

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

RIVERVIEW BANCORP INC
Form 10-Q
February 06, 2007

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 December 31, 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, 11,612,219 shares outstanding as of February 1, 2007.

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 December 31, 2006 and March 31, 2006 | 1 |
| Consolidated Statements of Income Three Months and Nine Months Ended December 31, 2006 and 2005 | 2 |
| Consolidated Statements of Shareholders' Equity Nine Months Ended December 31, 2006 and Year Ended March 31, 2006 | 3 |
| Consolidated Statements of Comprehensive Income Three Months and Nine Months Ended December 31, 2006 and 2005 | 4 |
| Consolidated Statements of Cash Flows Nine Months Ended December 31, 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 | 16-30 |
| Item 3: Quantitative and Qualitative Disclosures About Market Risk | 30 |
| Item 4: Controls and Procedures | 30-31 |
| Part II. Other Information ----- | 32-33 |
| Item 1: Legal Proceedings | |
| Item 1A: 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 | 34 |
| Certifications | |
| Exhibit 31.1 | |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Exhibit 31.2

Exhibit 32

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

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 and March 31, 2006

| (In thousands, except share and per share data) (Unaudited) | DECEMBER 31, 2006 | MARCH 31, 2006 |
|--|----------------------|-------------------|
| ----- | | |
| ASSETS | | |
| Cash (including interest-earning accounts of \$6,197 and \$7,786) | \$ 30,396 | \$ 31,346 |
| Loans held for sale | - | 65 |
| Investment securities available for sale, at fair value (amortized cost of \$20,650 and \$24,139) | 20,648 | 24,022 |
| Mortgage-backed securities held to maturity, at amortized cost (fair value of \$1,356 and \$1,830) | 1,347 | 1,805 |
| Mortgage-backed securities available for sale, at fair value (amortized cost of \$7,141 and \$8,436) | 6,977 | 8,134 |
| Loans receivable (net of allowance for loan losses of \$8,628 and \$7,221) | 697,271 | 623,016 |
| Prepaid expenses and other assets | 2,105 | 2,210 |
| Accrued interest receivable | 4,131 | 3,058 |
| Federal Home Loan Bank stock, at cost | 7,350 | 7,350 |
| Premises and equipment, net | 21,547 | 19,127 |
| Deferred income taxes, net | 3,685 | 3,771 |
| Mortgage servicing intangible, net | 374 | 384 |
| Goodwill | 25,572 | 25,572 |
| Core deposit intangible, net | 755 | 895 |
| Bank owned life insurance | 13,482 | 13,092 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 835,640 | \$ 763,847 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Deposit accounts | \$ 651,197 | \$ 606,964 |
| Accrued expenses and other liabilities | 9,781 | 8,768 |
| Advanced payments by borrowers for taxes and insurance | 123 | 358 |
| Federal Home Loan Bank advances | 66,600 | 46,100 |
| Junior subordinated debenture | 7,217 | 7,217 |
| Capital lease obligations | 2,729 | 2,753 |
| | ----- | ----- |
| Total liabilities | 737,647 | 672,160 |
| COMMITMENTS AND CONTINGENCIES (See Note 15) | - | - |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

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: | | |
| December 31, 2006 - 11,612,219 issued, 11,612,219 outstanding | 116 | 57 |
| March 31, 2006 - 11,545,380 issued, 11,545,372 outstanding | | |
| Additional paid-in capital | 57,888 | 57,316 |
| Retained earnings | 41,232 | 35,776 |
| Unearned shares issued to employee stock ownership trust | (1,134) | (1,186) |
| Accumulated other comprehensive loss | (109) | (276) |
| | ----- | ----- |
| Total shareholders' equity | 97,993 | 91,687 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 835,640 | \$ 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 | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2006 | December 31, 2005 | December 31, 2006 | December 31, 2005 |
| ----- | | | | |
| INTEREST INCOME: | | | | |
| Interest and fees on loans receivable | \$ 15,617 | \$ 11,783 | \$ 44,220 | \$ 32,390 |
| Interest on investment securities - taxable | 217 | 211 | 659 | 592 |
| Interest on investment securities - non-taxable | 41 | 42 | 125 | 128 |
| Interest on mortgage-backed securities | 102 | 128 | 325 | 411 |
| Other interest and dividends | 101 | 126 | 249 | 630 |
| | ----- | ----- | ----- | ----- |
| Total interest income | 16,078 | 12,290 | 45,578 | 34,151 |
| | ----- | ----- | ----- | ----- |
| INTEREST EXPENSE: | | | | |
| Interest on deposits | 5,548 | 3,290 | 14,678 | 8,820 |
| Interest on borrowings | 1,212 | 457 | 3,442 | 1,595 |
| | ----- | ----- | ----- | ----- |
| Total interest expense | 6,760 | 3,747 | 18,120 | 10,415 |
| | ----- | ----- | ----- | ----- |
| Net interest income | 9,318 | 8,543 | 27,458 | 23,736 |
| Less provision for loan losses | 375 | 400 | 1,325 | 1,300 |
| | ----- | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 8,943 | 8,143 | 26,133 | 22,436 |
| | ----- | ----- | ----- | ----- |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | | | |
|---|------------|------------|------------|------------|
| NON-INTEREST INCOME: | | | | |
| Fees and service charges | 1,535 | 1,460 | 4,315 | 4,544 |
| Asset management fees | 504 | 378 | 1,395 | 1,084 |
| Gain on sale of loans held for sale | 150 | 81 | 333 | 284 |
| Gain on sale of real estate owned | - | - | - | 21 |
| Loan servicing income | 44 | 49 | 125 | 68 |
| Gain on sale of land and fixed assets | - | 2 | - | 2 |
| Gain on sale of credit card portfolio | - | 7 | 133 | 311 |
| Bank owned life insurance | 133 | 119 | 390 | 361 |
| Other | 44 | 47 | 125 | 137 |
| | ----- | ----- | ----- | ----- |
| Total non-interest income | 2,410 | 2,143 | 6,816 | 6,812 |
| | ----- | ----- | ----- | ----- |
| NON-INTEREST EXPENSE: | | | | |
| Salaries and employee benefits | 3,688 | 3,681 | 11,055 | 10,521 |
| Occupancy and depreciation | 1,185 | 954 | 3,394 | 2,640 |
| Data processing | 220 | 335 | 777 | 1,073 |
| Amortization of core deposit intangible | 44 | 53 | 140 | 157 |
| Advertising and marketing expense | 269 | 160 | 927 | 697 |
| Federal Deposit Insurance Corporation insurance premium | 18 | 19 | 55 | 51 |
| State and local taxes | 166 | 136 | 454 | 419 |
| Telecommunications | 115 | 117 | 328 | 279 |
| Professional fees | 199 | 248 | 575 | 1,000 |
| Other | 557 | 445 | 1,797 | 1,668 |
| | ----- | ----- | ----- | ----- |
| Total non-interest expense | 6,461 | 6,148 | 19,502 | 18,505 |
| | ----- | ----- | ----- | ----- |
| INCOME BEFORE INCOME TAXES | 4,892 | 4,138 | 13,447 | 10,743 |
| PROVISION FOR INCOME TAXES | 1,654 | 1,390 | 4,605 | 3,612 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$ 3,238 | \$ 2,748 | \$ 8,842 | \$ 7,131 |
| | ===== | ===== | ===== | ===== |
| Earnings per common share: | | | | |
| Basic | \$ 0.29 | \$ 0.24 | \$ 0.78 | \$ 0.64 |
| Diluted | 0.28 | 0.24 | 0.77 | 0.63 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 11,313,623 | 11,322,648 | 11,291,175 | 11,179,640 |
| Diluted | 11,522,519 | 11,462,945 | 11,478,306 | 11,314,024 |
| Cash Dividends Per Share | \$ 0.10 | \$ 0.085 | \$ 0.295 | \$ 0.255 |

See notes to consolidated financial statements.

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

Unearned
Shares
Issued to
Accum-
ulated

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| (In thousands, except share data) | Common Stock | | Addi- tional Paid-in Capital | Retained Earnings | Employee Stock Owner- ship Trust | Other Compre- hensive Income (Loss) |
|---|-------------------|---------------|---------------------------------------|----------------------|--|---|
| | Shares | Amount | | | | |
| Balance April 1, 2005 | 10,031,498 | \$ 50 | \$ 41,112 | \$ 29,874 | \$ (1,392) | \$ (122) |
| Cash dividends (\$0.34 per share) | - | - | - | (3,836) | - | - |
| Exercise of stock options | 37,144 | - | 314 | - | - | - |
| Stock repurchased and retired | (100,000) | - | (1,227) | - | - | - |
| Stock issued in connec- tion with acquisition | 1,576,730 | 7 | 16,706 | - | - | - |
| Earned Employee Stock Ownership Plan ("ESOP") shares | - | - | 352 | - | 206 | - |
| Tax benefit, stock option | - | - | 59 | - | - | - |
| | <u>11,545,372</u> | <u>57</u> | <u>57,316</u> | <u>26,038</u> | <u>(1,186)</u> | <u>(122)</u> |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | 9,738 | - | - |
| Other comprehensive income: | | | | | | |
| Unrealized holding loss on securities of \$154 (net of \$79 tax effect) | - | - | - | - | - | (154) |
| Total comprehensive income | - | - | - | - | - | - |
| Balance March 31, 2006 | <u>11,545,372</u> | <u>\$ 57</u> | <u>\$ 57,316</u> | <u>\$ 35,776</u> | <u>\$ (1,186)</u> | <u>\$ (276)</u> |
| Stock split | - | 58 | - | (58) | - | - |
| Cash dividends (\$0.295 per share) | - | - | - | (3,328) | - | - |
| Exercise of stock options | 82,600 | 1 | 450 | - | - | - |
| Stock repurchased and retired | (15,753) | - | - | - | - | - |
| Earned ESOP shares | - | - | 122 | - | 52 | - |
| | <u>11,612,219</u> | <u>116</u> | <u>57,888</u> | <u>32,390</u> | <u>(1,134)</u> | <u>(276)</u> |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | 8,842 | - | - |
| Other comprehensive income: | | | | | | |
| Unrealized holding gain on securities of \$167 (net of \$86 tax effect) | - | - | - | - | - | 167 |
| Total comprehensive income | - | - | - | - | - | - |
| Balance December 31, 2006 | <u>11,612,219</u> | <u>\$ 116</u> | <u>\$ 57,888</u> | <u>\$ 41,232</u> | <u>\$ (1,134)</u> | <u>\$ (109)</u> |

See notes to consolidated financial statements.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

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

| (In thousands) (Unaudited) | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---------------------------------------|--------------|--------------------------------------|--------------|
| | 2006 ---- | 2005 ---- | 2006 ---- | 2005 ---- |
| Net income | \$ 3,238 | \$ 2,748 | \$ 8,842 | \$ 7,131 |
| Other comprehensive income: | | | | |
| Change in fair value of securities available for sale, net of tax | 61 | (141) | 167 | (120) |
| | ----- | ----- | ----- | ----- |
| Total comprehensive income | \$ 3,299 | \$ 2,607 | \$ 9,009 | \$ 7,011 |
| | ===== | ===== | ===== | ===== |

See notes to consolidated financial statements.

4

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS Ended DECEMBER 31, 2006 and 2005

| (In thousands) (Unaudited) | 2006 | 2005 |
|--|----------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 8,842 | \$ 7,131 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 1,676 | 1,341 |
| Mortgage servicing rights valuation adjustment | (25) | (26) |
| Provision for loan losses | 1,325 | 1,300 |
| Provision for deferred income taxes | - | 142 |
| Noncash expense related to ESOP | 173 | 400 |
| (Decrease) increase in deferred loan origination fees, net of amortization | (177) | 722 |
| Origination of loans held for sale | (13,168) | (13,563) |
| Proceeds from sales of loans held for sale | 13,292 | 14,112 |
| Net gain on loans held for sale, sale of real estate owned, mortgage-backed securities, investment securities and premises and equipment | (325) | (286) |
| Income from bank owned life insurance | (390) | (361) |
| Changes in assets and liabilities: | | |
| Prepaid expenses and other assets | (126) | (498) |
| Accrued interest receivable | (1,074) | (638) |
| Accrued expenses and other liabilities | 918 | 2,178 |
| | ----- | ----- |
| Net cash provided by operating activities | 10,941 | 11,954 |
| | ----- | ----- |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | |
|---|-----------|-----------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Loan originations | (434,174) | (489,920) |
| Principal repayments/refinance on loans | 358,966 | 437,436 |
| Proceeds from call, maturity, or sale of investment securities available for sale | 3,450 | 5,250 |
| Principal repayments on investment securities available for sale | 75 | 37 |
| Purchase of investment securities available for sale | - | (4,996) |
| Principal repayments on mortgage-backed securities available for sale | 1,295 | 2,712 |
| Principal repayments on mortgage-backed securities held to maturity | 457 | 351 |
| Purchase of premises and equipment | (3,734) | (5,870) |
| Acquisition, net of cash received | - | (14,663) |
| Proceeds from sale of real estate owned and premises and equipment | 2 | 275 |
| | ----- | ----- |
| Net cash used in investing activities | (73,663) | (69,388) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in deposit accounts | 44,233 | 55,576 |
| Dividends paid | (3,154) | (2,667) |
| Proceeds from borrowings | 386,500 | 32,100 |
| Repayment of borrowings | (366,000) | (62,000) |
| Proceeds from subordinate debenture | - | 7,217 |
| Principal payments under capital lease obligation | (24) | - |
| Net increase in advance payments by borrowers | (234) | (167) |
| Proceeds from exercise of stock options | 451 | 107 |
| | ----- | ----- |
| Net cash provided by financing activities | 61,772 | 30,166 |
| | ----- | ----- |
| NET DECREASE IN CASH | (950) | (27,268) |
| CASH, BEGINNING OF PERIOD | 31,346 | 61,719 |
| | ----- | ----- |
| CASH, END OF PERIOD | \$ 30,396 | \$ 34,451 |
| | ===== | ===== |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for: | | |
| Interest | \$ 17,573 | \$ 10,031 |
| Income taxes | 5,061 | 3,369 |
| NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Dividends declared and accrued in other liabilities | \$ 1,129 | \$ 962 |
| Fair value adjustment to securities available for sale | 253 | (181) |
| Increased construction in process in accounts payable | - | 66 |
| Income tax effect related to fair value adjustment | 86 | 61 |

See notes to consolidated financial statements.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

(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.

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 ("2006 Form 10-K"). The results of operations for the nine months ended December 31, 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.

On August 24, 2006, the Riverview Bancorp Inc. common stock was split 2-for-1 in the form of a 100% stock dividend. Shareholders received one additional share for every share owned. The Board of Directors ("Board") declared the stock split on July 27, 2006 and the record date was August 10, 2006. All share and per share amounts (including stock options) in the Consolidated Financial Statements and accompanying notes were restated to reflect the split.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Riverview Bancorp, Inc. ("Bancorp") and Riverview Community Bank ("Bank"), its wholly-owned subsidiary (together, the "Company"), include all the accounts of Bancorp and the consolidated accounts of 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. 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 Board. Under the 1998 Plan, the Company may grant both incentive and non-qualified stock options up to 714,150 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 from date of grant and options vest zero to five years. At December 31, 2006, there were options for 36,962 shares available for the grant under the 1998 Plan and all options previously granted under the 1998 Plan were fully vested.

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

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

and non-qualified stock options up to 458,554 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 with a vesting period over zero to five years. At December 31, 2006, there were options for 148,154 shares available for grant under the 2003 Plan.

On March 15, 2006, 314,000 stock options under 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, had maximum term of 10 years from the date of grant and were fully vested on grant date.

6

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

| | Nine Months Ended December 31, 2006 | | Year Ended March 31, 2006 | |
|------------------------------|--|--|------------------------------|--|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| | ----- | ----- | ----- | ----- |
| Balance, beginning of period | 755,846 | \$ 9.68 | 454,990 | \$ 7.18 |
| Grants | - | - | 354,000 | 12.70 |
| Options Exercised | (82,600) | 7.92 | (53,144) | 8.48 |
| Forfeited | (17,600) | 10.65 | - | - |
| | ----- | | ----- | |
| Balance, end of period | 655,646 | \$ 9.87 | 755,846 | \$ 9.68 |

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

| | Nine Months Ended December 31, 2006 | | Year Ended March 31, 2006 | |
|--|--|-------------|------------------------------|-------------|
| Intrinsic value of options exercised in the period | | \$539,568 | | \$159,070 |
| Stock options fully vested and expected to vest: | | | | |
| Number | 651,806 | | 748,166 | |
| Weighted average exercise price | | \$9.88 | | \$9.67 |
| Aggregate intrinsic value | | \$3,469,558 | | \$2,774,511 |
| Weighted average contractual term of options | | 6.48 years | | 7.25 years |
| Stock options vested and currently exercisable: | | | | |
| Number | 619,446 | | 690,886 | |
| Weighted average exercise price | | \$9.87 | | \$9.64 |
| Aggregate intrinsic value | | \$3,301,233 | | \$2,584,305 |
| Weighted average contractual term of options | | 6.09 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

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

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 was 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 life of options granted represents the period of time that 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 was estimated at the date of grant based on the historical volatility of the Company's common stock. Expected dividends are based on dividend trends and the market value of the Company's common stock at the time of grant. The risk-free interest rate 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 nine months ended December 31, 2006.

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

7

For the quarter ended December 31, 2006, the Company recognized pre-tax compensation expense related to stock options of approximately \$9,000. For the nine months ended December 31, 2006, the Company recognized pre-tax compensation expense related to stock options of approximately \$30,000. 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 (in thousands, except per share amounts).

| | Three months ended December 31, 2005 | Nine months ended December 31, 2005 |
|---|---|--|
| Net Income: | | |
| As reported | \$ 2,748 | \$ 7,131 |
| Deduct: Total stock based compensation expense determined under fair value based method for all options, net of related tax benefit | (5) | (111) |
| Pro forma | \$ 2,743 | \$ 7,020 |
| Earnings per common share - basic: | | |
| As reported | \$ 0.24 | \$ 0.64 |
| Pro forma | 0.24 | 0.63 |
| Earnings per common share-fully diluted: | | |
| As reported | \$ 0.24 | \$ 0.63 |
| Pro forma | 0.24 | 0.62 |

4. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income applicable

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

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 conversion of outstanding stock options. ESOP shares are not considered outstanding for earnings per share purposes until they are committed to be released.

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|------------------------------------|--------------|-----------------------------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| Basic EPS computation: | | | | |
| Numerator-net income | \$ 3,238,000 | \$ 2,748,000 | \$ 8,842,000 | \$ 7,131,000 |
| Denominator-weighted average common shares outstanding | 11,313,623 | 11,322,648 | 11,291,175 | 11,179,640 |
| Basic EPS | \$ 0.29 | \$ 0.24 | \$ 0.78 | \$ 0.64 |
| Diluted EPS computation: | | | | |
| Numerator-net income | \$ 3,238,000 | \$ 2,748,000 | \$ 8,842,000 | \$ 7,131,000 |
| Denominator-weighted average common shares outstanding | 11,313,623 | 11,322,648 | 11,291,175 | 11,179,640 |
| Effect of dilutive stock options | 208,896 | 140,297 | 187,131 | 134,384 |
| Weighted average common shares and common stock equivalents | 11,522,519 | 11,462,945 | 11,478,306 | 11,314,024 |
| Diluted EPS | \$ 0.28 | \$ 0.24 | \$ 0.77 | \$ 0.63 |

8

5. 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 |
|-------------------|-------------------|------------------------------|-------------------------------|----------------------------|
| December 31, 2006 | | | | |
| Trust preferred | \$ 5,000 | \$ 38 | \$ - | \$ 5,038 |
| Agency securities | 12,175 | - | (81) | 12,094 |
| Municipal bonds | 3,475 | 41 | - | 3,516 |
| Total | \$ 20,650 | \$ 79 | \$ (81) | \$ 20,648 |

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):

| | Amortized Cost | Estimated Fair Value |
|--|-------------------|----------------------------|
| December 31, 2006 | | |
| | ----- | ----- |
| Due in one year or less | \$ 12,744 | \$ 12,666 |
| Due after one year through five years | 1,021 | 1,038 |
| Due after five years through ten years | 618 | 640 |
| Due after ten years | 6,267 | 6,304 |
| | ----- | ----- |
| Total | \$ 20,650 | \$ 20,648 |
| | ===== | ===== |

Investment securities with an amortized cost of \$7.2 million and \$10.2 million and a fair value of \$7.1 million and \$10.1 million at December 31, 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 December 31, 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 \$491,000 and \$495,000 and a fair value of \$497,000 and \$504,000 at December 31, 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 December 31, 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 December 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 |
| Agency securities | \$ - | \$ - | \$ 12,094 | \$ (81) | \$ 12,094 | \$ (81) |

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):

| 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 |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | | | | | |
|-------------------|---------|---------|----------|----------|-----------|----------|
| 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 nine-month periods ended December 31, 2006 and 2005.

9

6. MORTGAGE-BACKED SECURITIES

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

| December 31, 2006 | Gross Amortized Cost | Gross Unrealized Gains | Estimated Unrealized Losses | Fair Value |
|--|----------------------|------------------------|-----------------------------|-----------------|
| Real estate mortgage investment conduits | \$ 1,033 | \$ 4 | \$ - | \$ 1,037 |
| FHLMC mortgage-backed securities | 120 | 1 | - | 121 |
| FNMA mortgage-backed securities | 194 | 4 | - | 198 |
| Total | \$ 1,347 | \$ 9 | \$ - | \$ 1,356 |

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):

| December 31, 2006 | Amortized Cost | Estimated Fair Value |
|--|-----------------|----------------------|
| Due in one year or less | \$ - | \$ - |
| Due after one year through five years | - | - |
| Due after five years through ten years | 14 | 15 |
| Due after ten years | 1,333 | 1,341 |
| Total | \$ 1,347 | \$ 1,356 |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Mortgage-backed securities held to maturity with an amortized cost of \$1.0 million and \$1.4 million and a fair value of \$1.0 million and \$1.4 million at December 31, 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 \$144,000 and \$199,000 and a fair value of \$146,000 and \$203,000 at December 31, 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):

| | Gross Amortized Cost | Gross Unrealized Gains | Estimated Unrealized Losses | Fair Value |
|---|----------------------------|------------------------------|-----------------------------------|---------------|
| December 31, 2006 ----- | | | | |
| Real estate mortgage investment conduits | \$ 1,121 | \$ 16 | \$ (4) | \$ 1,133 |
| FHLMC mortgage-backed securities | 5,897 | - | (178) | 5,719 |
| FNMA mortgage-backed securities | 123 | 2 | - | 125 |
| | ----- | ----- | ----- | ----- |
| Total | \$ 7,141 | \$ 18 | \$ (182) | \$ 6,977 |
| | ===== | ===== | ===== | ===== |
| March 31, 2006 ----- | | | | |
| Real estate mortgage investment conduits | \$ 1,326 | \$ 19 | \$ (6) | \$ 1,339 |
| FHLMC mortgage-backed securities | 6,951 | - | (316) | 6,635 |
| FNMA mortgage-backed securities | 159 | 2 | (1) | 160 |
| | ----- | ----- | ----- | ----- |
| Total | \$ 8,436 | \$ 21 | \$ (323) | \$ 8,134 |
| | ===== | ===== | ===== | ===== |

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

| December 31, 2006 ----- | Amortized Cost | Estimated Fair Value |
|--|-------------------|----------------------------|
| | ----- | ----- |
| Due in one year or less | \$ 2 | \$ 2 |
| Due after one year through five years | 74 | 74 |
| Due after five years through ten years | 6,420 | 6,239 |
| Due after ten years | 645 | 662 |
| | ----- | ----- |
| Total | \$ 7,141 | \$ 6,977 |
| | ===== | ===== |

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 \$7.0 million and \$8.3 million and a fair value of \$6.9 million and \$8.0 million at December 31, 2006 and March 31, 2006, respectively, were pledged as collateral for FHLB advances. Mortgage-backed securities available for sale with an amortized cost of \$2,000 and \$17,000 and a fair value of \$2,000 and \$18,000 at December 31, 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 mortgage-backed securities, the amount of unrealized losses and the length of time these unrealized losses existed as of December 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 | \$ - | \$ - | \$ 429 | \$ (4) | \$ 429 | \$ (4) |
| FHLMC mortgage-backed securities | - | - | 5,720 | (178) | 5,720 | (178) |
| FNMA mortgage-backed securities | 2 | - | - | - | 2 | - |
| Total temporarily impaired securities | \$ 2 | \$ - | \$ 6,149 | \$ (182) | \$ 6,151 | \$ (182) |

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 nine months ended December 31, 2006 and 2005.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

7. LOANS RECEIVABLE

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

| | December 31, 2006 ----- | March 31, 2006 ----- |
|---------------------------|-------------------------------|----------------------------|
| Residential: | | |
| One-to-four family | \$ 33,416 | \$ 32,488 |
| Multi-family | 3,147 | 2,157 |
| Construction: | | |
| One-to-four family | 91,245 | 81,572 |
| Commercial real estate | 49,750 | 47,079 |
| Commercial | 72,220 | 59,834 |
| Consumer: | | |
| Secured | 32,153 | 29,781 |
| Unsecured | 1,118 | 1,415 |
| Land | 62,207 | 49,558 |
| Commercial real estate | 364,623 | 330,705 |
| | ----- | ----- |
| | 709,879 | 634,589 |
| Less: | | |
| Deferred loan fees, net | 3,980 | 4,352 |
| Allowance for loan losses | 8,628 | 7,221 |
| | ----- | ----- |
| Loans receivable, net | \$ 697,271 | \$ 623,016 |
| | ===== | ===== |

11

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 December 31, 2006 and March 31, 2006, the Bank had no loans to any one borrower in excess of the regulatory limit and also had no individual industry concentrations of credit.

8. ALLOWANCE FOR LOAN LOSSES

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

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|----------|-----------------------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | ----- | ----- | ----- | ----- |
| Beginning balance | | | | |
| | \$ 8,263 | \$ 6,752 | \$ 7,221 | \$ 4,395 |
| Provision for losses | 375 | 400 | 1,325 | 1,300 |
| Charge-offs | (46) | (116) | (49) | (627) |
| Recoveries | 36 | 14 | 131 | 94 |
| Allowance transferred from American Pacific Bank ("APB") acquisition | - | - | - | 1,888 |
| | ----- | ----- | ----- | ----- |
| Total allowance for loan losses | 8,628 | 7,050 | 8,628 | 7,050 |
| Allowance for unfunded commitments | 355 | 352 | 355 | 352 |
| | ----- | ----- | ----- | ----- |
| Allowance for credit losses | \$ 8,983 | \$ 7,402 | \$ 8,983 | \$ 7,402 |

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 December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|--------|-----------------------------------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Beginning balance | \$ 385 | \$ 408 | \$ 362 | \$ 253 |
| Net change in allowance for unfunded loan commitments and lines of credit | (30) | (56) | (7) | 99 |
| Ending balance | \$ 355 | \$ 352 | \$ 355 | \$ 352 |

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 December 31, 2006 and March 31, 2006, the Company's recorded investment in impaired loans was \$1.3 million and \$415,000 respectively. At December 31, 2006, an allowance for credit losses related to these loans of \$110,000 was determined in accordance with the SFAS No. 114, Accounting by Creditors for Impairment of a Loan. The average investment in impaired loans was \$1.1 million, \$1.0 million and \$889,000 during the nine months ended December 31, 2006, December 31, 2005 and the year ended March 31, 2006, respectively. Interest income recognized on impaired loans was \$85,000, \$73,000 and \$100,000 for the nine months ended December 31, 2006, December 31, 2005, and the year ended March 31, 2006, respectively. The gross amount of interest income on nonaccrual loans that would have been recorded during the nine months ended December 31, 2006 and December 31, 2005 if the nonaccrual loans had been current in accordance with their original terms was \$53,000 and \$74,000, respectively. There were no loans past due 90 days or more and still accruing interest at December 31, 2006 and March 31, 2006.

9. 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.

12

10. 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 December 31, | | Nine Months Ended December 31, | |
|-------------------------------------|------------------------------------|--------|-----------------------------------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Balance at beginning of period, net | \$ 368 | \$ 414 | \$ 384 | \$ 470 |
| Additions | 47 | 29 | 115 | 94 |
| Amortization | (53) | (54) | (150) | (186) |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | | | |
|--|--------|--------|--------|--------|
| Change in valuation allowance | 12 | 14 | 25 | 25 |
| | ----- | ----- | ----- | ----- |
| Balance at end of period, net | \$ 374 | \$ 403 | \$ 374 | \$ 403 |
| | ===== | ===== | ===== | ===== |
| | | | | |
| Valuation allowance at beginning of period | \$ 47 | \$ 73 | \$ 60 | \$ 84 |
| Change in valuation allowance | (12) | (14) | (25) | (25) |
| | ----- | ----- | ----- | ----- |
| Valuation allowance at end of period | \$ 35 | \$ 59 | \$ 35 | \$ 59 |
| | ===== | ===== | ===== | ===== |

The Company evaluates MSRs for impairment by stratifying MSRs based on the predominant risk characteristics of the underlying financial assets. At December 31, 2006 and March 31, 2006, the fair value of MSRs totaled \$1.1 million, respectively. The December 31, 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 1192.

Remaining amortization expense for the net carrying amount of MSRs at December 31, 2006 is estimated as follows (in thousands):

| | |
|------------|--------------------------|
| | Year Ending March 31, |
| | ----- |
| 2007 | \$ 43 |
| 2008 | 125 |
| 2009 | 90 |
| 2010 | 50 |
| 2011 | 32 |
| After 2011 | 34 |
| | ----- |
| Total | \$ 374 |
| | ===== |

11. CORE DEPOSIT INTANGIBLE

Net unamortized core deposit intangible totaled \$755,000 at December 31, 2006 and \$895,000 at March 31, 2006. Amortization expense related to the core deposit intangible during the nine months ended December 31, 2006 and 2005 totaled \$140,000 and \$157,000, respectively.

Remaining amortization expense for the net core deposit intangible at December 31, 2006 is estimated to be as follows (in thousands):

| | |
|------------|--------------------------|
| | Year Ending March 31, |
| | ----- |
| 2007 | \$ 44 |
| 2008 | 155 |
| 2009 | 131 |
| 2010 | 111 |
| 2011 | 95 |
| After 2011 | 219 |
| | ----- |
| Total | \$ 755 |
| | ===== |

12. BORROWINGS

Borrowings are summarized as follows (in thousands):

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | At December 31, 2006 ----- | At March 31, 2006 ----- |
|---------------------------------|-------------------------------|----------------------------|
| Federal Home Loan Bank advances | \$66,600 | \$46,100 |
| Weighted average interest rate: | 5.35% | 4.65% |

13

Borrowings have the following maturities at December 31, 2006 (in thousands):

| | |
|-------|----------|
| 2007 | \$61,600 |
| 2008 | 5,000 |
| | ----- |
| Total | \$66,600 |
| | ===== |

13. JUNIOR SUBORDINATED DEBENTURE

Riverview Bancorp Statutory Trust I (the "Trust"), a wholly-owned subsidiary trust established by Bancorp, 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 Trust Preferred 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. The Trust Preferred Securities represent undivided beneficial interests in the Trust, which was established for the purpose of issuing the Trust Preferred 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 Trust Preferred Securities may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The Trust 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 Bancorp to purchase \$7.2 million of Floating Rate Junior Subordinated Debentures ("Debentures") of Bancorp. Bancorp's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by Bancorp 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 by the Debentures. Bancorp has the right to redeem the Debentures in whole or in part after year five on any coupon date, at a redemption price specified by the Debentures plus any accrued but unpaid interest to the redemption date.

The Debentures issued by Bancorp to the Trust totaling \$7.0 million, are reflected in the Bancorp's Consolidated Balance Sheets in the liabilities section at December 31, 2006, under the caption "Junior subordinated debenture." Interest expense on the Debentures is recorded in interest expense on borrowings in the Consolidated Statements of Income. Bancorp has included \$217,000 in other assets in the Consolidated Balance Sheets at December 31, 2006, for the common capital securities issued by the Trust. Proceeds from the Trust Preferred Securities totaling \$5.0 million were invested in the Bank and Bancorp retained the remaining \$2.0 million for general corporate purposes.

14

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

The following table is a summary of the terms of the Trust Preferred Securities at December 31, 2006:

| Issuance Trust | Issuance Date | Amount Outstanding | Rate Type(1) | Initial Rate | Rate at 12/31/06 | Maturing Date |
|---|---------------|--------------------|--------------|--------------|------------------|---------------|
| (Dollars in thousands) | | | | | | |
| Riverview Bancorp, Inc. Statutory Trust 1 | 12/2005 | \$ 7,000 | Variable | 5.88% | 6.72% | 12/2035 |

(1) The Trust Preferred Securities reprice quarterly.

The Trust Preferred Securities qualify as Tier 1 capital of Bancorp to the extent permitted by Federal Reserve Board regulations.

14. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for the Company on April 1, 2008 and is not expected to have a material effect on the Company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a potential current year misstatement. Prior to SAB 108, companies might evaluate the materiality of financial-statement misstatements using either the income statement or balance approach, with the income statement approach focusing on new misstatements added in the current year, and the balance sheet approach focusing on the cumulative amount of misstatement present in a company's balance sheet. Misstatements that would be material under one approach could be viewed as immaterial under another approach, and not be corrected. SAB 108 now requires that companies view financial statement misstatements as material if they are material according to either the income statement or balance sheet approach. SAB 108 is effective for the Company for all financial statements issued by the Company after March 31, 2007 and is not expected to have a material effect on the Company's consolidated financial statements.

In July 2006, FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 ("FIN 48" or the "Interpretation"). FIN 48 establishes a recognition threshold and measurement for income tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a two-step evaluation process for tax positions. The first step is recognition and the second is measurement. For recognition, an enterprise judgmentally determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold it is measured and recognized in the financial statements. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. Tax positions that meet the more-likely-than-not recognition threshold at the effective date of FIN 48 may

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

be recognized or, continue to be recognized, upon adoption of this Interpretation. The cumulative effect of applying the provisions of FIN 48 shall be reported as an adjustment to the opening balance of retained earnings for that fiscal year. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently analyzing the effects of FIN 48.

15

15. 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 \$355,000 at December 31, 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 December 31, 2006 (in thousands):

| | Contract or Notional Amount ----- |
|---|--|
| Commitments to originate loans: | |
| Adjustable-rate | \$ 22,181 |
| Fixed-rate | 2,631 |
| Standby letters of credit | 1,957 |
| Undisbursed loan funds, and unused lines of credit | 176,698 ----- |
| Total | \$ 203,467 ===== |

At December 31, 2006, the Company had no firm commitments to sell residential loans to the FHLMC. Typically, these agreements are short term fixed rate commitments and no material gain or loss is likely.

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 December 31, 2006,

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

loans under warranty totaled \$111.9 million, which substantially represents the 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 December 31, 2006, scheduled maturities of certificates of deposit, FHLB advances and future minimum operating lease commitments were as follows (in thousands):

| | Within 1 year | Over 1-3 Years | Over 3-5 Years | Over 5 Years | Total Balance |
|-------------------------------------|--------------------|----------------------|----------------------|-------------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| Certificates of deposit | \$151,607 | \$48,421 | \$ 5,994 | \$ 3,083 | \$209,105 |
| FHLB advances | 66,600 | - | - | - | 66,600 |
| Operating leases | 1,636 | 3,123 | 1,742 | 4,527 | 11,028 |
| Total other contractual obligations | ----- \$219,843 | ----- \$51,544 | ----- \$ 7,736 | ----- \$ 7,610 | ----- \$286,733 |
| | ===== | ===== | ===== | ===== | ===== |

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. 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 provisions 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

16

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 and specifically disclaims any obligation to publish revised forward-looking statements to reflect the occurrence of unanticipated events or circumstances after the date hereof. These risks could cause our actual results for 2007 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, the Company.

Critical Accounting Policies

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Critical accounting policies and estimates are discussed in our 2006 Form 10-K under the Item 7 "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 the Company's critical accounting policies and estimates as compared to the disclosure contained in the Company's 2006 Form 10-K.

Non-GAAP Financial Information

This report contains certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America (GAAP). These measures include net interest income on a fully tax equivalent basis and net interest margin on a fully tax equivalent basis. Management uses these non-GAAP measures in its analysis of the Company's performance. The tax equivalent adjustment to net interest income recognizes the income tax savings when comparing taxable and tax-exempt assets and assumes a 34% tax rate. Management believes that it is a standard practice in the banking industry to present net interest income and net interest margin on a fully tax equivalent basis, and accordingly believes that providing these measures may be useful for peer comparison purposes. These disclosures should not be viewed as substitutes for the results determined to be in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of net interest income on a fully tax equivalent basis to net interest income and net interest margin on a fully tax equivalent basis to net interest margin are contained in the tables under "Net Interest Income."

Executive Overview

Financial Highlights. Net income for the three months ended December 31, 2006 was \$3.2 million, or \$0.29 per basic share (\$0.28 per diluted share), compared to net income of \$2.7 million, or \$0.24 per basic share (\$0.24 per diluted share) for the three months ended December 31, 2005. Net interest income after provision for loan losses increased \$800,000 for the three months ended December 31, 2006 compared to the same quarter last year. Non-interest income increased in the categories of fees and service charges, asset management fees, gain on sale of loans held for sale and bank-owned life insurance. These increases were partially offset by decreases in loan servicing income, gain on sale of land and fixed assets and a gain on sale of credit card portfolio. The Company's operating results reflect a \$313,000 increase in non-interest expense to \$6.5 million for the three months ended December 31, 2006 compared to \$6.1 million for the comparable period in the prior year. The \$313,000 increase reflects primarily the increases in occupancy, depreciation, advertising, marketing, state and local taxes for the three months ended December 31, 2006 compared to the three months ended December 31, 2005.

The annualized return on average assets was 1.53% for the three months ended December 31, 2006, compared to 1.50% for the three months ended December 31, 2005. For the same periods, the annualized return on average common equity was 13.0% compared to 11.90%, respectively. The efficiency ratio, which is defined as the percentage of non-interest expenses to total revenue excluding intangible asset amortization, was 54.52% for the third quarter of fiscal 2007 compared to 56.82% for the same period last year.

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 permanent and construction mortgage loans secured by

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

commercial real estate, one- to four- family residential real estate, multi-family properties. The Company also originates non-mortgage loans providing financing for business or "commercial" and consumer purposes. Commercial real estate loans (including commercial real estate construction loans) and commercial loans have increased from 30.0% and 8.0% of the loan portfolio, respectively, at March 31, 2002 to 58.4% and 10.2% of the loan portfolio, respectively, at December 31, 2006. A significant increase in loans came from the April

17

2005 acquisition of APB. 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 significant amount of commercial and commercial real estate loans. A related goal is to increase the proportion of personal and business checking account deposits used to fund these new loans. Significant portions of the Company's commercial and commercial real estate loans carry adjustable rates, higher yields or shorter terms and higher credit risk than traditional fixed-rate one- to four- family residential mortgages. Our strategic plan also stresses increased emphasis on non-interest income, including asset management fees and deposit service charges. Our 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. We believe we are well positioned to attract new customers and to increase our market share given that our administrative headquarters and ten of our 18 branches are located in Clark County, the second fastest growing county in the State of Washington according to the U.S. Census Bureau projected census estimates as of July 1, 2005. Furthermore, the Company's acquisition of APB positioned it for growth in the vibrant Portland, Oregon market. The Company has four branches in the Oregon market with three located in the Portland area.

In order to support the Company's 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 and in our infrastructure. The Company's non-interest expense reflects this investment and will remain relatively high as a percentage of its average assets for the foreseeable future as a result of the emphasis on growth and local, personal service. Controlling our non-interest expenses remains a high priority for the Company's management.

The Company continuously reviews new products and services to provide its customers more financial options. With the Company's emphasis on the growth of non-interest income and control of non-interest expense, all new technology and services are generally 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 its online banking services, which allows customers to conduct a full range of services on a real-time basis, including balance inquiries, transfers and electronic bill paying. The Company's online service has also enhanced the delivery of cash management services to commercial customers.

With the Company's home office and seven branches located in Vancouver, Washington and branch offices located in Camas, Washougal, Stevenson, White Salmon, Battle Ground, Goldendale and Longview, Washington, the Company

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

continues to provide local, personal service to its customers located in Southwest Washington. The acquisition of APB resulted in three offices in Oregon, two in Portland metropolitan area and one in Aumsville, Oregon. In November 2006, the Company opened a new full service branch and commercial lending center located at NE 104th Avenue and Halsey (Gateway branch) in the Portland, 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. Business banking services are offered by the Business and Professional Banking Division located at the downtown Vancouver branch and Portland Halsey 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 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 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 December 31, 2006 and March 31, 2006

At December 31, 2006, the Company had total assets of \$835.6 million, compared with \$763.8 million at March 31, 2006. The \$71.8 million increase in total assets was primarily attributable to the organic growth in the loan portfolio.

Cash, including interest-earning accounts, totaled \$30.4 million at December 31, 2006, compared to \$31.3 million at March 31, 2006.

At December 31, 2006 there were no loans held for sale, 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.

18

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 \$697.3 million at December 31, 2006, compared to \$623.0 million at March 31, 2006, an increase of \$74.3 million. Increases were experienced in residential loans of \$1.9 million, one-to-four family construction loans of \$9.7 million, commercial real estate construction loans of \$2.7 million, commercial loans of \$12.4 million, land of \$12.6 million and commercial real estate of \$33.9 million. A substantial portion of the loan

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

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 \$20.6 million at December 31, 2006, compared to \$24.0 million at March 31, 2006. The decrease was attributable to maturities and scheduled cash flows.

Mortgage-backed securities available for sale totaled \$7.0 million at December 31, 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 December 31, 2006 and March 31, 2006. As of December 31, 2006, there have been no events or changes in circumstances that would indicate a potential impairment.

Core deposit intangible decreased \$140,000 to \$755,000 at December 31, 2006 from \$895,000 at March 31, 2006 due to amortization.

Bank owned life insurance increased to \$13.5 million at December 31, 2006, from \$13.1 million at March 31, 2006, reflecting an increase in the cash surrender value of the policies.

Deposits totaled \$651.2 million at December 31, 2006, compared to \$607.0 million at March 31, 2006. As market interest rates have increased customers have moved funds to higher interest accounts and the balances in the interest checking accounts and money market deposit accounts have increased. At December 31, 2006, the balance of interest checking accounts had increased \$15.9 million to \$145.3 million from \$129.5 million at March 31, 2006. Money market deposit accounts totaled \$179.0 million at December 31, 2006 compared to \$137.5 million at March 31, 2006. Certificates of deposit balances at December 31, 2006 and March 31, 2006 were \$209.1 million and \$207.1 million, respectively.

FHLB advances totaled \$66.6 million at December 31, 2006 and \$46.1 million at March 31, 2006. This \$20.5 million increase along with our deposit growth was used to fund the increases in the Company's loan portfolio.

Shareholders' Equity and Capital Resources

Shareholders' equity increased \$6.3 million to \$98.0 million at December 31, 2006 from \$91.7 million at March 31, 2006. The increase in equity of \$8.8 million from earnings for the nine months was partially offset by cash dividends declared to shareholders of \$3.3 million. Exercise of stock options, earned ESOP shares and the net tax effect of SFAS No. 115 adjustment to securities comprised the remaining \$800,000 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 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, Tier I capital to tangible assets and tangible capital to tangible assets (set forth in the

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

table below). Management believes the Bank meets all capital adequacy requirements to which it is subject as of December 31, 2006.

To be categorized as "well capitalized," the Bank must maintain minimum total capital and Tier I capital to risk-weighted assets, Tier I capital to tangible 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

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 | Amount | Ratio |
| December 31, 2006 | | | | | | |
| Total Capital: | | | | | | |
| (To Risk-Weighted Assets) | \$83,794 | 11.22% | \$59,725 | 8.0% | \$74,657 | 10.0% |
| Tier I Capital: | | | | | | |
| (To Risk-Weighted Assets) | 75,276 | 10.08 | 29,863 | 4.0 | 44,794 | 6.0 |
| Tier I Capital: | | | | | | |
| (To Tangible Assets) | 75,276 | 9.33 | 24,194 | 3.0 | 40,324 | 5.0 |
| Tangible Capital: | | | | | | |
| (To Tangible Assets) | 75,276 | 9.33 | 12,097 | 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 | 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 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 total capital at December 31, 2006 (in thousands):

| | |
|---------------------------------|-----------|
| Riverview Community Bank Equity | \$101,896 |
| Net unrealized securities loss | 109 |
| Goodwill and other intangibles | (26,692) |
| Servicing asset | (37) |
| | ----- |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | |
|-----------------------------|-----------|
| Tangible capital | 75,276 |
| General valuation allowance | 8,518 |
| | ----- |
| Total capital | \$ 83,794 |
| | ===== |

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, deposit withdrawals and continuing operations, 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 December 31, 2006, cash totaled \$30.4 million, or 3.6% 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 December 31, 2006, the Bank had \$66.6 million in outstanding advances from the FHLB of Seattle under an available credit facility of \$251.8 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

20

Reserve discount window at December 31, 2006. The Bank had no borrowings outstanding under either of these credit arrangements at December 31, 2006.

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 securities. 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.

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

For further information regarding the Company's off-balance sheet arrangements and other contractual obligations, see Note 15 of the Notes to Consolidated Financial Statements contained herein.

Asset Quality

The allowance for loan losses was \$8.6 million at December 31, 2006 and \$7.2 million at March 31, 2006. Management believes the allowance for loan losses at December 31, 2006 is adequate to cover probable credit losses existing in the loan portfolio at that date. 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. While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, no assurances, however, can be given that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of the Bank's allowance for loan losses is subject to review by bank regulators, as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

Non-performing assets were \$1.3 million, or 0.15% of total assets at December 31, 2006, compared with \$415,000 or 0.05% of total assets at March 31, 2006. The \$1.3 million balance of nonaccrual loans is composed of one commercial loan and two commercial real estate loans. The following table sets forth information regarding the Company's non-performing assets.

21

| | December 31, 2006 | March 31, 2006 |
|--|------------------------|-------------------|
| | ----- | ----- |
| | (Dollars in thousands) | |
| Loans accounted for on a nonaccrual basis: | | |
| Commercial real estate | \$1,246 | \$ 415 |
| Commercial | 30 | - |
| | ----- | ----- |
| Total | 1,276 | 415 |
| | ----- | ----- |
| Accruing loans which are contractually past due 90 days or more | - | - |
| | ----- | ----- |
| Total of nonaccrual and 90 days past due loans | 1,276 | 415 |
| | ----- | ----- |
| Real estate owned (net) | - | - |
| | ----- | ----- |
| Total non-performing assets | \$1,276 | \$ 415 |
| | ===== | ===== |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | |
|--|-------|-------|
| 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% |

As of December 31, 2006 and March 31, 2006, other loans of concern totaled \$4.2 million and \$3.7 million, respectively. Other loans of concern consist of loans with respect to which known information concerning possible credit problems with the borrowers or the cash flows of the collateral securing the respective loans has caused management to be concerned about these isolated instances of the ability of the borrowers to comply with present loan repayment terms, which may result in the future inclusion of such loans in the nonaccrual category.

Comparison of Operating Results for the Three Months Ended December 31, 2006 and 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 December 31, 2006 was \$9.3 million, representing a \$775,000, or 9.1% increase, from \$8.5 million during the same prior year period. This improvement reflects a 16.5% increase in the average balance of interest earning assets as a result of increased loan originations primarily in commercial real estate loans, partially offset by a 20.8% increase in the average balance of interest-bearing liabilities to \$641.6 million for the three months ended December 31, 2006 from \$531.2 million for the comparable period in 2005 as a result of the increase in FHLB borrowings and deposit growth. Average interest-earning assets to average interest-bearing liabilities totaled 118.04% for the three-month period ended December 31, 2006 compared to 122.39% in the same prior year period. The net interest margin for the quarter ended December 31, 2006 was 4.89% compared to 5.23% for the quarter December 31, 2005. The growth in the higher yielding money market deposit accounts reflects the impact that the inverted/flat yield curve has had on the customers' choice of deposit accounts. The Bank's sizeable adjustable rate loan portfolio and emphasis on consumer, commercial and construction loans with relatively short-terms to maturity has contributed to minimizing the negative impact of the currently inverted/flat yield curve.

Interest Income. Interest income increased \$3.8 million, or 30.8%, to \$16.1 million for the three months ended December 31, 2006 compared to \$12.3 million for the three months ended December 31, 2005. The yield on interest-earning

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

assets was 8.43% for the three months ended December 31, 2006 compared to 7.51% for the same three months

22

ended December 31, 2005. The Federal Reserve Board increased federal funds interest rates four times during the calendar year 2006, resulting in improved yields on both loans and investments upon repricing to the higher current interest rates.

The Bank received a \$7,350 dividend on the FHLB of Seattle stock during the quarter ended December 31, 2006 and no dividend for the quarter ended December 31, 2005. The FHLB of Seattle has been operating under a regulatory directive since May 2005. In December 2006, FHLB of Seattle announced that quarterly cash dividends would resume with payment of a cash dividend in December 2006.

Interest Expense. Interest expense increased \$3.0 million to \$6.8 million for the three months ended December 31, 2006, or 80.4% compared to \$3.7 million for the three months ended December 31, 2005. Average interest-bearing liabilities increased \$110.4 million to \$641.6 million for the three months ended December 31, 2006 compared to \$531.2 million for the same prior year period. The significant increase in interest expense primarily resulted from the higher rates of interest paid on deposits and FHLB borrowings attributable to Federal Reserve Board short-term interest rate increases during the year ended December 31, 2006. The weighted average interest rate on total deposits increased to 3.97% for the three months ended December 31, 2006 from 2.67% for the same period in the prior year. The weighted average cost of FHLB borrowings, junior subordinated debenture and capital lease obligations increased to 5.51% for the three months ended December 31, 2006 from 4.22% for the same period in the prior year.

23

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.

| | Three Months Ended December 31, | | | | | |
|--------------------------|---------------------------------|-----------|----------|---------------|----------|-------|
| | ----- 2006 | | | ----- 2005 | | |
| | Interest | | Interest | | Interest | |
| | Average | Yield/ | Average | and | Yield/ | Cost |
| | Balance | Cost | Balance | Dividends | Cost | Cost |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | (Dollars in thousands) | | | | | |
| Interest-earning assets: | | | | | | |
| Real estate loans | \$609,503 | \$ 13,427 | 8.74% | \$498,510 | \$ 9,956 | 7.92% |
| Non-real estate loans | 102,120 | 2,190 | 8.51 | 95,418 | 1,827 | 7.60 |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | | | | | |
|--|-----------|----------|---------|-----------|----------|---------|
| Total net loans (1) | 711,623 | 15,617 | 8.71 | 593,928 | 11,783 | 7.87 |
| Mortgage-backed securities (2) | 8,761 | 102 | 4.62 | 11,675 | 128 | 4.35 |
| Investment securities (2)(3) | 22,524 | 280 | 4.93 | 24,141 | 276 | 4.54 |
| Daily interest-bearing assets | 6,829 | 89 | 5.17 | 13,023 | 126 | 3.84 |
| Other earning assets(4) | 7,567 | 12 | 0.63 | 7,350 | - | - |
| Total interest-earning assets | 757,304 | 16,100 | 8.43 | 650,117 | 12,313 | 7.51 |
| Non-interest-earning assets: | | | | | | |
| Office properties and equipment, net | 21,452 | | | 12,945 | | |
| Other non-interest-earning assets | 61,634 | | | 63,931 | | |
| Total assets | \$840,390 | | | \$726,993 | | |
| | ===== | | | ===== | | |
| Interest-bearing liabilities: | | | | | | |
| Regular savings accounts | \$ 30,615 | 42 | 0.54 | \$ 40,067 | 56 | 0.55 |
| Interest checking accounts | 144,190 | 1,180 | 3.25 | 123,573 | 545 | 1.75 |
| Money market deposit accounts | 172,492 | 1,937 | 4.46 | 125,943 | 908 | 2.86 |
| Certificates of deposit | 207,028 | 2,389 | 4.58 | 198,677 | 1,781 | 3.56 |
| Total deposits | 554,325 | 5,548 | 3.97 | 488,260 | 3,290 | 2.67 |
| Other interest-bearing liabilities | 87,249 | 1,212 | 5.51 | 42,945 | 457 | 4.22 |
| Total interest-bearing liabilities | 641,574 | 6,760 | 4.18 | 531,205 | 3,747 | 2.80 |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing deposits | 91,140 | | | 94,680 | | |
| Other liabilities | 8,848 | | | 9,479 | | |
| Total liabilities | 741,562 | | | 635,364 | | |
| Shareholders' equity | 98,828 | | | 91,629 | | |
| Total liabilities and shareholders' equity | \$840,390 | | | \$726,993 | | |
| | ===== | | | ===== | | |
| Net interest income (5) | | \$ 9,340 | | | \$ 8,566 | |
| | | ===== | | | ===== | |
| Interest rate spread | | | 4.25% | | | 4.71% |
| | | | ===== | | | ===== |
| Net interest margin | | | 4.89% | | | 5.23% |
| | | | ===== | | | ===== |
| Ratio of average interest-earning assets to average interest-bearing liabilities | | | 118.04% | | | 122.39% |
| | | | ===== | | | ===== |
| Tax equivalent adjustment (3) | | \$ 22 | | | \$ 23 | |
| | | ===== | | | ===== | |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

- (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. Interest and rates are presented on a fully taxable equivalent basis under a tax rate of 34%.
- (4) The FHLB of Seattle has been operating under a regulatory directive since May 2005. In December 2006, FHLB of Seattle announced that quarterly cash dividends would resume with payment in December 2006.

| | Three Months Ended December 31, | |
|--|------------------------------------|---------|
| | 2006 | 2005 |
| Net interest income as reported | \$9,318 | \$8,543 |
| Tax equivalent effect | 22 | 23 |
| Net interest income on a fully Tax equivalent basis | \$9,340 | \$8,566 |

24

The following table sets forth the effects of changing rates and volumes on net interest income of the Company for the quarter ended December 31, 2006 compared to the quarter ended December 31, 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 December 31, 2006 vs. 2005 | | |
|------------------------------------|--|----------|---------------------------------|
| | Increase (Decrease) | | Total Increase (Decrease) |
| | Due to Volume | Rate | |
| | ----- | | |
| | (In thousands) | | |
| Interest Income: | | | |
| Real estate loans | \$ 2,369 | \$ 1,102 | \$ 3,471 |
| Non-real estate loans | 134 | 229 | 363 |
| Mortgage-backed securities | (34) | 8 | (26) |
| Investment securities | (19) | 23 | 4 |
| Daily interest-bearing | (72) | 34 | (38) |
| Other earning assets | - | 14 | 14 |
| | ----- | ----- | ----- |
| Total interest income | 2,378 | 1,410 | 3,788 |
| | ----- | ----- | ----- |
| Interest Expense: | | | |
| Regular savings accounts | (13) | (1) | (14) |
| Interest checking accounts | 104 | 531 | 635 |
| Money market deposit accounts | 410 | 619 | 1,029 |
| Certificates of deposit | 78 | 529 | 607 |
| Other interest-bearing liabilities | 582 | 174 | 756 |
| | ----- | ----- | ----- |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | | |
|------------------------|----------|----------|--------|
| Total interest expense | 1,161 | 1,852 | 3,013 |
| | ----- | ----- | ----- |
| Net interest income | \$ 1,217 | \$ (442) | \$ 775 |
| | ===== | ===== | ===== |

Provision for Loan Losses. The provision for loan losses for the three months ended December 31, 2006 was \$375,000, compared to \$400,000 for the same period in the prior year. Net charge-offs for the current period were \$10,000, compared to net charge-offs of \$102,000 for the same period last year. The ratio of allowance for loan losses and unfunded loan commitments to total net loans was 1.27% at December 31, 2006, compared to 1.22% at December 31, 2005. Annualized net charge-offs to average net loans for the three-month period ended December 31, 2006 was 0.01% compared to annualized net charge-offs of 0.07% for the same period in the prior year. During the quarter ended December 31, 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 December 31, 2006 to be adequate to cover probable losses inherent in the loan portfolio based on the assessment of various factors affecting the loan portfolio as described above under "Asset Quality."

Non-Interest Income. Non-interest income increased \$267,000 to \$2.4 million for the quarter ended December 31, 2006 compared to \$2.1 million for the quarter ended December 31, 2005. Increases in fees and service charges, asset management fees, gains on sale of loans held for sale and bank owned life insurance offset the lower loan servicing income, gain on sale of land and fixed assets and gain on sale of credit card portfolio. The increase of \$75,000 in fees and service charges reflects the increase in fees and service charges on deposit accounts and increased broker loan fees. Asset management fees from fiduciary services increased by \$126,000 to \$504,000 for the quarter ended December 31, 2006, compared to \$378,000 for the quarter ended December 31, 2005. RAM Corp. had \$288.2 million in total assets under management at December 31, 2006, compared to \$219.2 million at December 31, 2005.

In the current quarter, gains on the sale of loans increased \$69,000 to \$150,000, compared to \$81,000 for the quarter ended December 31, 2005 as mortgage refinance activity increased the Company's ability to originate loans for sale.

Non-Interest Expense. Non-interest expense increased \$313,000 to \$6.5 million for the quarter ended December 31, 2006 compared to \$6.1 million for the quarter ended December 31, 2005. The principal component of the Company's non-interest expense is salaries and employee benefits. Salaries and employee benefits were stable at \$3.7 million for the three months ended December 31, 2006 and December 31, 2005, respectively. During the current quarter ended December 31, 2006 the accrual for the ESOP expense at September 30, 2006 was reduced by \$240,000. The adjustment reflects the extension of the current ESOP expiration date of December 31, 2011 to December 31, 2017. ESOP expense represents the cost of the annual allocation of ESOP shares released to the participants. The \$240,000 reduction in ESOP expense reflects the release of 24,633 ESOP shares to the ESOP participants at December 31, 2006 as compared to the original ESOP expense accrual for the release of 49,266 ESOP shares to ESOP participants. The reduced ESOP expense was offset by

increased salary and benefit expense reflecting the increased number of employees. Full-time equivalent employees increased to 254 at December 31,

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

2006 from 236 at December 31, 2005.

Occupancy and depreciation expense totaled \$1.2 million for the three months ended December 31, 2006, compared to \$954,000 for the three months ended December 31, 2005. The increase in occupancy and depreciation expense reflects the opening in Clark County of the Tech Center branch in the fourth quarter fiscal 2006, the Riverview Service Center which opened in the third quarter of fiscal year 2006 and the Riverview Gateway branch in Portland, Oregon, which opened in the current quarter. Data processing expense decreased by \$115,000 to \$220,000 for the three months ended December 31, 2006 compared to the \$335,000 for the three months ended December 31, 2005. The \$115,000 decrease reflects savings from the April 2006 change in service bureaus that perform the Bank's core computer system processing.

The amortization expense of core deposit intangible ("CDI") was \$44,000 for the three months ended December 31, 2006 compared to \$53,000 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 decreased \$49,000 to \$199,000 for the three months ended December 31, 2006, compared to \$248,000 for the three months ended December 31, 2005. Professional fees were higher for the third quarter of the prior year as a result of costs related to the implementation of the Sarbanes-Oxley regulations.

Other non-interest expense increased \$112,000 for the three months ended December 31, 2006 to \$557,000, compared to \$445,000 for the three months ended December 31, 2005.

Provision for Income Taxes. Provision for income taxes was \$1.7 million for the three months ended December 31, 2006, compared to \$1.4 million for the three months ended December 31, 2005. The effective tax rate for three months ended December 31, 2006 was 33.8% compared to 33.6% for the three months ended December 31, 2005. The Company's overall effective tax rate at December 31, 2006 takes into account the estimated Oregon apportionment factors for property, payroll and sales.

Comparison of Operating Results for the Nine Months Ended December 31, 2006 and 2005

Financial Highlights. Net income for the nine months ended December 31, 2006 was \$8.8 million, or \$0.78 per basic share (\$0.77 per diluted share), compared to net income of \$7.1 million, or \$0.64 per basic share (\$0.63 per diluted share) for the nine months ended December 31, 2005. The Company's improved operating results reflect growth in average interest earning-assets and interest-bearing liabilities.

The annualized return on average assets was 1.45% for the nine months ended December 31, 2006, compared to 1.34% for the nine months ended December 31, 2005. For the same periods, the annualized return on average common equity was 12.15% compared to 10.78%. The Company's efficiency ratio (non-interest expense divided by net interest income plus non-interest income) was 56.90% for the nine months ended December 31, 2006 as compared to 60.58% for the same period in the prior year.

Net Interest Income. Net interest income for the nine months ended December 31, 2006 was \$27.5 million, representing a \$3.7 million, or a 15.7% increase, compared to \$23.7 million for the same prior year period. This improvement reflected a 14.0% increase in the average balance of interest-earning assets

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

(primarily increases in the average balance of commercial real estate loans, partially offset by a decrease in the average balance of residential mortgage loans, and mortgage-backed securities, investment securities and daily interest earning accounts) to \$726.9 million. The increase in interest-earning assets was offset by a 16.0% increase in average balance of interest-bearing liabilities (an increase in all deposit categories except savings accounts) to \$609.0 million. The ratio of average interest-earning assets to average interest-bearing liabilities decreased to 119.35% in the nine-month period ended December 31, 2006 from 121.41% in the same prior year period. The ratio indicates that the interest-earning asset growth is being funded more by interest-bearing liabilities as compared to capital and non-interest-bearing demand deposits.

Interest Income. Interest income totaled \$45.6 million and \$34.2 million, for the nine months ended December 31, 2006 and 2005, respectively. The increased interest income of \$11.4 million reflects the 14.0% increase in the average balance of interest earning assets for the current nine month period compared to the same period in the prior year, which was attributable to increased loan originations. The yield on interest-earning assets was 8.33% for the nine months ended December 31, 2006 compared to 7.13% for the nine months ended December 31, 2005. The increased yield in all loan categories reflects the increase in the prime rate and other indices used to originate and reprice our loans as a result of the Federal Reserve Board increasing short-term interest rates during this period.

26

Interest Expense. Interest expense was \$18.1 million for the nine months ended December 31, 2006 an increase of 74.0% from \$10.4 million for the same period in the prior year. Average interest-bearing liabilities increased \$83.9 million to \$609.0 million for the nine months ended December 31, 2006 from \$525.2 million for the same prior year period. The change in interest expense reflects the higher market rates of interest paid on deposits and FHLB borrowings and the increased balance of interest-bearing liabilities when comparing average balances at December 31, 2006 and December 31, 2005. The weighted average interest rate on total deposits increased to 3.72% for the nine months ended December 31, 2006 from 2.46% for the same period in the prior year. The weighted average interest rate of FHLB borrowings, junior subordinated debenture and capital lease obligations increased to 5.39% for the nine months ended December 31, 2006 from 4.35% for same period in the prior year.

27

| Nine Months Ended December 31, | | | | | | |
|---------------------------------|-----------|-----------|----------|-----------|-----------|---------|
| 2006 | | | 2005 | | | |
| Interest | and | Yield/ | Interest | and | Yield/ | |
| Average | Dividends | Cost | Average | Dividends | Cost | |
| Balance | Balance | Balance | Balance | Balance | Balance | Balance |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| (Dollars in thousands) | | | | | | |
| Interest-earning assets: | | | | | | |
| Real estate loans | \$582,192 | \$ 37,931 | 8.65% | \$471,019 | \$ 27,259 | 7.68% |

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

| | | | | | | |
|--|-----------|----------|---------|-----------|----------|---------|
| Non-real estate loans | 98,728 | 6,289 | 8.45 | 98,127 | 5,131 | 6.94 |
| | ----- | ----- | | ----- | ----- | |
| Total net loans (1) | 680,920 | 44,220 | 8.62 | 569,146 | 32,390 | 7.55 |
| Mortgage-backed securities(2) | 9,346 | 325 | 4.62 | 12,654 | 411 | 4.31 |
| Investment securities(2)(3) | 23,116 | 848 | 4.87 | 24,092 | 797 | 4.39 |
| Daily interest-bearing assets | 5,960 | 229 | 5.10 | 24,454 | 630 | 3.42 |
| Other earning assets (4) | 7,567 | 20 | 0.35 | 7,253 | - | - |
| Total interest-earning assets | ----- | ----- | | ----- | ----- | |
| | 726,909 | 45,642 | 8.33 | 637,599 | 34,228 | 7.13 |
| Non-interest-earning assets: | | | | | | |
| Office properties and equipment, net | 20,039 | | | 10,562 | | |
| Other non-interest-earning assets | 61,728 | | | 60,190 | | |
| | ----- | | | ----- | | |
| Total assets | \$808,676 | | | \$708,351 | | |
| | ===== | | | ===== | | |
| Interest-bearing liabilities: | | | | | | |
| Regular savings accounts | \$ 33,721 | 139 | 0.55 | \$ 38,766 | 160 | 0.55 |
| Interest checking accounts | 139,944 | 3,285 | 3.12 | 126,579 | 1,452 | 1.52 |
| Money market deposit accounts | 149,505 | 4,719 | 4.19 | 117,556 | 2,279 | 2.57 |
| Certificates of deposit | 201,048 | 6,535 | 4.31 | 193,619 | 4,929 | 3.38 |
| | ----- | ----- | | ----- | ----- | |
| Total deposits | 524,218 | 14,678 | 3.72 | 476,520 | 8,820 | 2.46 |
| Other interest-bearing liabilities | 84,819 | 3,442 | 5.39 | 48,636 | 1,595 | 4.35 |
| Total interest-bearing liabilities | ----- | ----- | | ----- | ----- | |
| | 609,037 | 18,120 | 3.95 | 525,156 | 10,415 | 2.63 |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing deposits | 94,082 | | | 87,007 | | |
| Other liabilities | 8,947 | | | 8,429 | | |
| | ----- | | | ----- | | |
| Total liabilities | 712,066 | | | 620,592 | | |
| Shareholders' equity | 96,610 | | | 87,759 | | |
| Total liabilities and shareholders' equity | ----- | | | ----- | | |
| | \$808,676 | | | \$708,351 | | |
| | ===== | | | ===== | | |
| Net interest income (5) | | \$27,522 | | | \$23,813 | |
| | | ===== | | | ===== | |
| Interest rate spread | | | 4.38% | | | 4.50% |
| | | | ===== | | | ===== |
| Net interest margin | | | 5.03% | | | 4.96% |
| | | | ===== | | | ===== |
| Ratio of average interest-earning assets to average interest-bearing liabilities | | | 119.35% | | | 121.41% |
| | | | ===== | | | ===== |
| Tax equivalent adjustment (3) | | \$ 64 | | | \$ 77 | |
| | | ===== | | | ===== | |

(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 change in fair value that are

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

reflected as a component of shareholders' equity.

- (3) Tax-equivalent adjustment relates to non-taxable investment interest income. Interest and rates are presented on a fully taxable-equivalent basis under a tax rate of 34%.
- (4) The FHLB of Seattle has been operating under a regulatory directive since May 2005. In December 2006, FHLB of Seattle announced that quarterly cash dividends would resume with payment in December 2006.

| (5) | Nine Months Ended December 31, | |
|--|-----------------------------------|----------|
| | 2006 | 2005 |
| Net interest income as reported | \$27,458 | \$23,736 |
| Tax equivalent effect | 64 | 77 |
| Net interest income on a fully Tax equivalent basis | \$27,522 | \$23,813 |
| | ===== | ===== |

28

The following table sets forth the effects of changing rates and volumes on net interest income of the Company for the nine months ended December 31, 2006 compared to the nine months ended December 31, 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.

| | Nine Months Ended December 31, 2006 vs. 2005 | | |
|------------------------------------|---|----------|------------------------|
| | Increase (Decrease) Due to | | Total |
| | Volume | Rate | Increase (Decrease) |
| | ----- | ----- | ----- |
| | (In thousands) | | |
| Interest Income: | | | |
| Real estate loans | \$ 6,952 | \$ 3,720 | \$10,672 |
| Non-real estate loans | 31 | 1,127 | 1,158 |
| Mortgage-backed securities | (113) | 27 | (86) |
| Investment securities | (34) | 57 | 23 |
| Daily interest-bearing | (602) | 229 | (373) |
| Other earning assets | - | 20 | 20 |
| | ----- | ----- | ----- |
| Total interest income | 6,234 | 5,180 | 11,414 |
| | ----- | ----- | ----- |
| Interest Expense: | | | |
| Regular savings accounts | (21) | - | (21) |
| Interest checking accounts | 167 | 1,666 | 1,833 |
| Money market deposit accounts | 735 | 1,705 | 2,440 |
| Certificates of deposit | 196 | 1,410 | 1,606 |
| Other interest-bearing liabilities | 1,398 | 449 | 1,847 |
| | ----- | ----- | ----- |
| Total interest expense | 2,475 | 5,230 | 7,705 |
| | ----- | ----- | ----- |
| Net interest income | \$ 3,759 | \$ (50) | \$ 3,709 |
| | ===== | ===== | ===== |

Provision for Loan Losses. The provision for loan losses was \$1.3 million for

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

the nine months ended December 31, 2006, unchanged from the same period in the prior year. Net recoveries for the nine months ended December 31, 2006 were \$82,000, compared to \$533,000 net charge-offs for the same period of last year. The ratio of allowance for loan losses to total net loans increased to 1.22% from 1.16% at December 31, 2005. Annualized net recoveries to average net loans for the nine-month period ended December 31, 2006 was 0.02% compared to annualized net charge-offs of 0.12% for the same period in the prior year. During the nine months ended December 31, 2006, management evaluated known and inherent risks in the loan portfolio and changes were made in the estimation, assumptions and allocation of the allowance for loan losses to reflect the changing housing market. The estimated loan loss rate was increased by 0.125% to 1.125% for land and lots for development, speculative construction loans (for properties not under contract) and raw land loans. Management considered the allowance for loan losses at December 31, 2006 to be adequate to cover probable losses inherent in the loan portfolio based on the assessment of various factors affecting the loan portfolio as described above under "Asset Quality".

Non-Interest Income. Non-interest income was stable at \$6.8 million for the nine-month periods ended December 31, 2006 and December 31, 2005, respectively. For the nine months ended December 31, 2006, the fees and service charges decreased \$229,000 to \$4.3 million as compared to \$4.5 million for the same period in the prior year. The \$229,000 decrease in fees and service charges reflects the \$238,000 decrease in credit card fees resulting from the sales of the credit card portfolio. The decrease in credit card fees was partially offset by increases in fees earned on deposit accounts and broker loan fees.

Loan servicing income for the nine months ended December 31, 2006 and December 31, 2005, respectively, includes a \$25,000 write-up to the market value of MSR. For the same nine-month periods in 2006 and 2005, loan-servicing income also included amortization of MSR of \$150,000 and \$186,000, respectively.

Asset management services income was \$1.4 million for the nine months ended December 31, 2006, compared to \$1.1 million for the nine months ended December 31, 2005. RAM Corp. had \$288.2 million in total assets under management at December 31, 2006, compared to \$219.2 million at December 31, 2005.

Non-Interest Expense. Non-interest expense increased \$1.0 million, or 5.4%, to \$19.5 million for the nine-month period ended December 31, 2006, compared to \$18.5 million for the nine months ended December 31, 2005.

29

The principal component of the Company's non-interest expense is salaries and employee benefits. For the nine months ended December 31, 2006, salaries and employee benefits, which include mortgage broker commission compensation, was \$11.1 million, an increase of 5.1% from \$10.5 million for the nine months ended December 31, 2005. As previously discussed during third quarter of fiscal year 2007, the accrual for ESOP expense at September 30, 2006, which is included in salary and employee benefits, was reduced by \$240,000. Full-time equivalent employees increased to 254 at December 31, 2006 from 236 at December 31, 2005, which is principally attributable to the increase in branch and support staff. The addition of the Riverview Service Center, the Tech Center branch and Gateway branch contributed to increases in occupancy, depreciation, telecommunication and other expense. Data processing expense totaled \$777,000 for the nine months ended December 31, 2006, a \$296,000 decrease from \$1.1 million for the same period in prior year. The decrease in data processing expense reflects the savings from the April 2006 change in

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

service bureaus that perform the Bank's core computer processing and the reduction of expense as a result of the sale of the credit card portfolio during second quarter of fiscal year 2006.

The amortization of CDI was \$140,000 for the nine months ended December 31, 2006 compared to \$157,000 for the same period in the prior year.

Provision for Income Taxes. Provision for federal income taxes was \$4.6 million for the nine months ended December 31, 2006, compared to \$3.6 million for the nine months ended December 31, 2005 as a result of higher income before taxes. The effective tax rate for the nine months ended December 31, 2006 was 34.2% compared to 33.6% for the nine months ended December 31, 2005. The Company's overall effective tax rate takes into account 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 2006 Form 10-K.

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 as of December 31, 2006 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 involved 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 were 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)

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

In the quarter ended December 31, 2006, except as referenced above, the Company did not make any changes in its internal control over financial reporting that 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.

30

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.

31

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, on the Company's financial position, results of operations, or liquidity.

Item 1A. Risk Factors

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

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

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

There were no stock repurchases during the quarter ended December 31, 2006.

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. Wyseske (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 4 of Notes to Consolidated Financial Statements contained herein.)
- 31.1 Certifications of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
- 31.2 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

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

reference.

32

- (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 December 31, 2005, and incorporated herein by reference.

33

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

By: /S/ Ron Dobyms

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

Ron Dobyms
Senior Vice President
(Chief Financial and Accounting
Officer)

Date: February 5, 2007

Date: February 5, 2007

34

EXHIBIT INDEX

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

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act

35

Exhibit 31.1

Section 302 Certification

I, Patrick Sheaffer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2006 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 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

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

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: February 5, 2007

/S/ Patrick Sheaffer

Patrick Sheaffer
Chairman and Chief Executive Officer

36

Exhibit 31.2

Section 302 Certification

I, Ron Dobyms, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2006 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;

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

- (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 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: February 5, 2007

/S/ Ron Dobyms

Ron Dobyms
Chief Financial Officer

37

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF
RIVERVIEW BANCORP, INC.
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 for the quarterly period ended December 31, 2006 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 as of the dates and for the periods presented in the financial statements included in such report.

/S/ Patrick Sheaffer

Patrick Sheaffer
Chief Executive Officer

/S/ Ron Dobyms

Ron Dobyms
Chief Financial Officer

Edgar Filing: RIVERVIEW BANCORP INC - Form 10-Q

Dated: February 5, 2007

Dated: February 5, 2007

38