River City Bank (RCBC)

Published May 25th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$41	**5 Year CAGR Estimate:**	6.3%	**Market Cap:**	$595 M
Fair Value Price:	$47	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date[1]:**	7/28/26
% Fair Value:	87%	**5 Year Valuation Multiple Estimate:**	2.7%	**Dividend Payment Date:**	8/11/26
Dividend Yield:	0.5%	**5 Year Price Target**	$54	**Years Of Dividend Growth:**	14
Dividend Risk Score:	B	**Sector:** Financials		**Rating:**	Hold

Overview & Current Events

River City Bank (RCBC) is a commercial, regional bank headquartered in Sacramento, California. It was founded in 1963 and has 8 branches throughout the Greater Sacramento area. It offers checking, savings, and term certificate accounts. It also provides personal, consumer, commercial real estate, commercial, agriculture, and residential mortgage loans. River City Bank has total assets of $6.0 billion and a market capitalization of $595 million.

In late April, River City Bank reported (4/22/26) financial results for the first quarter of fiscal 2026. Net interest margin shrank from 2.49% in the prior year's quarter to 2.38% due to lower yields of earnings assets. Net interest income grew 8% thanks to 8% growth of loans. Earnings-per-share grew 48%, from $0.84 to $1.24. The bank posted a solid return on average equity of 13.1% and grew its book value per share 14%. It also achieved an efficiency ratio of 32%, which is much lower (better) than the typical efficiency ratio of most banks (55%-60%). River City Bank has repeatedly stated that it is committed to being a low-cost financial institution. The only point of concern is the markedly narrow net interest margin of River City Bank, which is much lower than that of the vast majority of banks. The narrow net interest margin, which partly results from the commercial focus of the bank, signals the presence of significant competitive forces in the operating area of the bank.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.03	$1.15	$1.65	$1.73	$2.16	$3.01	$3.22	$4.05	$4.99	$4.69	***$5.10***	***$5.91***
DPS	$0.08	$0.09	$0.10	$0.11	$0.12	$0.13	$0.132	$0.14	$0.15	$0.16	***$0.20***	***$0.25***
Shares[2]	14.4	14.5	14.5	14.6	14.7	14.8	14.8	14.9	14.6	14.5	***14.5***	***14.5***

River City Bank is a small-cap bank and hence it has an inherent risk related to its size. However, the bank has consistently grown its loans, its assets and its earnings over the long term. Instead of pursuing growth via acquisition, River City Bank is focused on organic expansion and direct commercial lending. It has more than tripled its deposits and its loans over the last nine years. More importantly, it has followed a disciplined business approach and thus it has consistently grown its earnings while it has proved remarkably resilient to the downturns of its business. The bank has grown its earnings-per-share by 18.3% per year on average over the last nine years and by 11.7% per year on average over the last four years. Due to the small market capitalization of River City Bank, we have assumed 3.0% average annual growth of earnings-per-share over the next five years, far below the historical average of the company, in order to have a margin of safety. The bank may exceed our expectations but we prefer to be on the safe side.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	12.3	14.0	12.6	11.0	7.5	8.3	7.8	5.2	5.6	7.7	***8.0***	***9.2***
Avg. Yld.	0.7%	0.6%	0.5%	0.6%	0.7%	0.5%	0.5%	0.7%	0.5%	0.4%	***0.5%***	***0.5%***

[1] Estimated date.

[2] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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River City Bank has traded at an average price-to-earnings ratio of 9.2 over the last decade. While this earnings multiple is lower than the typical earnings multiple of 11.0 of most well-known banks, we consider this valuation level fair for River City Bank due to its small market capitalization. The stock is currently trading at a price-to-earnings ratio of 8.0, which is lower than our assumed fair valuation level. If the stock trades at its fair valuation level in five years, it will enjoy a 2.7% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	8%	8%	6%	6%	6%	4%	4%	3%	3%	3%	***4%***	***4%***

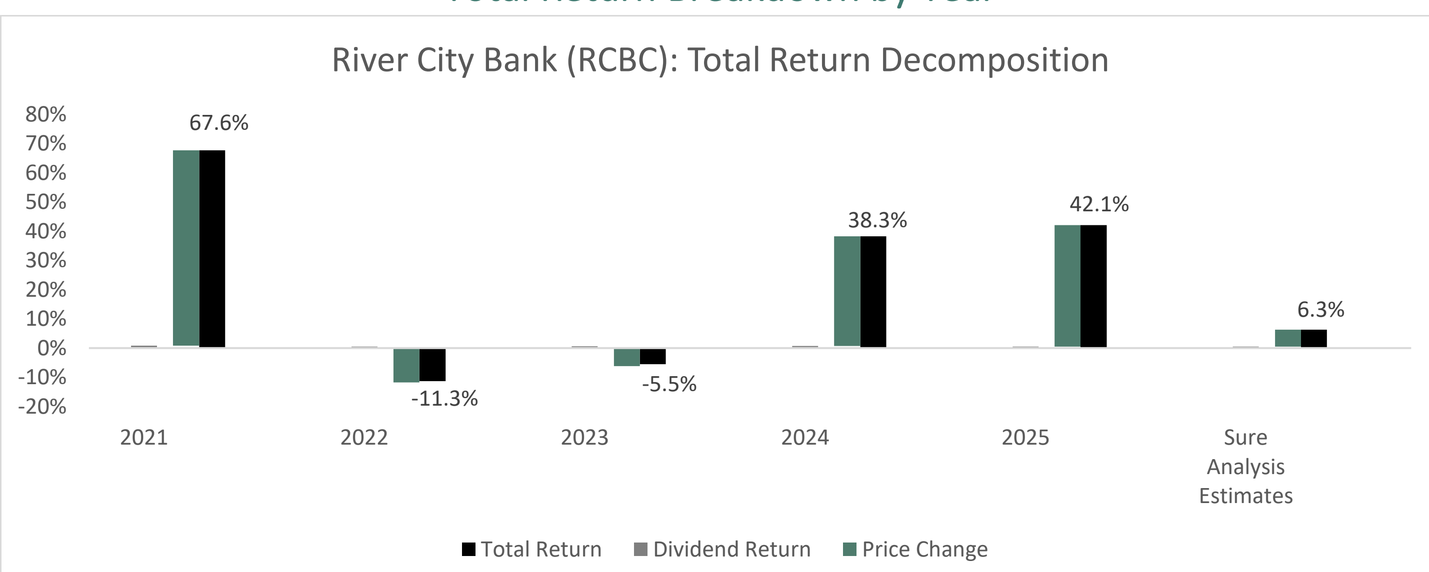
River City Bank operates in a highly competitive environment, with competition from regional community banks, such as Tri Counties Bank and Five Star Bank, as well as national banks. The exceptionally narrow net interest margin of River City Bank, which is much lower than the typical net interest margin of 3.0%-4.0% of most banks, reflects the presence of intense competition in the operating area of the company.

On the bright side, River City Bank has proved resilient to the downturns of its business, such as the fierce recession caused by the pandemic in 2020 and the surge of inflation and interest rates in 2022. While most banks incurred a material decrease in their earnings during those crises, River City Bank grew its earnings-per-share in both instances. Moreover, the bank has raised its dividend for 14 consecutive years. The sustained dividend growth even during the aforementioned downturns bodes well for the resilience of the business model of the bank and the quality of its management. The stock may seem unappealing to income-oriented investors due to its exceptionally low dividend yield of 0.5%. However, the low yield results from the extremely low payout ratio of 4%. In other words, the bank prefers to reinvest earnings in its business instead of distributing them to shareholders. Given the exceptional growth record of River City Bank, management has been vindicated for its capital policy.

Final Thoughts & Recommendation

River City Bank passes under the radar of most investors due to its small size but it has competent management, which has achieved impressive earnings growth over the long run. The stock could offer a 6.3% average annual return over the next five years thanks to 3.0% growth of earnings-per-share, its 0.5% dividend and a 2.7% valuation tailwind. The stock receives a hold rating while investors should be aware of the risks related to the small market cap of the bank.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	58	72	78	92	105	111	129	177	284	287
D&A Exp.	4	3	2	1	3	7	4	1	(8)	(4)
Net Profit	15	17	24	25	32	44	48	60	73	68
Net Margin	25.5%	23.2%	30.9%	27.5%	30.0%	40.0%	37.1%	34.0%	25.8%	23.9%
Free Cash Flow	12	17	27	28	41	56	63	70	61	75
Income Tax	10	19	10	10	13	18	19	25	30	27

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,817	2,039	2,208	2,548	3,327	3,661	4,054	4,945	5,157	5,811
Cash & Equivalents	27	71	69	48	193	161	147	549	149	477
Total Liabilities	1,646	1,855	1,999	2,311	3,058	3,353	3,701	4,527	4,672	5,262
Long-Term Debt	52	152	222	31	16	10	101	51	51	26
Shareholder's Equity	171	185	209	237	269	308	353	418	485	548
LTD/E Ratio	1.89	1.69	1.27	0.64	0.06	0.03	0.29	0.12	0.11	0.05

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.9%	0.9%	1.1%	1.1%	1.1%	1.3%	1.2%	1.3%	1.5%	1.2%
Return on Equity	9.1%	9.4%	12.2%	11.4%	12.5%	15.4%	14.5%	15.7%	16.3%	13.2%
ROIC	3.5%	3.4%	4.9%	5.9%	9.4%	14.7%	12.4%	13.1%	14.6%	12.3%
Shares Out.	14.4	14.5	14.5	14.6	14.7	14.8	14.8	14.9	14.6	14.5
Revenue/Share	40.61	49.56	5.34	62.94	71.86	75.27	86.86	119.1	19.34	19.66
FCF/Share	8.02	11.66	1.88	19.29	28.15	37.69	42.35	46.93	4.16	5.17

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.