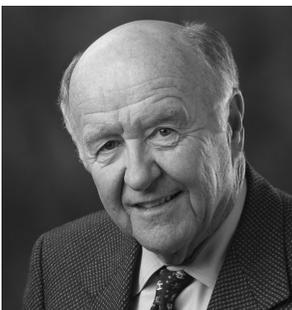
**ELAINE LINTECUM**  
**Director since 2016**  
Vice President, Finance and Chief Financial  
Officer, The McClatchy Company



**MICHAEL J. NEWELL**  
**Director since 2000**  
President, CC&B Holdings and Director  
of Business Development, HP Hood LLC



**STEVE PLEAU**  
**Director since 2001**  
President, Future Automotive Group



**JON S. KELLY**  
**Consultant**  
Founder and former Chairman of the Board, River City Bank

## CONSOLIDATED FINANCIAL HIGHLIGHTS – UNAUDITED

(Dollars in thousands except for per share amounts)

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>For the Year:</b>			
Net income	\$ 16,684	\$ 14,900	\$ 12,544
Earnings per common share – Basic	12.14	11.30	9.49
Earnings per common share – Fully diluted	11.52	10.34	8.76
<b>At Year End:</b>			
Total assets	2,037,816	1,814,902	1,517,662
Total deposits	1,532,063	1,308,654	1,137,417
Total gross loans	1,464,072	1,279,400	975,053
Total investments	463,650	460,758	455,283
Total shareholders' equity	184,894	170,612	157,905
Book value per share*	130.15	120.80	111.99
Common shares outstanding	1,420,636	1,228,913	1,226,489
Preferred shares outstanding	—	220,168	220,168
<b>Selected Financial Ratios:</b>			
Net interest margin (TE)	2.83%	3.01%	2.97%
Net recoveries to total gross loans	(0.08%)	(0.02%)	(0.10%)
Allowance for loan losses to total gross loans	2.15%	2.21%	2.46%
Allowance for loan losses to non-performing loans	27,423%	2,809%	693%
Return on average shareholders' equity	9.32%	9.03%	8.19%
Return on average assets	0.86%	0.92%	0.93%
Efficiency ratio (TE)	39.92%	46.49%	51.76%

\*Book value per share is shown diluted by potential conversion of the preferred shares at December 31, 2016 and 2015. The remaining preferred shares were converted to common shares in September 2017.

The accompanying 2017 consolidated financial statements of River City Bank are furnished to its shareholders and customers pursuant to the requirements of the FDIC to provide an annual disclosure statement. The aforementioned consolidated financial statements have not been reviewed or confirmed for accuracy or relevance by the FDIC.

# INDEPENDENT AUDITOR'S REPORT

Board of Directors  
River City Bank  
Sacramento, California

## **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of River City Bank, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the three years in the period ended December 31, 2017, and the related notes to the 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. 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 River City Bank as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

# INDEPENDENT AUDITOR'S REPORT (continued)

## **Report on Other Legal and Regulatory Requirements**

We also have audited in accordance with auditing standards generally accepted in the United States of America, River City Bank's internal control over financial reporting as of December 31, 2017, based on criteria established in the *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated January 30, 2018 expressed an unmodified opinion.

*Crowe Horwath LLP*

**Crowe Horwath LLP**

Costa Mesa, California

January 30, 2018