

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

RIVERVIEW BANCORP INC
Form 10-Q
August 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-22957

RIVERVIEW BANCORP, INC.

(Exact name of registrant as specified in its charter)

Washington

91-1838969

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer
I.D. Number)

900 Washington St., Ste. 900, Vancouver, Washington

98660

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(360) 693-6650

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated
filer, an accelerated filer, or a non-accelerated filer. See definition of
"accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange
Act. Check one:

Large accelerated filer () Accelerated filer (X) Non-accelerated filer ()

Indicate by check mark whether the registrant is a shell corporation (as
defined in Exchange Act Rule 12b-2). Yes No

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practicable date: Common Stock, \$.01 par
value per share, 5,780,086 shares outstanding as of July 28, 2006.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Form 10-Q

RIVERVIEW BANCORP, INC. AND SUBSIDIARY INDEX

Part I. Financial Information -----	Page -----
Item 1: Financial Statements (Unaudited)	
Consolidated Balance Sheets as of June 30, 2006 and March 31, 2006	1
Consolidated Statements of Income Three Months Ended June 30, 2006 and 2005	2
Consolidated Statements of Shareholders' Equity Year Ended March 31, 2006 and the Three Months Ended June 30, 2006	3
Consolidated Statements of Comprehensive Income Three Months Ended June 30, 2006 and 2005	4
Consolidated Statements of Cash Flows Three Months Ended June 30, 2006 and 2005	5
Notes to Consolidated Financial Statements	6-16
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	16-25
Item 3: Quantitative and Qualitative Disclosures About Market Risk	25
Item 4: Controls and Procedures	25-26
Part II. Other Information -----	27-28
Item 1: Legal Proceedings	
Item 1: Risk Factors	
Item 2: Unregistered Sale of Equity Securities and Use of Proceeds	
Item 3: Defaults Upon Senior Securities	
Item 4: Submission of Matters to a Vote of Security Holders	
Item 5: Other Information	
Item 6: Exhibits	
SIGNATURES	29

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Part I. Financial Information
Item 1. Financial Statements (Unaudited)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2006 AND MARCH 31, 2006

(In thousands, except share and per share data) (Unaudited)

	JUNE 30, 2006	MARCH 31, 2006
<hr style="border-top: 1px dashed black;"/>		
ASSETS		
Cash (including interest-earning accounts of \$6,754 and \$7,786)	\$ 26,671	\$ 31,346
Loans held for sale	-	65
Investment securities available for sale, at fair value (amortized cost of \$23,005 and \$24,139)	22,847	24,022
Mortgage-backed securities held to maturity, at amortized cost (fair value of \$1,603 and \$1,830)	1,580	1,805
Mortgage-backed securities available for sale, at fair value (amortized cost of \$8,011 and \$8,436)	7,666	8,134
Loans receivable (net of allowance for loan losses of \$7,626 and \$7,221)	658,588	623,016
Prepaid expenses and other assets	2,164	2,210
Accrued interest receivable	3,526	3,058
Federal Home Loan Bank stock, at cost	7,350	7,350
Premises and equipment, net	19,125	19,127
Deferred income taxes, net	3,799	3,771
Mortgage servicing intangible, net	372	384
Goodwill	25,572	25,572
Core deposit intangible, net	845	895
Bank owned life insurance	13,220	13,092
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
TOTAL ASSETS	\$793,325	\$763,847
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits accounts	\$607,389	\$606,964
Accrued expenses and other liabilities	9,062	8,768
Advanced payments by borrowers for taxes and insurance	144	358
Federal Home Loan Bank advances	73,300	46,100
Junior subordinated debenture	7,217	7,217
Capital lease obligations	2,745	2,753
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities	699,857	672,160
COMMITMENTS AND CONTINGENCIES (See Note 16)	-	-
SHAREHOLDERS' EQUITY:		
Serial preferred stock, \$.01 par value; 250,000 authorized, issued and outstanding, none	-	-
Common stock, \$.01 par value; 50,000,000 authorized, issued and outstanding:		
June 30, 2006 - 5,780,090 issued, 5,780,086 outstanding	57	57
March 31, 2006 - 5,772,690 issued, 5,772,686 outstanding		
Additional paid-in capital	57,529	57,316

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Retained earnings	37,348	35,776
Unearned shares issued to employee stock ownership trust	(1,134)	(1,186)
Accumulated other comprehensive loss	(332)	(276)
	-----	-----
Total shareholders' equity	93,468	91,687
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$793,325	\$763,847
	=====	=====

See notes to consolidated financial statements.

1

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share data) (Unaudited)	Three Months Ended	
	2006	2005
	June 30,	
	-----	-----
INTEREST INCOME:		
Interest and fees on loans receivable	\$ 13,769	\$ 9,597
Interest on investment securities - taxable	221	186
Interest on investment securities - non-taxable	42	43
Interest on mortgage-backed securities	114	145
Other interest and dividends	52	254
	-----	-----
Total interest income	14,198	10,225
	-----	-----
INTEREST EXPENSE:		
Interest on deposits	4,222	2,471
Interest on borrowings	963	656
	-----	-----
Total interest expense	5,185	3,127
	-----	-----
Net interest income	9,013	7,098
Less provision for loan losses	350	450
	-----	-----
Net interest income after provision for loan losses	8,663	6,648
	-----	-----
NON-INTEREST INCOME:		
Fees and service charges	1,331	1,486
Asset management fees	436	364
Gain on sale of loans held for sale	72	126
Gain on sale of real estate owned	-	21
Loan servicing income	45	27
Gain on sale of credit card portfolio	67	-
Bank owned life insurance	128	120
Other	36	43
	-----	-----
Total non-interest income	2,115	2,187
	-----	-----
NON-INTEREST EXPENSE:		
Salaries and employee benefits	3,835	3,399
Occupancy and depreciation	1,074	803
Data processing	335	365

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Amortization of core deposit intangible	50	49
Advertising and marketing expense	302	231
Federal Deposit Insurance Corporation insurance premium	24	15
State and local taxes	155	135
Telecommunications	112	63
Professional fees	178	363
Other	704	673
	-----	-----
Total non-interest expense	6,769	6,096
	-----	-----
INCOME BEFORE INCOME TAXES	4,009	2,739
PROVISION FOR INCOME TAXES	1,378	918
	-----	-----
NET INCOME	\$ 2,631	\$ 1,821
	=====	=====
Earnings per common share:		
Basic	\$ 0.47	\$ 0.33
Diluted	0.46	0.33
Weighted average number of shares outstanding:		
Basic	5,637,604	5,451,976
Diluted	5,726,195	5,519,699
Cash Dividends Per Share	\$ 0.19	\$ 0.17

See notes to consolidated financial statements.

2

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2006
AND THE THREE MONTHS ENDED JUNE 30, 2006

(In thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned Shares Issued to Employee Stock Ownership Trust	Accumulated Other Comprehensive Income (Loss)	Tot
Balance April 1, 2005	5,015,749	\$50	\$41,112	\$29,874	\$(1,392)	\$(122)	\$69,
Cash dividends (\$0.68 per share)	-	-	-	(3,836)	-	-	(3,
Exercise of stock options	18,572	-	314	-	-	-	
Stock repurchased and retired	(50,000)	-	(1,227)	-	-	-	(1,
Stock issued in connection with acquisition	788,365	7	16,706	-	-	-	16,
Earned ESOP shares	-	-	352	-	206	-	
Tax benefit, stock option	-	-	59	-	-	-	
	-----	---	-----	-----	-----	-----	-----

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

	5,772,686	57	57,316	26,038	(1,186)	(122)	82,
Comprehensive income:							
Net income	-	-	-	9,738	-	-	9,
Other comprehensive income:							
Unrealized holding loss on securities of \$154 (net of \$79 tax effect)	-	-	-	-	-	(154)	(
Total comprehensive income	-	-	-	-	-	-	9,
Balance March 31, 2006	5,772,686	\$57	\$57,316	\$35,776	\$(1,186)	\$(276)	\$91,
	=====	===	=====	=====	=====	=====	=====
Cash dividends (\$0.19 per share)	-	-	-	(1,059)	-	-	(1,
Exercise of stock options	7,400	-	105	-	-	-	
Earned ESOP shares	-	-	108	-	52	-	
	-----	---	-----	-----	-----	-----	-----
	5,780,086	57	57,529	34,717	(1,134)	(276)	90,
Comprehensive Income:							
Net income	-	-	-	2,631	-	-	2,
Other comprehensive income:							
Unrealized holding loss on securities of \$56 (net of \$29 tax effect)	-	-	-	-	-	(56)	
Total comprehensive income	-	-	-	-	-	-	2,
Balance June 30, 2006	5,780,086	\$57	\$57,529	\$37,348	\$(1,134)	\$(332)	\$93,
	=====	===	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

3

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) (Unaudited)	Three Months Ended June 30,	
	2006	2005
Net income	\$2,631	\$1,821
Other comprehensive income:		

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Change in fair value of securities available for sale, net of tax	(56)	74
	-----	-----
Total comprehensive income	\$2,575	\$1,895
	=====	=====

See notes to consolidated financial statements.

4

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005

(In thousands) (Unaudited)	2006	2005

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,631	\$ 1,821
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	539	319
Mortgage servicing rights valuation adjustment	(14)	(10)
Provision for loan losses	350	450
Noncash expense related to ESOP	159	131
Increase (decrease) in deferred loan origination fees, net of amortization	(5)	196
Origination of loans held for sale	(2,924)	(5,217)
Proceeds from sales of loans held for sale	2,993	5,597
Net gain on loans held for sale, sale of real estate owned, mortgage-backed securities, investment securities and premises and equipment	(24)	(128)
Income from bank owned life insurance	(128)	(120)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(41)	(705)
Accrued interest receivable	(468)	38
Accrued expenses and other liabilities	217	1,896
	-----	-----
Net cash provided by operating activities	3,285	4,268
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan originations	(136,862)	(146,040)
Principal repayments/refinance on loans	100,945	133,440
Proceeds from call, maturity, or sale of investment securities available for sale	1,110	250
Principal repayments on investment securities available for sale	37	37
Principal repayments on mortgage-backed securities available for sale	425	843
Principal repayments on mortgage-backed securities held to maturity	224	83
Purchase of premises and equipment	(393)	(114)
Acquisition, net of cash received	-	(14,663)
Proceeds from sale of real estate owned and premises and equipment	2	272

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Net cash used in investing activities	(34,512)	(25,892)
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	425	46,262
Dividends paid	(956)	(751)
Proceeds from borrowings	92,000	-
Repayment of borrowings	(64,800)	(11,000)
Principal payments under capital lease obligation	(8)	-
Net decrease in advance payments by borrowers	(214)	(215)
Proceeds from exercise of stock options	105	94
<hr/>		
Net cash provided by financing activities	26,552	34,390
<hr/>		
NET (DECREASE) INCREASE IN CASH	(4,675)	12,766
CASH, BEGINNING OF PERIOD	31,346	61,719
<hr/>		
CASH, END OF PERIOD	\$ 26,671	\$ 74,485
<hr/>		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 4,938	\$ 3,103
Income taxes	400	-
<hr/>		
SUPPLEMENTAL DISCLOSURE OF BANK ACQUISITION		
Issuance of common stock	-	(16,714)
Investments acquired	-	1,417
Fair value of loans receivable acquired	-	119,536
Other assets acquired	-	3,388
Deposits assumed	-	(79,691)
Borrowings and other liabilities assumed	-	(30,362)
Goodwill	-	17,142
<hr/>		
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Dividends declared and accrued in other liabilities	\$ 1,059	\$ 750
Fair value adjustment to securities available for sale	(85)	112
Income tax effect related to fair value adjustment	29	(38)

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Quarterly Reports on Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. However, all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim unaudited financial statements have been included. All such adjustments are of a normal recurring nature.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

The unaudited consolidated financial statements should be read in conjunction with the audited financial statements included in the Riverview Bancorp, Inc. Annual Report on Form 10-K for the year ended March 31, 2006. The results of operations for the three months ended June 30, 2006 are not necessarily indicative of the results which may be expected for the fiscal year ending March 31, 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Riverview Bancorp, Inc. and Subsidiary include all the accounts of Riverview Bancorp, Inc. ("Bancorp") and the consolidated accounts of its wholly-owned subsidiary (the "Company"), Riverview Community Bank (the "Bank"), the Bank's wholly-owned subsidiary, Riverview Services, Inc., and the Bank's majority-owned subsidiary, Riverview Asset Management Corp. ("RAM Corp.") All inter-company transactions and balances have been eliminated in consolidation.

3. ACQUISITION

On April 22, 2005, the Company completed the acquisition of American Pacific Bank ("APB"), a commercial bank located in Portland, Oregon. The cost to acquire APB's 2,804,618 shares of common stock was a payment in cash for 1,404,000 shares at a transaction value of \$11.94 per share and the issuance of 788,365 shares of the Company's common stock at a price of \$21.20 per share for the remaining 1,400,618 shares. All APB stock options were cashed out at a cost of \$873,240, the difference between the transaction value of \$11.94 per share and the options' respective exercise prices prior to completion of the merger. The acquisition was accounted for using the purchase method of accounting and, accordingly, the assets and liabilities of APB were recorded at their respective fair values. The resulting core deposit intangible is being amortized using an accelerated method over ten years. The excess of the purchase price over net fair value of the assets and liabilities acquired was recorded as goodwill in the amount of \$17.1 million. Goodwill is not tax deductible because the transaction is nontaxable for Internal Revenue Service purposes. The purchased assets and assumed liabilities were recorded as follows (dollars in thousands):

Assets	

Cash	\$ 3,433
Investments	1,417
Building and equipment	1,080
Loans	119,536
Core deposit intangible	526
Goodwill	16,359
Other, net	2,547

Total assets	144,898
Liabilities	

Deposits	(79,755)
Borrowings	(29,882)
Other liabilities	(452)

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Total liabilities	(110,089)
Net acquisition costs	\$ 34,809
Less:	
Stock issued in acquisition	(16,713)
Cash acquired	(3,433)

Cash used in acquisition, net of cash acquired	\$ 14,663
	=====

6

Subsequent to the acquisition, certain of these assets were adjusted as part of the allocation of the purchase price. At June 30, 2006, the goodwill asset recorded in connection with the APB acquisition was \$16.4 million.

The following unaudited pro forma financial information for the three months ended June, 2006 and 2005 assumes that the APB acquisition occurred as of April 1, 2004, after giving effect to certain adjustments. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which may occur in the future or that would have occurred had the APB acquisition been consummated on the date indicated.

(In thousands, except per share data)	Three Months Ended June 30,	
	----- 2006 -----	----- 2005 -----
Net interest income	\$9,013	\$7,335
Non-interest income	2,115	2,174
Non-interest expense	6,769	6,444
Net income	\$2,631	\$1,743
Earnings per common share:		
Basic	\$ 0.47	\$ 0.28
Diluted	0.46	0.28

4. STOCK PLANS AND STOCK BASED-COMPENSATION

In July 1998, shareholders of the Company approved the adoption of the 1998 Stock Option Plan ("1998 Plan"). The 1998 Plan was effective October 1, 1998 and will expire on the tenth anniversary of the effective date, unless terminated sooner by the Company's Board of Directors ("Board"). Under the 1998 Plan, the Company may grant both incentive and non-qualified stock options up to 357,075 shares of its common stock to officers, directors and employees. The exercise price of each option granted under the 1998 Plan equals the fair market value of the Company's stock on the date of the grant with a maximum term of ten years and options vest over five years. At June 30, 2006, there were options for 18,481 shares available for the grant under the 1998 Plan.

In July 2003, shareholders of the Company approved the adoption of the 2003

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Stock Option Plan ("2003 Plan"). The 2003 Plan was effective July 2003 and will expire on the tenth anniversary of the effective date, unless terminated sooner by the Board. Under the 2003 Plan, the Company may grant both incentive and non-qualified stock options up to 229,277 shares of its common stock to officers, directors and employees. The exercise price of each option granted under the 2003 Plan equals the fair market value of the Company's stock on the date of grant with a maximum term of ten years from date of grant and options vest over zero to five years. At June 30, 2006, there were options for 72,277 shares available for grant under the 2003 Plan.

On March 15, 2006, 157,000 stock options from the 2003 Plan were granted to officers and directors. Each option was granted at the fair market value of the Company's stock on the date of grant with a maximum term of 10 years from date of grant and were fully vested at grant date.

All stock options have an exercise price that is equal to the fair market value of Bancorp's stock on the date the options were granted. Options granted under the 2003 Plan generally vest over a zero to five year vesting period. Stock options granted have a 10-year maximum term. Options previously issued under the 1998 plan are fully vested.

The following table presents information on stock options outstanding for the periods shown.

	Three Months Ended June 30, 2006		Year Ended March 31, 2006	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of period	377,923	\$19.35	227,495	\$14.36
Grants	-	-	177,000	25.40
Options Exercised	(7,400)	12.74	(26,572)	16.95
Forfeited	(7,000)	20.10	-	-
Balance, end of period	363,523	\$19.47	377,923	\$19.35

7

The following table presents information on stock options outstanding for the periods shown, less estimated forfeitures.

	Three Months Ended June 30, 2006		Year Ended March 31, 2006	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Intrinsic value of options exercised in the period		\$101,250		\$159,070
Stock options fully vested and expected to vest:				
Number	361,483		374,083	

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Weighted average exercise price	\$19.47	\$19.34
Aggregate intrinsic value	\$2,431,597	\$2,774,511
Weighted average contractual term of options	6.79 years	7.25 years
Stock options vested and currently exercisable		
Number	344,643	345,443
Weighted average exercise price	\$19.45	\$19.28
Aggregate intrinsic value	\$2,324,945	\$2,584,305
Weighted average contractual term of options	6.41 years	6.52 years

Effective April 1, 2006 the Company began recognizing compensation expense for stock options with the adoption of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised), "Share-Based Payment," ("SFAS 123R"), using the modified prospective method. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes based stock option valuation model. The fair value of all awards is amortized on a straight-line basis over the requisite service periods, which are generally the vesting periods. The Black-Scholes model uses the assumptions listed in the table below. The expected options granted represents the period of time they are expected to be outstanding. The expected life is determined based on historical experience with similar options, giving consideration to the contractual terms and vesting schedules. Expected volatility is estimated at the date of grant based on historical volatility of the Company's stock. The risk-free for periods within the contractual life of the options is based on the U.S Treasury yield curve in effect at the time of the grant. There were no options granted during the quarter ended June 30, 2006.

	Risk Free Interest Rate	Expected Life (years)	Expected Volatility	Expected Dividends
	-----	-----	-----	-----
Fiscal 2006	4.67%	10.00	26.32%	3.07%

For the quarter ended June 30, 2006, the Company recognized pre-tax compensation expense related to stock options of approximately \$11,000. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions established in SFAS 123R to stock-based compensation awards in the prior period.

	Three months ended June 30, 2005

Net Income:	
As reported	\$1,821
Deduct: Total stock based compensation expense determined under fair value based method for all options, net of related tax benefit	(88)

Pro forma	\$1,733
	=====
Earnings per common share - basic:	
As reported	\$ 0.33
Pro forma	0.32
Earnings per common share-fully diluted:	
As reported	\$ 0.33
Pro forma	0.31

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

5. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the period, without considering any dilutive items. Diluted EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares and common stock equivalents for items that are dilutive, net of shares assumed to be repurchased using the treasury stock method at the average share price for the Company's common stock during the period. Common stock equivalents arise from assumed

8

conversion of outstanding stock options. Employee Stock Ownership Plan ("ESOP") shares are not considered outstanding for earnings per share purposes until they are committed to be released.

	Three Months Ended June 30,	
	2006	2005
Basic EPS computation:		
Numerator-net income	\$2,631,000	\$1,821,000
Denominator-weighted average common shares outstanding	5,637,604	5,451,976
Basic EPS	\$ 0.47	\$ 0.33
	=====	=====
Diluted EPS computation:		
Numerator-net income	\$2,631,000	\$1,821,000
Denominator-weighted average common shares outstanding	5,637,604	5,451,976
Effect of dilutive stock options	88,591	67,723
	-----	-----
Weighted average common shares and common stock equivalents	5,726,195	5,519,699
Diluted EPS	\$ 0.46	\$ 0.33
	=====	=====

6. INVESTMENT SECURITIES

The amortized cost and approximate fair value of investment securities available for sale consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	-----	-----	-----	-----
June 30, 2006				
Trust Preferred	\$ 5,000	\$ 38	\$ -	\$ 5,038
Agency securities	14,150	-	(232)	13,918
Municipal bonds	3,855	36	-	3,891
	-----	-----	-----	-----
Total	\$23,005	\$ 74	\$ (232)	\$22,847
	=====	=====	=====	=====

March 31, 2006

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Trust Preferred	\$ 5,000	\$ 44	\$ -	\$ 5,044
Agency securities	15,246	-	(218)	15,028
Municipal bonds	3,893	57	-	3,950
	-----	-----	-----	-----
Total	\$24,139	\$101	\$(218)	\$24,022
	=====	=====	=====	=====

The contractual maturities of investment securities available for sale are as follows (in thousands):

June 30, 2006	Amortized Cost	Estimated Fair Value
	-----	-----
Due in one year or less	\$ 9,198	\$ 9,045
Due after one year through five years	6,886	6,823
Due after five years through ten years	274	283
Due after ten years	6,647	6,696
	-----	-----
Total	\$23,005	\$22,847
	=====	=====

Investment securities with an amortized cost of \$9.2 million and \$10.2 million and a fair value of \$9.0 million and \$10.1 million at June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for advances at the Federal Home Loan Bank ("FHLB") of Seattle. Investment securities with an amortized cost of \$1.1 million and \$1.1 million and a fair value of \$1.2 million and \$1.2 million at June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank. Investment securities with an amortized cost of \$494,000 and \$495,000 and a fair value of \$500,000 and \$504,000 at June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for governmental public funds held by the Bank. Investment securities with an amortized cost of \$5.0 million and \$5.0 million and a fair value of \$5.0 million and \$5.0 million at June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for borrowings from the discount window at the Federal Reserve Bank of San Francisco.

The fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed as of June 30, 2006 are as follows (in thousands):

	Less Than 12 months		12 months or longer		Total	
	-----		-----		-----	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	-----	-----	-----	-----	-----	-----
Agency securities	\$5,213	\$(79)	\$8,705	\$(153)	\$13,918	\$(232)

The fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed as of March 31, 2006 are as follows (in thousands):

	Less Than 12 months	12 months or longer	Total
	-----	-----	-----

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency securities	\$6,124	\$(61)	\$8,904	\$(157)	\$15,028	\$(218)

The Company has evaluated these securities and has determined that the decline in the value is temporary. The decline in value is not related to any company or industry specific event. The Company anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment.

The Company realized no gains or losses on sales of investment securities available for sale for the three-month periods ended June 30, 2006 and 2005.

7. MORTGAGE-BACKED SECURITIES

Mortgage-backed securities held to maturity consisted of the following (in thousands):

June 30, 2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Real estate mortgage investment conduits	\$1,243	\$18	\$ -	\$1,261
FHLMC mortgage-backed securities	128	1	-	129
FNMA mortgage-backed securities	209	4	-	213
Total	\$1,580	\$23	\$ -	\$1,603

March 31, 2006

Real estate mortgage investment conduits	\$1,402	\$18	\$ -	\$1,420
FHLMC mortgage-backed securities	138	2	-	140
FNMA mortgage-backed securities	265	5	-	270
Total	\$1,805	\$25	\$ -	\$1,830

The contractual maturities of mortgage-backed securities classified as held to maturity are as follows (in thousands):

June 30, 2006	Amortized Cost	Estimated Fair Value
Due after one year or less	\$ -	\$ -
Due after one year through five years	-	-
Due after five years through ten years	23	24
Due after ten years	1,557	1,579
Total	\$1,580	\$1,603

Mortgage-backed securities held to maturity with an amortized cost of \$1.3 million and \$1.4 million and a fair value of \$1.3 million and \$1.4 million at

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for governmental public funds held by the Bank. Mortgage-backed securities held to maturity with an amortized cost of \$146,000 and \$199,000 and a fair value of \$149,000 and \$203,000 at June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank. The real estate mortgage investment conduits consist of Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and Federal National Mortgage Association ("FNMA" or "Fannie Mae") securities.

Mortgage-backed securities available for sale consisted of the following (in thousands):

June 30, 2006 -----	Amortized Cost -----	Gross Unrealized Gains -----	Gross Unrealized Losses -----	Estimated Fair Value -----
Real estate mortgage investment conduits	\$1,257	\$20	\$ (12)	\$1,265
FHLMC mortgage-backed securities	6,607	-	(353)	6,254
FNMA mortgage-backed securities	147	1	(1)	147
	-----	---	-----	-----
Total	\$8,011	\$21	\$ (366)	\$7,666
	=====	===	=====	=====
March 31, 2006 -----				
Real estate mortgage investment conduits	\$1,326	\$19	\$ (7)	\$1,338
FHLMC mortgage-backed securities	6,951	-	(316)	6,635
FNMA mortgage-backed securities	159	2	-	161
	-----	---	-----	-----
Total	\$8,436	\$21	\$ (323)	\$8,134
	=====	===	=====	=====

10

The contractual maturities of mortgage-backed securities available for sale are as follows (in thousands):

June 30, 2006 -----	Amortized Cost -----	Estimated Fair Value -----
Due after one year or less	\$ 103	\$ 103
Due after one year through five years	81	82
Due after five years through ten years	6,618	6,264
Due after ten years	1,209	1,217
	-----	-----
Total	\$ 8,011	\$ 7,666
	=====	=====

Expected maturities of mortgage-backed securities held to maturity and available for sale will differ from contractual maturities because borrowers may have the right to prepay obligations.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Mortgage-backed securities available for sale with an amortized cost of \$7.9 million and \$8.3 million and a fair value of \$7.5 million and \$8.0 million at June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for FHLB advances. Mortgage-backed securities available for sale with an amortized cost of \$11,000 and \$17,000 and a fair value of \$11,000 and \$18,000 at June 30, 2006 and March 31, 2006, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank.

The fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed as of June 30, 2006 are as follows (in thousands):

Description of Securities	Less than 12 months		12 months or longer		Total	
	Fair Value	Unreal- ized Losses	Fair Value	Unreal- ized Losses	Fair Value	Unreal- ized Losses
Real estate mortgage investment conduits	\$ 491	\$ (11)	\$ -	\$ -	\$ 491	\$ (11)
FHLMC mortgage-backed securities	61	(1)	6,163	(353)	6,224	(354)
FNMA mortgage-backed securities	129	(1)	-	-	129	(1)
Total temporarily impaired securities	\$ 681	\$ (13)	\$6,163	\$(353)	\$6,844	\$(366)

The fair value of temporarily impaired mortgage-backed securities, the amount of unrealized losses and the length of time these unrealized losses existed as of March 31, 2006 are as follows (in thousands):

Description of Securities	Less than 12 months		12 months or longer		Total	
	Fair Value	Unreal- ized Losses	Fair Value	Unreal- ized Losses	Fair Value	Unreal- ized Losses
Real estate mortgage investment conduits	\$ 523	\$ (6)	\$ -	\$ -	\$ 523	\$ (6)
FHLMC mortgage-backed securities	66	(1)	6,543	(315)	6,609	(316)
FNMA mortgage-backed securities	17	(1)	-	-	17	(1)
Total temporarily impaired securities	\$ 606	\$ (8)	\$6,543	\$(315)	\$7,149	\$(323)

The Company has evaluated these securities and has determined that the decline in the value is temporary. The decline in value is not related to any company or industry specific event. The Company anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment. The Company realized no gains or losses on sales of mortgage-backed securities available for sale for the three months ended June 30, 2006 and 2005.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

8. LOANS RECEIVABLE

Loans receivable excluding loans held for sale consisted of the following (in thousands):

	June 30, 2006 -----	March 31, 2006 -----
Residential:		
One-to-four family	\$ 32,668	\$ 32,488
Multi-family	3,226	2,157
Construction:		
One-to-four family	87,040	81,572
Commercial real estate	50,387	47,079
Commercial	66,474	59,834
Consumer:		
Secured	30,961	29,781
Unsecured	926	1,415
Land	56,705	49,558
Commercial real estate	342,174	330,705
	-----	-----
	670,561	634,589
Less:		
Deferred loan fees, net	4,347	4,352
Allowance for loan losses	7,626	7,221
	-----	-----
Loans receivable, net	\$658,588	\$623,016
	=====	=====

Most of the Bank's business activity is with customers located in the states of Washington and Oregon. Loans and extensions of credit outstanding at one time to one borrower are generally limited by federal regulation to 15% of the Bank's shareholders' equity, excluding accumulated other comprehensive income(loss). As of June 30, 2006 and March 31, 2006, the Bank had no loans to one borrower in excess of the regulatory limit and also had no individual industry concentrations of credit.

9. ALLOWANCE FOR LOAN LOSSES

A reconciliation of the allowance for loan losses is as follows (in thousands):

	Three Months Ended June 30, -----	
	2006	2005
	-----	-----
Beginning balance	\$ 7,221	\$ 4,395
Provision for losses	350	450
Charge-offs	(3)	(258)
Recoveries	58	51
Allowance transferred from APB acquisition	-	1,888
	-----	-----
Total allowance for loan losses	7,626	6,526
Allowance for unfunded commitments	376	329
	-----	-----
Allowance for credit losses	\$ 8,002	\$ 6,855

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

=====

Changes in the allowance for unfunded loan commitments and lines of credit were as follows (in thousands):

	Three Months Ended June 30,	
	2006	2005
Beginning balance	\$ 362	\$ 253
Net change in allowance for unfunded loan commitments and lines of credit	14	76
Ending balance	\$ 376	\$ 329

The allowance for unfunded loan commitments is included in accrued expenses and other liabilities on the Consolidated Balance Sheets. The provision for unfunded commitments is charged to non-interest expense.

At June 30, 2006 and March 31, 2006, the Company's recorded investment in impaired loans was \$1.2 million and \$415,000 respectively. At June 30, 2006, an allowance for credit losses of \$100,000 was determined in accordance with the Statement Financial Accounting Standards Board ("SFASB") No. 114, Accounting by Creditors for Impairment

12

of a Loan. The average investment in impaired loans was \$794,000 and \$889,000 during the three months ended June 30, 2006 and the year ended March 31, 2006 respectively. Interest income recognized on impaired loans was \$42,000 and \$4,000 for the three months ended June 30, 2006 and June 30, 2005, respectively. There were no loans past due 90 days or more and still accruing interest at June 30, 2006 and March 31, 2006.

10. LOANS HELD FOR SALE

The Company identifies loans held for sale at the time of origination, which are carried at the lower of aggregate cost or net realizable value. Market values are derived from available market quotations for comparable pools of mortgage loans. Adjustments for unrealized losses, if any, are charged to income.

11. MORTGAGE SERVICING RIGHTS

The following table is a summary of the activity in mortgage servicing rights ("MSRs") and the related allowance for the periods indicated and other related financial data (in thousands):

	Three Months Ended June 30,	
	2006	2005

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Balance at beginning of period, net	\$ 384	\$ 470
Additions	25	39
Amortization	(51)	(61)
Change in valuation allowance	14	10
Balance at end of period, net	\$ 372	\$ 458
Valuation allowance at beginning of period	\$ 60	\$ 84
Change in valuation allowance	(14)	(10)
Valuation allowance at end of period	\$ 46	\$ 74

The Company evaluates MSRs for impairment by stratifying MSRs based on the predominant risk characteristics of the underlying financial assets. At June 30, 2006 and March 31, 2006, the fair value of MSRs totaled \$1.2 million and \$1.1 million, respectively. The June 30, 2006, fair value was estimated using various discount rates and a range of PSA values (the Bond Market Association's standard prepayment values) that ranged from 100 to 1290.

Remaining amortization expense for the net carrying amount of MSRs at June 30, 2006 is estimated as follows (in thousands):

Year Ending March 31,	
2007	\$108
2008	100
2009	79
2010	42
2011	26
After 2011	17
Total	\$372

12. CORE DEPOSIT INTANGIBLE

Net unamortized core deposit intangible totaled \$845,000 at June 30, 2005 and \$895,000 at March 31, 2006. Amortization expense related to the core deposit intangible during the three months ended June 30, 2006 and 2005 totaled \$50,000 and \$49,000, respectively.

Remaining amortization expense for the net core deposit intangible at June 30, 2006 is estimated to be as follows (in thousands):

Year Ending March 31,	
2007	\$134
2008	155
2009	131
2010	111
2011	95
After 2011	219
Total	\$845

13. BORROWINGS

Borrowings are summarized as follows (in thousands):

	At June 30, 2006	At March 31, 2006
	-----	-----
Federal Home Loan Bank advances	\$73,300	\$46,100
Weighted average interest rate:	5.20%	4.65%

Borrowings have the following maturities at June 30, 2006 (in thousands):

2007	68,300
2008	5,000

Total	\$73,300
	=====

14. JUNIOR SUBORDINATED DEBENTURE

Riverview Bancorp Statutory Trust I, a wholly-owned subsidiary trust established by the Company, issued \$7.0 million of Floating Rate Capital Securities (the "Trust Preferred Securities") in December 2005 with a liquidation value of \$1,000 per share. The securities are due in 30 years, redeemable at par after five years and pay distributions at a floating rate based on London Interbank Offered Rate ("LIBOR"). The securities represent undivided beneficial interests in the trust, which was established by the Company for the purpose of issuing the securities. The Trust Preferred Securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended (the "Act") and have not been registered under the Act. The securities may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Riverview Bancorp Statutory Trust I used the proceeds from the sale of the \$7.0 million of Trust Preferred Securities and the sale of \$217,000 of the trust's common securities to the Company to purchase \$7.2 million of Floating Rate Junior Subordinated Debentures ("Debentures") of the Company. The Company intends to use its net proceeds for working capital and investment in its subsidiary, the Bank. The Company's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trust. The trust preferred securities are mandatory redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures. The Company has the right to redeem the Debentures in whole or in part after year 5 on any coupon date, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date.

The Debentures issued by the Company to the grantor trusts, totaling \$7.0 million, are reflected in the Company's Consolidated Balance Sheets in the liabilities section at June 30, 2006, under the caption "Junior subordinated debenture." Interest expense on the Debentures is recorded in the interest expense on borrowings in the Consolidated Statements of Income. The Company recorded \$217,000 in other assets in the Consolidated Balance Sheets at June

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

30, 2006, for the common capital securities issued by the issuer trusts. Proceeds from the trust preferred securities totaling \$5.0 million were invested in the Bank and the Company retained the remaining \$2.0 million to be used for general corporate purposes.

The following table is a summary of current Debentures at June 30, 2006:

Issuance trust	Preferred	Rate	Initial	Rate at	Maturing
-----	Issuance	security	Rate	6/30/06	Date
-----	date	amount	Type(1)	Rate	Date
-----	-----	-----	-----	-----	-----
	(Dollars in thousands)				
Riverview Bancorp, Inc.					
Statutory Trust 1	12/2005	\$ 7,000	Variable	5.88%	6.69%
					12/2035

(1) The variable rate preferred securities reprice quarterly.

The total amount of trust preferred securities outstanding at June 30, 2006 was \$7.0 million. The interest rates on the trust preferred securities issued in December 2005 resets quarterly and is tied to the London Interbank Offered Rate ("LIBOR"). The Company has the right to redeem the debentures in December 2010.

14

On July 2, 2003, the Federal Reserve Bank ("Federal Reserve") issued Supervisory Letter SR 03-13 clarifying that Bank Holding Companies should continue to report trust preferred securities in accordance with current Federal Reserve Bank instructions which allows trust preferred securities to be counted in Tier 1 capital subject to certain limitations. The Federal Reserve has indicated it will review the implications of any accounting treatment changes and, if necessary or warranted, will provide appropriate guidance.

15. NEW ACCOUNTING PRONOUNCEMENTS

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 156"). SFAS No. 156 requires all separately recognized servicing assets and liabilities to be initially measured at fair value. In addition, entities are permitted to choose to either subsequently measure servicing rights at fair value and report changes in fair value in earnings, or amortize servicing rights in proportion to and over the estimated net servicing income or loss and assess the rights for impairment. Beginning with the fiscal year in which an entity adopts SFAS No. 156, it may elect to subsequently measure a class of servicing assets and liabilities at fair value. Post adoption, an entity may make this election as of the beginning of any fiscal year. An entity that elects to subsequently measure a class of servicing assets and liabilities at fair value should apply that election to all new and existing recognized servicing assets and liabilities within that class. The effect of remeasuring an existing class of servicing assets and liabilities at fair value is to be reported as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. This

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

statement is effective for the Company as of April 1, 2007. The Company is currently evaluating whether to elect to measure servicing assets and liabilities based on fair value or lower of cost or market ("LOCOM"). Additional information regarding mortgage servicing rights is disclosed in Note 11 in the Notes to Consolidated Financial Statements.

16. COMMITMENTS AND CONTINGENCIES

Off-balance sheet arrangements. The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans, and involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Company's maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Because some commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Commitments to extend credit are conditional and are honored for up to 45 days subject to the Company's usual terms and conditions. Collateral is not required to support commitments. The allowance for unfunded loan commitments was \$376,000 at June 30, 2006.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily used to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies and is required in instances where the Bank deems necessary.

The following is a summary of commitments and contingent liabilities with off-balance sheet risk as of June 30, 2006 (in thousands):

	Contract or Notional Amount

Commitments to originate loans:	
Adjustable-rate	\$ 32,868
Fixed-rate	6,946
Standby letters of credit	1,892
Undisbursed loan funds, and unused lines of credit	189,872

Total	\$ 231,578
	=====

At June 30, 2006 the Company had no firm commitments to sell residential loans to FHLMC.

Other Contractual Obligations. In connection with certain asset sales, the Bank typically makes representations and warranties about the underlying assets conforming to specified guidelines. If the underlying assets do not conform to the specifications, the Bank may have an obligation to repurchase the assets or indemnify the purchaser against loss. At June 30, 2006, loans under warranty totaled \$110.7 million, which substantially represents the

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

unpaid principal balance of the Company's loans serviced for others portfolio. The Bank believes that the potential for loss under these arrangements is remote. Accordingly, no contingent liability is recorded in the financial statements.

At June 30, 2006 scheduled maturities of certificates of deposit, FHLB advances and future minimum operating lease commitments were as follows (in thousands):

	Within 1 year -----	1-3 Years -----	3-5 Years -----	Over 5 Years -----	Total Balance -----
Certificates of deposit	\$131,736	\$55,559	\$ 6,061	\$ 4,396	\$ 197,752
FHLB advances	68,300	5,000	-	-	73,300
Operating leases	1,622	3,195	2,155	4,861	11,833

Total other contractual obligations	\$201,658	\$63,754	\$ 8,216	\$ 9,257	\$282,885
=====					

The Company is party to litigation arising in the ordinary course of business. In the opinion of management, these actions will not have a material adverse effect, if any, on the Company's financial position, results of operations, or liquidity.

17. SUBSEQUENT EVENT

In July 2006, the Company declared a two-for-one stock split in the form of a 100% stock dividend. The shares will be distributed on August 24, 2006, to shareholders of record as of August 10, 2006. Shareholders will receive one additional share of common stock for every share currently owned as of record date. Riverview has approximately 5,800,000 shares outstanding, and will have about 11,600,000 shares outstanding after the stock split. The Consolidated Financial Statements as of June 30, 2006 do not reflect this stock split.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis and other portions of this report contain certain forward-looking statements concerning the future operations of the Company. Management desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing the Company of the protections of the safe harbor with respect to all forward-looking statements contained in this Quarterly Report. The Company has used forward-looking statements to describe future plans and strategies, including its expectations of future financial results. Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could affect actual results include interest rate trends, the general economic climate in the Company's market area and the country as a whole, the ability of the Company to control costs and expenses, deposit flows, demand for mortgages and other loans, pricing of products and services, real estate values and vacancy rates, the ability of the Company to efficiently incorporate acquisitions into its operations, competition, loan delinquency rates, technological factors affecting operations and changes in federal and state regulation. These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. The Company undertakes no obligation to publish revised forward-looking statements to reflect the occurrence of unanticipated events or circumstances after the date hereof.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Critical Accounting Policies

Critical accounting policies and estimates are discussed in our 2006 10-K under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operation Critical Accounting Policies." That discussion highlights estimates the Company makes that involve uncertainty or potential for substantial change. There have not been any material changes in our critical accounting policies and estimates as compared to that contained in our disclosure in the Company's 2006 10-K for the fiscal year ended March 31, 2006.

Executive Overview

Financial Highlights. Net income for the three months ended June 30, 2006 was \$2.6 million, or \$0.47 per basic share (\$0.46 per diluted share), compared to net income of \$1.8 million, or \$0.33 per basic share (\$0.33 per diluted share) for the three months ended June 30, 2005. Net interest income after provision for loan losses increased \$2.0 million compared to the same quarter last year. Non-interest income increased in the categories of asset management fees, loan servicing income, gain on sale of credit card portfolio and bank-owned life insurance. These increases were partially offset by

16

decreases in fees and service charges and lower gains on sale of loans held for sale. The Company's operating results also reflect a \$673,000 increase in other non-interest expenses, which are primarily attributable to the APB acquisition.

The annualized return on average assets was 1.36% for the three months ended June 30, 2006, compared to 1.09% for the three months ended June 30, 2005. For the same periods, the annualized return on average common equity was 11.18% compared to 8.89%. The efficiency ratio, which is defined as the percentage of non-interest expenses to total revenue excluding intangible asset amortization, was 60.18% for the first quarter of fiscal 2007 as compared to 64.77% for the three months ended June 30, 2005.

The Company is a progressive community-oriented financial institution, which emphasizes local, personal service to residents of its primary market area. The Company considers Clark, Cowlitz, Klickitat and Skamania counties of Washington along with Multnomah and Marion counties of Oregon as its primary market area. The Company is engaged primarily in the business of attracting deposits from the general public and using these funds in its primary market area to originate mortgage loans secured by commercial real estate, one- to four- family residential real estate, multi-family, commercial construction, and non-mortgage loans providing financing for business commercial ("commercial") and consumer purposes. Commercial real estate loans (including commercial real estate construction loans) and commercial loans have grown from 30.0% and 7.98% of the loan portfolio, respectively, at March 31, 2002 to 58.5% and 9.9%, respectively, at June 30, 2006. A significant increase in loans came from the April 2005 APB acquisition. The Company's strategic plan includes targeting the commercial banking customer base in its primary market area, specifically small and medium size businesses, professionals and wealth building individuals. In pursuit of these goals, the Company emphasizes controlled growth and the diversification of its loan portfolio to include a higher portion of commercial and commercial real estate loans. A related goal is to increase the proportion of personal and business checking account

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

deposits used to fund these new loans. Significant portions of these new loan products carry adjustable rates, higher yields or shorter terms and higher credit risk than traditional fixed-rate mortgages. The strategic plan stresses increased emphasis on non-interest income, including asset management fees and deposit service charges. The strategic plan is designed to enhance earnings, reduce interest rate risk and provide a more complete range of financial services to customers and the local communities the Company serves. The Company is well positioned to attract new customers and to increase its market share given that the administrative headquarters and nine of its 16 branches are located in Clark County, one of the fastest growing counties in the State of Washington according to the U.S. Census Bureau. The Company's acquisition of APB positions it for growth in the vibrant Portland, Oregon market as well.

In order to support its strategy of growth without compromising local, personal service to customers and its commitment to asset quality, the Company has made significant investments in experienced branch, lending, asset management and support personnel and has incurred significant costs in facility expansion. The Company's efficiency ratios reflect this investment and will remain relatively high by industry standards for the foreseeable future due to the emphasis on growth and local, personal service. Control of non-interest expenses remains a high priority for the Company's management.

The Company continuously reviews new products and services to give its customers more financial options. With an emphasis on growth of non-interest income and control of non-interest expense, all new technology and services are reviewed for business development and cost saving purposes. In-house processing of checks and check imaging has supported the Bank's increased service to customers and at the same time has increased efficiency. The Company continues to experience growth in customer use of online banking services. Customers are able to conduct a full range of services on a real-time basis, including balance inquiries, transfers and electronic bill paying. This online service has also enhanced the delivery of cash management services to commercial customers.

With its home office and six branches in Vancouver, Washington and branch offices in Camas, Washougal, Stevenson, White Salmon, Battle Ground, Goldendale and Longview, the Company continues to provide local, personal service to its customers in Southwest Washington. The acquisition of APB in April 2005 resulted in three offices in Oregon, two in the Portland metropolitan area and one in Aumsville, Oregon. The market area for lending and deposit taking activities encompasses Clark, Cowlitz, Skamania and Klickitat Counties throughout the Columbia River Gorge area of Washington, and Multnomah and Marion Counties in Oregon.

The Company operates a trust and financial services company, RAM Corp., located in downtown Vancouver. Riverview Mortgage, a mortgage broker division of the Company, originates mortgage (including construction) loans for various mortgage companies in the Portland metropolitan area, as well as for the Bank. Riverview Services, Inc. acts as trustee for deeds of trust on mortgage loans granted by the Bank. Commercial and business banking services are offered by the Business and Professional Banking Division located at both the downtown Vancouver and Portland branch.

Vancouver, located in Clark County, is north of Portland, Oregon. Several large employers including Sharp Microelectronics, Hewlett Packard, Georgia Pacific, Underwriters Laboratory and Wafer Tech are located in Northern Oregon and Southwestern Washington. Major employers in Portland include Intel Corp., Providence Health System, Fred Meyer, Legacy Health System and Kaiser Permanente. In addition to the expanding industry base, the Columbia River

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Gorge is a popular tourist destination, generating revenue for all the communities within the area. As a result, the area's economy has become less dependent on the timber industry.

Comparison of Financial Condition at June 30, 2006 and March 31, 2006

At June 30, 2006, the Company had total assets of \$793.3 million, compared with \$763.8 million at March 31, 2006. The \$29.5 million increase in total assets was primarily attributable to the organic growth in the loan portfolio.

Cash, including interest-earning accounts, totaled \$26.7 million at June 30, 2006, compared to \$31.3 million at March 31, 2006.

No loans were held for sale at June 30, 2006, compared to \$65,000 at March 31, 2006. The balance of loans held for sale can vary significantly from period to period reflecting the interest rate environment, loan demand by borrowers, and loan origination for sale by mortgage brokers versus loan origination for the Company's loan portfolio. The Company originates fixed-rate residential loans for sale in the secondary market and retains the related loan servicing rights. Selling fixed interest rate mortgage loans allows the Company to reduce the interest rate risk associated with long term, fixed interest rate products. The sale of loans also makes additional funds available to make new loans and diversify the loan portfolio. The Company continues to service the loans it sells, maintaining the customer relationship and generating ongoing non-interest income.

Loans receivable, net, totaled \$658.6 million at June 30, 2006, compared to \$623.0 million at March 31, 2006, an increase of \$35.6 million. Increases were primarily experienced in one-to-four family construction loans of \$5.5 million, commercial real estate construction of \$3.3 million, commercial of \$6.6 million, land of \$7.1 million and commercial real estate of \$11.5 million. A substantial portion of the loan portfolio is secured by real estate, either as primary or secondary collateral, located in the Company's primary market areas.

Investment securities available-for-sale totaled \$22.8 million at June 30, 2006, compared to \$24.0 million at March 31, 2006. The decrease is attributable to maturities and scheduled cash flows.

Mortgage-backed securities available-for-sale totaled \$7.7 million at June 30, 2006, compared to \$8.1 million at March 31, 2006. The decrease is attributable to maturities and scheduled cash flows.

Goodwill was \$25.6 million at June 30, 2006 and March 31, 2006. As of June 30, 2006, there have been no events or changes in circumstances that would indicate a potential impairment.

Core deposit intangible decreased \$50,000 to \$845,000 at June 30, 2006 from \$895,000 at March 31, 2006 due to amortization.

Bank owned life insurance increased to \$13.2 million at June 30, 2006, from \$13.1 million at March 31, 2006, reflecting an increase in the cash surrender value of the policies.

Deposits totaled \$607.4 million at June 30, 2006, compared to \$607.0 million at March 31, 2006. As the interest rates have increased, the balances in the high yield checking accounts have increased with offsetting decreases in the

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

balance of money market accounts and certificates of deposit. At June 30, 2006 the balance of high yield checking accounts had increased \$15.0 million to \$81.5 million from \$66.5 million at March 31, 2006. Money market accounts totaled \$134.0 million at June 30, 2006 compared to \$137.5 million at March 31, 2006. Certificates of deposit balance at June 30, 2006 was \$197.8 million a \$9.3 million decrease from the March 31, 2006 balance of \$207.1 million.

FHLB advances totaled \$73.3 million at June 30, 2006 and \$46.1 million at March 31, 2006. The \$27.2 million increase is the short term borrowing that was used to fund the growth in loans.

Capital lease obligations decreased to \$2.7 million at June 30, 2006 from \$2.8 million at March 31, 2006. The decrease reflects the monthly amortization of the obligation.

Shareholders' Equity and Capital Resources

Shareholders' equity increased \$1.8 million to \$93.5 million at June 30, 2006 from \$91.7 million at March 31, 2006. The increase in equity of \$2.6 million from earnings for the three months was partially offset by cash dividends declared to shareholders of \$1.1 million. Exercise of stock options, earned ESOP shares and the tax effect of SFAS No. 115 adjustment to securities comprised the remaining \$300,000 increase.

The Bank is subject to various regulatory capital requirements administered by the Office of Thrift Supervision ("OTS"). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions

18

by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated in accordance with regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk, weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total capital to risk-weighted assets, Tier I capital to risk-weighted assets, core capital to total assets and tangible capital to tangible assets (set forth in the table below). Management believes the Bank meets all capital adequacy requirements to which it is subject as of June 30, 2006.

To be categorized as "well capitalized," the Bank must maintain minimum total capital and Tier I capital to risk-weighted assets, core capital to total assets and tangible capital to tangible assets (set forth in the table below). There are no conditions or events since that notification that management believes have changed the Bank's category.

19

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

The Bank's actual and required minimum capital amounts and ratios are presented in the following table (dollars in thousands):

	Actual		For Capital Adequacy Purposes		Categorized as "Well Capitalized" Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	-----	-----	-----	-----	-----	-----
June 30, 2006						
Total Capital:						
(To Risk-Weighted Assets)	\$76,313	10.64%	\$57,399	8.0%	\$71,748	10.0%
Tier I Capital:						
(To Risk-Weighted Assets)	68,687	9.57	28,699	4.0	43,049	6.0
Tier I Capital:						
(To Adjusted Tangible Assets)	68,687	8.96	22,995	3.0	38,326	5.0
Tangible Capital:						
(To Tangible Assets)	68,687	8.96	11,498	1.5	N/A	N/A

	Actual		For Capital Adequacy Purposes		Categorized as "Well Capitalized" Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	-----	-----	-----	-----	-----	-----
March 31, 2006						
Total Capital:						
(To Risk-Weighted Assets)	\$78,469	11.48%	\$54,688	8.0%	\$68,361	10.0%
Tier I Capital:						
(To Risk-Weighted Assets)	71,248	10.42	27,344	4.0	41,016	6.0
Tier I Capital:						
(To Adjusted Tangible Assets)	71,248	9.70	22,038	3.0	36,730	5.0
Tangible Capital:						
(To Tangible Assets)	71,248	9.70	11,019	1.5	N/A	N/A

The following table is a reconciliation of the Bank's capital, calculated according to generally accepted accounting principles to regulatory tangible and risk-based capital at June 30, 2006 (in thousands):

Equity	\$ 95,195
Net unrealized securities loss	332
Goodwill and other intangibles	(26,803)
Servicing asset	(37)

Tangible capital	68,687
General valuation allowance	7,626

Total capital	\$ 76,313

=====

Liquidity

The Bank's primary sources of funds are customer deposits, proceeds from principal and interest payments on loans, proceeds from the sale of loans, maturing securities and FHLB advances. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

The Bank must maintain an adequate level of liquidity to ensure the availability of sufficient funds to fund loan originations and deposit withdrawals, satisfy other financial commitments and take advantage of investment opportunities. The Bank generally maintains sufficient cash and short-term investments to meet short-term liquidity needs. At June 30, 2006, cash totaled \$26.7 million, or 3.4%, of total assets. The Bank has a line of credit with the FHLB of Seattle in the amount of 30% of total assets to the extent the Bank provides qualifying collateral and holds sufficient FHLB stock. At June 30, 2006, the Bank had \$73.3 million in outstanding advances from the FHLB of Seattle under an available credit facility of \$228.5 million, limited to available collateral. The Bank also had a \$10.0 million line of credit available from Pacific Coast Bankers Bank and a \$5.0 million borrowing capability at the Federal Reserve discount window at June 30, 2006. The Bank had no borrowings outstanding under either of these credit arrangements at June 30, 2006.

20

Sources of capital and liquidity for the Company on a stand-alone basis include distributions from the Bank and the issuance of debt or equity. Dividends and other capital distributions from the Bank are subject to regulatory restrictions.

Off-Balance Sheet Arrangements and Other Contractual Obligations

Through the normal course of operations, the Company enters into certain contractual obligations and other commitments. Obligations generally relate to funding of operations through deposits and borrowings as well as leases for premises. Commitments generally relate to lending operations.

The Company has obligations under long-term operating leases, principally for building space and land. Lease terms generally cover a five-year period, with options to extend, and are not subject to cancellation.

The Company has commitments to originate fixed and variable rate mortgage loans to customers. Because some commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Undisbursed loan funds and unused lines of credit include funds not disbursed, but committed to construction projects and home equity and commercial lines of credit. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party.

For further information regarding the Company's off-balance sheet arrangements and other contractual obligations, see Note 16 of the Notes to Consolidated Financial Statements contained herein.

Asset Quality

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

The allowance for loan losses was \$7.6 million at June 30, 2006 and \$7.2 million at March 31, 2006. Management believes the allowance for loan losses at June 30, 2006 is adequate to cover probable credit losses existing in the loan portfolio at that date. No assurances, however, can be given that future additions to the allowance for loan losses will not be necessary. The allowance for loan losses is maintained at a level sufficient to provide for estimated loan losses based on evaluating known and inherent risks in the loan portfolio. Pertinent factors considered include size and composition of the portfolio, actual loss experience, industry trends and data, current economic conditions, and detailed analysis of individual loans. The appropriate allowance level is estimated based upon factors and trends identified by management at the time the consolidated financial statements are prepared. Commercial loans are considered to involve a higher degree of credit risk than one to four-family residential loans, and tend to be more vulnerable to adverse conditions in the real estate market and deteriorating economic conditions.

Non-performing assets were \$1.2 million, or 0.15% of total assets at June 30, 2006, compared with \$415,000 or 0.05% of total assets at March 31, 2006. The \$1.2 million balance of non-accrual loans is composed of one residential real estate loan and one commercial real estate loan. The following table sets forth information regarding the Company's non-performing assets.

	June 30, 2006	March 31, 2006
	-----	-----
	(Dollars in thousands)	
Loans accounted for on a nonaccrual basis:		
Commercial real estate	\$ 5	\$ 415
Commercial	1,168	-
Consumer	-	-
	-----	-----
Total	1,173	415
	-----	-----
Accruing loans which are contractually past due 90 days or more	-	-
	-----	-----
Total of nonaccrual and 90 days past due loans	1,173	415
	-----	-----
Real estate owned (net)	-	-
	-----	-----
Total non-performing assets	\$1,173	\$ 415
	=====	=====
 Total loans delinquent 90 days or more to net loans	 0.18%	 0.07%
 Total loans delinquent 90 days or more to total assets	 0.15%	 0.05%
 Total non-performing assets to total assets	 0.15%	 0.05%

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

2005

Net Interest Income. The Company's profitability depends primarily on its net interest income, which is the difference between the income it receives on interest-earning assets and its cost of funds, which consists of interest paid on deposits and borrowings. Net interest income is also affected by the relative amounts of interest-earning assets and interest-bearing liabilities. When interest-earning assets equal or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income. The level of non-interest income and expenses also affects the Company's profitability. Non-interest income includes deposit service fees, income associated with the origination and sale of mortgage loans, brokering loans, loan servicing fees, income from real estate owned, net gains on sales of assets, bank-owned life insurance income and asset management fee income. Non-interest expenses include compensation and benefits, occupancy and equipment expenses, deposit insurance premiums, data servicing expenses and other operating costs. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government legislation and regulation, and monetary and fiscal policies.

Net interest income for the three months ended June 30, 2006 was \$9.0 million, representing a \$1.9 million, or 27.0% increase, from \$7.1 million during the same prior year period. The balance sheet interest rate profile continues to benefit our net interest margin. The structure of the balance sheet as asset sensitive supports our net interest margin. The net interest margin for the quarter's ended at June 30, 2006 was 5.23% compared to 5.24% during the quarter ended March 31, 2006 and 4.70% during the quarter ended June 30, 2005. The Bank's sizeable floating rate and shorter-term oriented loan portfolio combined with the strong core non-maturity deposit base, has minimized the negative impact of the flatness of the yield curve. Average interest earning assets increased 13.7% as a result of organic growth when comparing the current quarter to the same period in the prior year. The increase in interest-earning assets was accompanied by a 13.7% increase in average balances of interest-bearing liabilities to \$574.7 million for the three months ended June 30, 2006 from \$505.6 million for the comparable period in 2005. Average interest-earning assets to average interest-bearing liabilities totaled 120.46% for the three-month period ended June 30, 2006 compared to 120.45% in the same prior year period.

Interest Income. Interest income increased \$4.0 million, or 38.9%, to \$14.2 million for the three months ended June 30, 2006 compared to \$10.2 million, for the three months ended June 30, 2005. The close of the APB acquisition in April 2005 resulted in an increase of \$121.0 million in interest-earning assets (see Note 3 of the Notes to Consolidated Financial Statements). The yield on interest-earning assets was 8.24% for the three months ended June 30, 2006 compared to 6.76% for the same three months ended June 30, 2005. During the past year, the Federal Reserve Board, has increased federal funds interest rates eight times, resulting in improved yields on both loans and investments.

Riverview did not receive a dividend on FHLB of Seattle stock during the quarters ended June 30, 2006 and June 30, 2005. The FHLB of Seattle has been operating under a regulatory directive since May 2005 and has announced that all future dividends will be suspended until its financial position and performance improve.

Interest Expense. Interest expense increased \$2.1 million to \$5.2 million for the three months ended June 30, 2006, or 65.8% compared to \$3.1 million for the three months ended June 30, 2005. Average interest-bearing liabilities increased \$69.1 million to \$574.7 million for the three months ended June 30, 2006 compared to \$505.6 million for the same prior year period. This increase includes the effect of \$72.3 million in interest bearing deposits acquired

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

from APB. The significant increase in interest expense reflects the higher rates of interest paid on deposits and FHLB borrowings attributable to Federal Reserve Board federal funds rate increases during the last year. The weighted average interest rate on total deposits increased to 3.39% for the three months ended June 30, 2006 from 2.21% for the same period in the prior year. The weighted average cost of FHLB borrowings increased to 5.15% for the three months June 30, 2006 from 4.61% for same period in the prior year.

The following table sets forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, ratio of interest-earning assets to interest-bearing liabilities and net interest margin.

22

	Three Months Ended June 30,					
	2006			2005		
	Average	Interest and Dividends	Yield/ Cost	Average	Interest and Dividends	Yield/ Cost
	Balance			Balance		
	(Dollars in thousands)					
Interest-earning assets:						
Real estate loans	\$552,521	\$11,796	8.56%	\$434,753	\$8,009	7.39%
Non-real estate loans	94,412	1,973	8.38	98,269	1,588	6.48
	-----	-----	-----	-----	-----	-----
Total net loans (1)	646,933	13,769	8.54	533,022	9,597	7.22
Mortgage-backed securities (2)	9,931	114	4.60	13,630	145	4.27
Investment securities (2) (3)	23,821	285	4.80	23,884	290	4.87
Daily interest-bearing assets	4,031	49	4.88	31,379	225	2.88
Other earning assets (4)	7,567	3	0.16	7,058	-	-
	-----	-----	-----	-----	-----	-----
Total interest-earning assets	692,283	14,220	8.24	608,973	10,257	6.76
Non-interest-earning assets:						
Office properties and equipment, net	19,168			8,691		
Other non-interest-earning assets	62,098			54,500		
	-----			-----		
Total assets	\$773,549			\$672,164		
	=====			=====		
Interest-bearing liabilities:						
Regular savings accounts	\$ 36,333	50	0.55	\$ 37,713	51	0.54
NOW accounts	127,148	884	2.79	124,369	402	1.30
Money market accounts	133,948	1,257	3.76	101,139	547	2.17

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Certificates of deposit	202,231	2,031	4.03	185,308	1,471	3.18
	-----	-----	----	-----	-----	----
Total deposits	499,660	4,222	3.39	448,529	2,471	2.21
Other interest-bearing liabilities	75,054	963	5.15	57,052	656	4.61
	-----	-----	----	-----	-----	----
Total interest-bearing liabilities	574,714	5,185	3.62	505,581	3,127	2.48
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	94,542			77,587		
Other liabilities	9,869			6,867		
	-----			-----		
Total liabilities	679,125			590,035		
Shareholders' equity	94,424			82,129		
	-----			-----		
Total liabilities and shareholders' equity	\$773,549			\$672,164		
	=====			=====		
Net interest income		\$9,035			\$7,130	
		=====			=====	
Interest rate spread			4.62%			4.28%
			=====			=====
Net interest margin			5.23%			4.70%
			=====			=====
Ratio of average interest-earning assets to average interest-bearing liabilities			120.46%			120.45%
			=====			=====
Tax equivalent adjustment (3)		\$ 22			\$ 32	
		=====			=====	

- (1) Includes non-accrual loans.
- (2) For purposes of the computation of average yield on investments available for sale, historical cost balances were utilized; therefore, the yield information does not give effect to changes in fair value that are reflected as a component of shareholders' equity.
- (3) Tax-equivalent adjustment relates to non-taxable investment interest income and preferred equity securities dividend income. The statutory tax rate was 35% and 34% for the three months ended June 30, 2006 and 2005, respectively.
- (4) The FHLB of Seattle has been operating under a regulatory directive since May 2005 and has announced that all future dividends will be suspended until its financial position and performance improves.

The following table sets forth the effects of changing rates and volumes on net interest income of the Company for the quarter ended June 30, 2006

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

compared to the quarter ended June 30, 2005. Variances that were immaterial have been allocated based upon the percentage relationship of changes in volume and changes in rate to the total net change.

	Three Months Ended June 30,		
	----- 2006 vs. 2005 -----		
	Increase (Decrease)		Total
	Due to		
Volume	Rate	Increase (Decrease)	
----- (In thousands) -----			
Interest Income:			
Real estate loans	\$ 2,388	\$ 1,399	\$ 3,787
Non-real estate loans	(64)	449	385
Mortgage-backed securities	(41)	10	(31)
Investment securities (1)	(1)	(4)	(5)
Daily interest-bearing	(272)	96	(176)
Other earning assets	-	3	3
	-----	-----	-----
Total interest income	2,010	1,953	3,963
	-----	-----	-----
Interest Expense:			
Regular savings accounts	(2)	1	(1)
NOW accounts	9	473	482
Money market accounts	218	492	710
Certificates of deposit	142	418	560
Other interest-bearing liabilities	224	83	307
	-----	-----	-----
Total interest expense	591	1,467	2,058
	-----	-----	-----
Net interest income (1)	\$ 1,419	\$ 486	\$ 1,905
	=====	=====	=====

(1) Taxable equivalent

Provision for Loan Losses. The provision for loan losses for the three months ended June 30, 2006 was \$350,000, compared to \$450,000 for the same period in the prior year. Net recoveries for the current period were \$55,000, compared to net charge-offs of \$207,000 for the same period last year. The ratio of allowance for credit losses and unfunded loan commitments to total net loans was 1.20% at June 30, 2006, compared to 1.21% at June 30, 2005. Annualized net recoveries to average net loans for the three-month period ended June 30, 2006 was 0.03% compared to annualized net charge-offs of 0.16% for the same period in the prior year. During the quarter ended June 30, 2006, management evaluated known and inherent risks in the loan portfolio and based on the analysis, no changes were made in the estimation, assumptions and allocation of the allowance for loan losses. Management considered the allowance for loan losses at June 30, 2006 to be adequate to cover probable losses inherent in the loan portfolio based on the assessment of various factors affecting the loan portfolio.

Non-Interest Income. Non-interest income decreased \$100,000 to \$2.1 million for the quarter ended June 30, 2006 compared to \$2.2 million for the quarter ended June 30, 2005. Increase in the total asset management fees and the gain from the credit card portfolio partially offset the lower total fees and service charges and gains from sale of loans. The decrease of \$155,000 in fees and service charges reflects the fact that during the third quarter of fiscal year 2006 the credit card portfolio acquired from APB was sold. Sale of this credit card portfolio reduced the non-interest income received from credit card fees during the current quarter by approximately \$140,000 when compared

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

to the same period in the prior year. Asset management fees from fiduciary services increased by \$72,000 to \$436,000 for the quarter ended June 30, 2006, compared to \$364,000 for the quarter ended June 30, 2005. RAM Corp. had \$250.8 million in total assets under management at June 30, 2006, compared to \$202.0 million at June 30, 2005. As previously mentioned, the APB credit card portfolio was sold in the third quarter of fiscal year 2006 and during the first quarter of fiscal year 2007, Riverview Community Bank's credit card portfolio with a balance of approximately \$475,000 was sold for a gain of \$67,000.

In the current quarter, gains on the sale of loans reflects a reduction in the mortgage refinance activity which resulted in gains on the sale of loans decreasing \$54,000 for the quarter ended June 30, 2006 to \$72,000 compared to \$126,000 for the quarter ended June 30, 2005.

Non-Interest Expense. Non-interest expense increased \$673,000, or 11.0%, to \$6.8 million for the three-month period ended June 30, 2006, compared to \$6.1 million for the three months ended June 30, 2005. The principal component of the Company's non-interest expense is salaries and employee benefits. For the three months ended June 30, 2006, salaries and

24

employee benefits, which include mortgage broker commission compensation, was \$3.8 million, a 12.8% increase over \$3.4 million for the three months ended June 30, 2005. The majority of the increase is a result of the opening of the 192nd branch in third quarter of fiscal year 2006, the expansion of our lending team and the rising costs of employee benefits. This expansion has also contributed to the increases in occupancy and depreciation, telecommunication and other expense.

The amortization expense of core deposit intangible ("CDI") was \$50,000 for the three months ended June 30, 2006 compared to \$49,000 for the prior year period. The acquisition of APB and its \$79.8 million in deposits created a \$526,000 CDI, representing the excess of cost over fair market value of acquired deposits. The acquisition of Today's Bank in July 2003 created CDI of \$820,000. CDI is amortized over a ten-year life using an accelerated amortization method.

Professional fees totaled \$178,000 for three months ending June 30, 2006 a \$185,000 decrease compared to the \$363,000 total for the three months ending June 30, 2005. The primary cause for the higher professional fees for the first quarter of the prior year were the costs related to the implementation of the Sarbanes-Oxley regulations.

Other non-interest expense for the three months ended June 30, 2006 was \$704,000, a 4.6% increase over the \$673,000 for the three months ended June 30, 2005. Expansion of the service network and implementation of new systems has also contributed to the increases in occupancy and depreciation, data processing, telecommunication and other expense.

Provision for Income Taxes. Provision for income taxes was \$1.4 million for the three months ended June 30, 2006, compared to \$918,000 for the three months ended June 30, 2005. The effective tax rate for three months ended June 30, 2006 was 34.4% compared to 33.5% for the three months ended June 30, 2005. The effective tax rate increased from the prior year's quarter primarily as a result of phase in to higher statutory tax rate of 35% and state income taxes related to Oregon operations. The Bank has three branches in Oregon as a result of acquiring APB. The Company's overall effective tax

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

rate at June 30, 2006 takes into account the estimated Oregon apportionment factors for property, payroll and sales.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's Asset Liability Committee is responsible for implementing the interest rate risk policy, which sets forth limits established by the Board of Directors of acceptable changes in net interest income, and the portfolio value from specified changes in interest rates. The OTS defines net portfolio value as the present value of expected cash flows from existing assets minus the present value of expected cash flows from existing liabilities plus the present value of expected cash flows from existing off-balance sheet contracts. The Asset Liability Committee reviews, among other items, economic conditions, the interest rate outlook, the demand for loans, the availability of deposits and borrowings, and the Company's current operating results, liquidity, capital and interest rate exposure. In addition, the Asset Liability Committee monitors asset and liability characteristics on a regular basis and performs analyses to determine the potential impact of various business strategies in controlling interest rate risk and other potential impact of these strategies upon future earnings under various interest rate scenarios. Based on these reviews, the Asset Liability Committee formulates a strategy that is intended to implement the objectives contained in its business plan without exceeding limits set forth in the Company's interest rate risk policy for losses in net interest income and net portfolio value.

There has not been any material change in the market risk disclosures contained in the Company's Annual Report on Form 10-K for the year ended March 31, 2006.

Item 4. Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13(a) -15(e) of the Securities Exchange Act of 1934) was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management as of the end of the period covered by this report. As of April 22, 2006, the Company transitioned its financial core processing systems to new platforms. Implementation of the new systems necessarily involves changes to our procedures for control over financial reporting. The new systems were subjected to extensive testing prior to and after April 22, 2006. We have not experienced any significant difficulties to date in connection with the implementation or operation of the new system. We have not fully tested application controls covering this new system, but we plan to do so during the current year in connection with management's assessment of internal controls over financial reporting. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as currently in effect are effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Securities and Exchange Act of 1934 is (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

In the quarter ended June 30, 2006, except as referenced above the Company did not make any changes in, its internal control over financial reporting that

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

has materially affected, or is reasonably likely to materially affect these controls. The Company intends to continually review and evaluate the design and effectiveness of its disclosure controls and procedures and to improve its controls and procedures over time and to correct any deficiencies that it may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company's business.

While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures. The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all error and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

26

(b) RIVERVIEW BANCORP, INC. AND SUBSIDIARY PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to litigation arising in the ordinary course of business. In the opinion of management, these actions will not have a material adverse effect, if any, on the Company's financial position, results of operations, or liquidity.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in the Company's 2006 Form 10-K.

The following table summarizes the Company's share repurchases for the quarter ended June 30, 2006.

	Total Number of Shares Purchased as Part of	Maximum Number of Shares that May Yet Be
Total		

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Period	Number of Shares Purchased	Average Price Paid per Share	Publicly Announced Program	Purchased Under the Program (1)
April 1 - April 30, 2006	-	\$ -	-	-
May 1 - May 30, 2006	-	-	-	-
June 1 - June 30, 2006	-	-	-	-
	-----	-----	-----	-----
Total	-	\$ -	-	290,248
	=====	=====	=====	=====

(1) On July 21, 2005 the Company announced a stock repurchase program for up to 290,248 shares of its outstanding common stock, representing approximately 5% of outstanding shares.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

Not applicable

Item 6. Exhibits

(a) Exhibits:

- 3.1 Articles of Incorporation of the Registrant (1)
- 3.2 Bylaws of the Registrant (1)
- 4 Form of Certificate of Common Stock of the Registrant (1)
- 10.1 Employment Agreement with Patrick Sheaffer (2)
- 10.2 Employment Agreement with Ronald A. Wysaske (2)
- 10.3 Severance Agreement with Karen Nelson (2)
- 10.4 Severance Agreement with John A. Karas (3)
- 10.5 Employee Severance Compensation Plan (2)
- 10.6 Employee Stock Ownership Plan (4)
- 10.7 Management Recognition and Development Plan (5)
- 10.8 1998 Stock Option Plan (5)
- 10.9 1993 Stock Option and Incentive Plan (5)
- 10.10 2003 Stock Option Plan (6)

- 10.11 Form of Incentive Stock Option Award Pursuant to 2003 Stock Option Plan (7)
- 10.12 Form of Non-qualified Stock Option Award Pursuant to 2003 Stock Option Plan (7)
- 11 Statement recomputation of per share earnings (See Note 5 of Notes to Consolidated Financial Statements contained herein.)
- 31.1 Certifications of the Chief Executive Officer Pursuant

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

- 31.2 to Section 302 of the Sarbanes-Oxley Act
Certifications of the Chief Financial Officer Pursuant
to Section 302 of the Sarbanes-Oxley Act
- 32 Certifications of the Chief Executive Officer and Chief
Financial Officer Pursuant to Section 906 of the
Sarbanes-Oxley Act

- (1) Filed as an exhibit to the Registrant's Registration Statement on Form S-1 (Registration No. 333-30203), and incorporated herein by reference.
- (2) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997, and incorporated herein by reference.
- (3) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended March 31, 2002, and incorporated herein by reference.
- (4) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended March 31, 1998, and incorporated herein by reference.
- (5) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 (Registration No. 333-66049), and incorporated herein by reference.
- (6) Filed as Exhibit 99 to the Registration Statement on form S-8 (Registration No. 333-109894), and incorporated herein by reference.
- (7) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, and incorporated herein by reference.

28

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RIVERVIEW BANCORP, INC.

By: /S/ Patrick Sheaffer

Patrick Sheaffer
Chairman of the Board
Chief Executive Officer
(Principal Executive Officer)

By: /S/ Ron Dobyms

Ron Dobyms
Senior Vice President
Chief Financial and Accounting Officer)

Date: August 7, 2006

Date: August 7, 2006

29

Exhibit Index

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Exhibit	31.1	Certifications of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
Exhibit	31.2	Certifications of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
Exhibit	32	Certifications of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act

30

Exhibit 31.1

Section 302 Certification

I, Patrick Sheaffer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Riverview Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)- 15(e) and 15(d)- 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)- 15(f) and 15(d)- 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: August 7, 2006

/s/ Patrick Sheaffer

Patrick Sheaffer
Chairman and Chief Executive Officer

31

Exhibit 31.2

Section 302 Certification

I, Ron Dobyms, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Riverview Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a) - 15(e) and 15(d) - 15(e)) and internal control over financial reporting (as defined in Exchange Act

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Rules 13(a) - 15(f) and 15(d) - 15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: August 7, 2006

/s/ Ron Dobyns

Ron Dobyns
Chief Financial Officer

32

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF
RIVERVIEW BANCORP, INC.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with this Quarterly Report on Form 10-Q that:

1. the report fully complies with the requirements of sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, and
2. the information contained in the report fairly presents, in all material respects, Riverview Bancorp, Inc.'s financial condition and results of operations.

/S/ Patrick Sheaffer

Patrick Sheaffer
Chief Executive Officer

/S/ Ron Dobyms

Ron Dobyms
Chief Financial Officer

Dated: August 7, 2006

Dated: August 7, 2006