

RIVERVIEW BANCORP INC
Form 10-Q
February 06, 2009
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, 2008

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
(State or other jurisdiction of incorporation
or organization)

91-1838969
(I.R.S.
Employer
I.D.
Number)

900 Washington St., Ste. 900, Vancouver,
Washington
(Address of principal executive offices)

98660
(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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. Check one:

accelerated filer ()	Large	Accelerated filer (X)
Non-accelerated filer ()		Smaller reporting company ()

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

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, 10,923,773 shares outstanding as of February 3, 2009.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND MARCH 31, 2008

(In thousands, except share and per share data) (Unaudited)	December 31, 2008	March 31, 2008
ASSETS		
Cash (including interest-earning accounts of \$6,901 and \$14,238)	23,857	\$ 36,439
Loans held for sale	834	-
Investment securities held to maturity, at amortized cost (fair value of \$530 and none)	528	-
Investment securities available for sale, at fair value (amortized cost of \$8,853 and \$7,825)	8,981	7,487
Mortgage-backed securities held to maturity, at amortized cost (fair value of \$633 and \$892)	635	885
Mortgage-backed securities available for sale, at fair value (amortized cost of \$4,306 and \$5,331)	4,339	5,338
Loans receivable (net of allowance for loan losses of \$16,236 and \$10,687)	805,488	756,538
Real estate and other personal property owned	2,967	494
Prepaid expenses and other assets	5,260	2,679
Accrued interest receivable	3,494	3,436
Federal Home Loan Bank stock, at cost	7,350	7,350
Premises and equipment, net	19,906	21,026
Deferred income taxes, net	4,404	4,571
Mortgage servicing rights, net	282	302
Goodwill	25,572	25,572
Core deposit intangible, net	457	556
Bank owned life insurance	14,614	14,176
TOTAL ASSETS	\$ 928,968	\$ 886,849

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES:

Deposit accounts	\$ 689,827	\$ 667,000
Accrued expenses and other liabilities	6,906	8,654
Advanced payments by borrowers for taxes and insurance	153	393
Federal Home Loan Bank advances	117,100	92,850
Junior subordinated debentures	22,681	22,681
Capital lease obligations	2,659	2,686
Total liabilities	839,326	794,264

COMMITMENTS AND CONTINGENCIES (See Note 15)

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, 2008 – 10,923,773 issued and outstanding	109	109
March 31, 2008 – 10,913,773 issued and outstanding		
Additional paid-in capital	46,856	46,799
Retained earnings	43,499	46,871
Unearned shares issued to employee stock ownership trust	(928)	(976)
Accumulated other comprehensive income (loss)	106	(218)
Total shareholders' equity	89,642	92,585
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 928,968	\$ 886,849

See notes to consolidated financial statements.

RIVERVIEW BANCORP,
INC. AND SUBSIDIARYCONSOLIDATED
STATEMENTS OF
OPERATIONS
FOR THE THREE AND NINE
MONTHS ENDEDDECEMBER 31, 2008 AND
2007(In thousands, except share and
per share data) (Unaudited)

INTEREST INCOME:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	2008	2007
Interest and fees on loans receivable	\$ 12,939	\$ 14,950	\$ 39,688	\$ 44,461
Interest on investment securities – taxable	130	91	307	403
Interest on investment securities – non-taxable	36	35	105	111
Interest on mortgage-backed securities	51	78	167	254
Other interest and dividends	16	182	200	845
Total interest and dividend income	13,172	15,336	40,467	46,074

INTEREST EXPENSE:

Interest on deposits	3,942	5,340	11,848	17,563
Interest on borrowings	859	1,138	3,239	2,131
Total interest expense	4,801	6,478	15,087	19,694
Net interest income	8,371	8,858	25,380	26,380
Less provision for loan losses	1,200	650	11,150	1,100
Net interest income after provision for loan losses	7,171	8,208	14,230	25,280

NON-INTEREST INCOME:

Fees and service charges	1,104	1,269	3,533	4,078
Asset management fees	468	545	1,639	1,606
Net gain on sale of loans held for sale	103	93	236	276
Impairment of investment security	-	-	(3,414)	-
Loan servicing income	38	44	99	110
Bank owned life insurance	144	140	438	419
Other	45	59	240	179
Total non-interest income	1,902	2,150	2,771	6,668

NON-INTEREST EXPENSE:

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Salaries and employee benefits	3,988	4,245	11,612	12,121
Occupancy and depreciation	1,241	1,304	3,725	3,850
Data processing	215	224	622	600
Amortization of core deposit intangible	31	38	99	118
Advertising and marketing expense	174	217	610	869
FDIC insurance premium	130	20	401	58
State and local taxes	164	182	508	531
Telecommunications	113	96	351	292
Professional fees	280	216	730	611
Other	571	469	1,624	1,573
Total non-interest expense	6,907	7,011	20,282	20,623
INCOME (LOSS) BEFORE INCOME TAXES	2,166	3,347	(3,281)	11,325
PROVISION (BENEFIT) FOR INCOME TAXES	691	1,134	(1,351)	3,843
NET INCOME (LOSS)	\$ 1,475	\$ 2,213	\$(1,930)	\$ 7,482
Earnings (loss) per common share:				
Basic	\$ 0.14	\$ 0.21	\$(0.18)	\$ 0.68
Diluted	0.14	0.21	(0.18)	0.67
Weighted average number of shares outstanding:				
Basic	10,699,263	10,684,780	10,690,077	10,992,242
Diluted	10,699,263	10,773,107	10,690,077	11,106,944

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED MARCH 31, 2008
 AND THE NINE MONTHS ENDED DECEMBER 31, 2008

(In thousands, except share data) (Unaudited)	Common Stock		Additional Paid-In Capital	Retained Earnings	Unearned Shares Issued to Employee Stock Ownership Trust	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance April 1, 2007	11,707,980	\$ 117	\$ 58,438	\$ 42,848	\$ (1,108)	\$ (86)	\$ 100,209
Cash dividends (\$0.42 per share)	-	-	-	(4,556)	-	-	(4,556)
Exercise of stock options	95,620	1	707	-	-	-	708
Stock repurchased and retired	(889,827)	(9)	(12,634)	-	-	-	(12,643)
FIN 48 transition adjustment	-	-	-	(65)	-	-	(65)
Earned ESOP shares	-	-	282	-	132	-	414
Tax benefit, stock options	-	-	6	-	-	-	6
	10,913,773	109	46,799	38,227	(976)	(86)	84,073
Comprehensive income:							
Net income	-	-	-	8,644	-	-	8,644
Other comprehensive income:							
Unrealized holding loss on securities of \$132 (net of \$69 tax effect)	-	-	-	-	-	(132)	(132)
Total comprehensive income	-	-	-	-	-	-	8,512
Balance March 31, 2008	10,913,773	109	46,799	46,871	(976)	(218)	92,585
Cash dividends (\$0.135 per share)	-	-	-	(1,442)	-	-	(1,442)
Exercise of stock options	10,000	-	83	-	-	-	83

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Earned ESOP shares	-	-	(26)	-	48	-	22
	10,923,773	109	46,856	45,429	(928)	(218)	91,248
Comprehensive income:							
Net loss	-	-	-	(1,930)	-	-	(1,930)
Other comprehensive income:							
Unrealized holding loss on securities of \$1,929 (net of \$994 tax effect) less reclassification adjustment for net losses included in net income of \$2,253 (net of \$1,161 tax effect)	-	-	-	-	-	324	324
Total comprehensive income	-	-	-	-	-	-	(1,606)
Balance December 31, 2008	10,923,773	\$ 109	\$ 46,856	\$ 43,499	\$ (928)	\$ 106	\$ 89,642

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(In thousands) (Unaudited)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (1,930)	\$ 7,482
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	1,608	1,630
Mortgage servicing rights valuation adjustment	(5)	(27)
Provision for loan losses	11,150	1,100
Noncash expense related to ESOP	22	256
Increase (decrease) in deferred loan origination fees, net of amortization	279	(3,543)
Origination of loans held for sale	(10,974)	(11,909)
Proceeds from sales of loans held for sale	10,149	11,559
Excess tax benefit from stock based compensation	(11)	(8)
Writedown of real estate owned	100	-
Net loss (gain) on loans held for sale, sale of real estate owned, mortgage-backed securities, investment securities and premises and equipment	3,192	(271)
Income from bank owned life insurance	(438)	(419)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(2,571)	(1,135)
Accrued interest receivable	(58)	82
Accrued expenses and other liabilities	(717)	(511)
Net cash provided by operating activities	9,796	4,286
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan originations, net	(62,977)	(30,360)
Proceeds from call, maturity, or sale of investment securities available for sale	480	11,360
Proceeds from call, maturity, or sale of investment securities held to maturity	7	-
Principal repayments on investment securities available for sale	75	75
Purchase of investment securities held to maturity	(536)	-
Purchase of investment securities available for sale	(5,000)	-
Principal repayments on mortgage-backed securities available for sale	1,025	1,078
Principal repayments on mortgage-backed securities held to maturity	250	282
Purchase of premises and equipment and capitalized software	(378)	(1,003)
	174	2

Proceeds from sale of real estate owned and premises and equipment		
Net cash used in investing activities	(66,880)	(18,566)

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase (decrease) in deposit accounts	22,827	(42,795)
Dividends paid	(2,402)	(3,566)
Repurchase of common stock	-	(12,643)
Proceeds from advances from FHLB	1,086,910	235,250
Repayment of advances from FHLB	(1,062,660)	(176,300)
Proceeds from issuance of subordinated debentures	-	15,464
Principal payments under capital lease obligation	(27)	(26)
Net decrease in advance payments by borrowers	(240)	(231)
Excess tax benefit from stock based compensation	11	8
Proceeds from exercise of stock options	83	694
Net cash provided by financing activities	44,502	15,855

NET INCREASE (DECREASE) IN CASH	(12,582)	1,575
CASH, BEGINNING OF PERIOD	36,439	31,423
CASH, END OF PERIOD	\$ 23,857	\$ 32,998

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 15,216	\$ 19,427
Income taxes	1,517	3,729

NONCASH INVESTING AND FINANCING ACTIVITIES:

Transfer of loans to real estate owned, net	\$ 2,753	\$ 74
Dividends declared and accrued in other liabilities	-	1,176
Fair value adjustment to securities available for sale	492	41
Income tax effect related to fair value adjustment	(167)	(14)
Premises and equipment purchases included in accounts payable	5	212
Capitalized software acquired under a service agreement	19	-

See notes to consolidated financial statements.

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

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Quarterly Reports on Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP"). 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, 2008 ("2008 Form 10-K"). The results of operations for the nine months ended December 31, 2008 are not necessarily indicative of the results which may be expected for the fiscal year ending March 31, 2009. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Riverview Bancorp, Inc. ("Bancorp" or the "Company"); its wholly-owned subsidiary, Riverview Community Bank ("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 terminated on October 1, 2008. Accordingly, no further option awards may be granted under the 1998 Plan; however, any awards granted prior to its expiration remain outstanding subject to their terms. Under the 1998 Plan, the Company had the ability to grant both incentive and non-qualified stock options to purchase up to 714,150 shares of its common stock to officers, directors and employees. Each option granted under the 1998 Plan has an exercise price equal to the fair market value of the Company's common stock on the date of the grant, a maximum term of ten years and a vesting period from zero to five years.

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 of Directors. Under the 2003 Plan, the Company may grant both incentive and non-qualified stock options to purchase up to 458,554 shares of its common stock to officers, directors and employees. Each option granted under the 2003 Plan has an exercise price equal to the fair market value of the Company's common stock on the date of grant, a maximum term of ten years and a vesting period from zero to five years. At December 31, 2008, there were options for 198,154 shares of the Company's common stock available for future grant under the 2003 Plan.

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

Nine Months Ended

Year Ended

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	December 31, 2008		March 31, 2008	
	Number	Weighted	Number	Weighted
	of	Average	of Shares	Average
	Shares	Exercise		Exercise
		Price		Price
Balance, beginning of period	424,972	\$ 11.02	526,192	\$ 10.41
Grants	38,500	6.30	20,000	13.42
Options exercised	(10,000)	4.70	(95,620)	7.68
Forfeited	(48,000)	11.71	(25,600)	12.69
Expired	(33,776)	6.88	-	-
Balance, end of period	371,696	\$ 10.99	424,972	\$ 11.02

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

	Nine Months Ended December 31, 2008	Year Ended March 31, 2008
Intrinsic value of options exercised in the period	\$ 31,400	\$ 613,283
Stock options fully vested and expected to vest:		
Number	367,371	422,572
Weighted average exercise price	\$ 11.01	\$ 11.02
Aggregate intrinsic value (1)	\$ -	\$ -
Weighted average contractual term of options (years)	7.61	6.82
Stock options fully vested and currently exercisable:		
Number	317,896	397,372
Weighted average exercise price	\$ 11.47	\$ 10.94
Aggregate intrinsic value (1)	\$ -	\$ -
Weighted average contractual term of options (years)	6.17	6.31

(1) The aggregate intrinsic value of a stock options in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price) that would have been received by the option holders had all option holders exercised. This amount changes based on changes in the market value of the Company's stock.

Stock-based compensation expense related to stock options for the nine months ended December 31, 2008 and 2007 was approximately \$25,000 and \$26,000, respectively. As of December 31, 2008, there was approximately \$51,000 of unrecognized compensation expense related to unvested stock options, which will be recognized over the remaining vesting periods of the underlying stock options through May 2012.

The Company recognizes compensation expense for stock options in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised), "Share-Based Payment," ("SFAS 123R"). The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes based stock option valuation model. The fair value of all awards is amortized on a straight-line basis over the requisite service periods, which are generally the vesting periods. The Black-Scholes model uses the assumptions listed in the table below. The expected 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. During the nine months ended December 31, 2008 and 2007, the Company granted 38,500 and 15,000 stock options, respectively. The weighted average fair value of stock options granted during the nine months ended December 31, 2008 and 2007 was \$1.09 and \$2.31 per option, respectively.

	Risk Free Interest Rate	Expected Life (years)	Expected Volatility	Expected Dividends
Fiscal 2009	2.99%	6.25	20.20%	2.77%
Fiscal 2008	4.82%	6.25	14.69%	3.11%

4. EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the period, without considering any dilutive items. Diluted EPS is computed by dividing net income 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. In accordance with Statement of Position (“SOP”) 93-6, Employer’s Accounting for Employee Stock Ownership Plans, shares owned by the Company’s Employee Stock Ownership Plan (“ESOP”) that have not been allocated are not considered to be outstanding for the purpose of computing earnings per share. For the three and nine months ended December 31, 2008, stock options for 374,334 and 389,322 shares of common stock, respectively, were excluded in computing diluted EPS because they were antidilutive. There were no antidilutive stock options for the three and nine months ended December 31, 2007.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	2008	2007
Basic EPS computation:				
Numerator-net income (loss)	\$ 1,475,000	\$ 2,213,000	\$ (1,930,000)	\$ 7,482,000
Denominator-weighted average common				
shares outstanding	10,699,263	10,684,780	10,690,077	10,992,242
Basic EPS	\$ 0.14	\$ 0.21	\$ (0.18)	\$ 0.68
Diluted EPS computation:				
Numerator-net income (loss)	\$ 1,475,000	\$ 2,213,000	\$ (1,930,000)	\$ 7,482,000
Denominator-weighted average common				
shares outstanding	10,699,263	10,684,780	10,690,077	10,992,242
Effect of dilutive stock options	-	88,327	-	114,702
Weighted average common shares and common stock equivalents				
Diluted EPS	\$ 0.14	\$ 0.21	\$ (0.18)	\$ 0.67

5. INVESTMENT SECURITIES

The amortized cost and approximate fair value of investment securities held to maturity consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2008				
Municipal bonds	\$ 528	\$ 2	\$ -	\$ 530

The contractual maturities of investment securities held to maturity are as follows (in thousands):

	Amortized Cost	Estimated Fair Value
December 31, 2008		
Due in one year or less	\$ -	\$ -
Due after one year through five years	-	-
Due after five years through ten years	528	530
Due after ten years	-	-
Total	\$ 528	\$ 530

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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, 2008				
Trust preferred	\$ 1,586	\$ -	\$ -	\$ 1,586
Agency securities	5,000	101	-	5,101
Municipal bonds	2,267	27	-	2,294
Total	\$ 8,853	\$ 128	\$ -	\$ 8,981
March 31, 2008				
Trust preferred	\$ 5,000	\$ -	\$ (388)	\$ 4,612
Municipal bonds	2,825	50	-	2,875
Total	\$ 7,825	\$ 50	\$ (388)	\$ 7,487

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

	Amortized Cost	Estimated Fair Value
December 31, 2008		
Due in one year or less	\$ 530	\$ 540
Due after one year through five years	5,000	5,102
Due after five years through ten years	620	636
Due after ten years	2,703	2,703
Total	\$ 8,853	\$ 8,981

Investment securities with an amortized cost of \$1.1 million and a fair value of \$1.2 million at December 31, 2008 and March 31, 2008, were pledged as collateral for treasury tax and loan funds held by the Bank. Investment securities with an amortized cost of \$1.3 million and \$484,000 and a fair value of \$1.3 million and \$491,000 at December 31, 2008 and March 31, 2008, respectively, were pledged as collateral for government public funds held by the Bank.

The fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed as of March 31, 2008 are as follows (in thousands):

Description of Securities	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Trust Preferred	\$ 4,612	\$ (388)	-	-	\$ 4,612	\$ (388)

In the second quarter of fiscal 2009, the Company recognized a \$3.4 million non-cash other than temporary impairment (“OTTI”) charge on the above investment security. Based on a number of factors, including the magnitude of the decline in the estimated fair value below the Company’s cost and a decline in the investment rating of the security, management concluded that the decline in value was other than temporary. Accordingly, the non-cash impairment charge was realized on the accompanying consolidated statements of operation. During the third quarter of fiscal 2009, the Company reevaluated the fair value of the above investment security and determined that no further impairment was required at December 31, 2008.

The Company realized no gains or losses on sales of investment securities for the nine-month periods ended December 31, 2008 and 2007.

6. MORTGAGE-BACKED SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2008				
Real estate mortgage investment conduits	\$ 409	\$ -	\$ (2)	\$ 407
FHLMC mortgage-backed	96	-	-	96

securities					
FNMA mortgage-backed securities		130		1	(1) 130
Total	\$	635	\$	1	\$ (3) \$ 633
March 31, 2008					
Real estate mortgage investment conduits	\$	624	\$	2	\$ - \$ 626
FHLMC mortgage-backed securities		104		1	- 105
FNMA mortgage-backed securities		157		4	- 161
Total	\$	885	\$	7	\$ - \$ 892

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

	Amortized Cost	Estimated Fair Value
December 31, 2008		
Due in one year or less	\$ -	\$ -
Due after one year through five years	4	4
Due after five years through ten years	7	7
Due after ten years	624	622
Total	\$ 635	\$ 633

Mortgage-backed securities held to maturity with an amortized cost of \$520,000 and \$631,000 and a fair value of \$517,000 and \$633,000 at December 31, 2008 and March 31, 2008, respectively, were pledged as collateral for government public funds held by the Bank. Mortgage-backed securities held to maturity with an amortized cost of \$112,000 and \$138,000 and a fair value of \$111,000 and \$141,000 at December 31, 2008 and March 31, 2008, 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):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2008				
Real estate mortgage investment conduits	\$ 706	\$ 9	\$ (7)	\$ 708
FHLMC mortgage-backed securities	3,527	29	-	3,556
FNMA mortgage-backed securities	73	2	-	75
Total	\$ 4,306	\$ 40	\$ (7)	\$ 4,339
March 31, 2008				
Real estate mortgage investment conduits	\$ 851	\$ 8	\$ (1)	\$ 858
FHLMC mortgage-backed securities	4,393	1	(4)	4,390
FNMA mortgage-backed securities	87	3	-	90
Total	\$ 5,331	\$ 12	\$ (5)	\$ 5,338

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

	Amortized Cost	Estimated Fair Value
December 31, 2008		
Due in one year or less	\$ -	\$ -
Due after one year through five years	1,589	1,603
Due after five years through ten years	2,252	2,278
Due after ten years	465	458
Total	\$ 4,306	\$ 4,339

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.

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Mortgage-backed securities available for sale with an amortized cost of \$4.2 million and \$5.2 million and a fair value of \$4.3 million and \$5.2 million at December 31, 2008 and March 31, 2008, respectively, were pledged as collateral for Federal Home Loan Bank (“FHLB”) advances. Mortgage-backed securities available for sale with an amortized cost of \$70,000 and \$62,000 and a fair value of \$72,000 and \$64,000 at December 31, 2008 and March 31, 2008, respectively, were pledged as collateral for government public 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, 2008 are as follows (in thousands):

Description of Securities	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Real estate mortgage investment conduits FNMA mortgage-backed securities	\$ 841	\$ (9)	\$ -	\$ -	\$ 841	\$ (9)
Total temporarily impaired securities	\$ 963	\$ (10)	\$ -	\$ -	\$ 963	\$ (10)

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, 2008 are as follows (in thousands):

Description of Securities	Less than 12 months		12 months or longer		Fair Value	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
Real estate mortgage investment conduits	\$ 501	\$ (1)	\$ -	\$ -	\$ 501	(1)
FHLMC mortgage-backed securities	-	-	2,393	(4)	2,393	(4)
Total temporarily impaired securities	\$ 501	\$ (1)	\$ 2,393	\$ (4)	\$ 2,894	(5)

The unrealized losses on the above mortgage-backed securities are primarily attributable to increases in market interest rates subsequent to their purchase by the Company. The Company expects the fair value of these securities to recover as the securities approach their maturity dates or sooner if market yields for such securities decline. The Company does not believe that any of the securities are impaired due to reasons of credit quality or related to any company or industry specific event. Based on management's evaluation and intent, none of the unrealized losses summarized in this table are considered other than temporary. The Company realized no gains or losses on sales of mortgage-backed securities for the nine-month periods ended December 31, 2008 and 2007. The Company does not believe that it has any exposure to sub-prime lending in its mortgage-backed securities portfolio.

7. LOANS RECEIVABLE

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

	December 31, 2008	March 31, 2008
Commercial and construction		
Commercial	\$ 133,616	\$ 109,585
Commercial real estate mortgage	465,413	429,422
Real estate construction	133,637	148,631
Total commercial and construction	732,666	687,638
Consumer		
Real estate one-to-four family	85,579	75,922
Other installment	3,479	3,665
Total consumer	89,058	79,587
Total loans	821,724	767,225
Less:		

Allowance for loan		
losses	16,236	10,687
Loans receivable, net	\$ 805,488	\$ 756,538

The Company considers its loan portfolio to have very little exposure to sub-prime mortgage loans since the Company has historically not engaged in this type of lending.

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, 2008 and March 31, 2008, the Bank had no loans to any one borrower in excess of the regulatory limit.

8. ALLOWANCE FOR LOAN LOSSES

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

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Beginning balance	\$ 16,124	\$ 9,062	\$ 10,687	\$ 8,653
Provision for losses	1,200	650	11,150	1,100
Charge-offs	(1,089)	(211)	(5,627)	(285)
Recoveries	1	4	26	37
Total allowance for loan losses, ending balance	\$ 16,236	\$ 9,505	\$ 16,236	\$ 9,505

Changes in the allowance for unfunded loan commitments were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Beginning balance	\$ 286	\$ 422	\$ 337	\$ 380
Net change in allowance for unfunded loan commitments))))
	(26)	(15)	(77)	27
Ending balance	\$ 260	\$ 407	\$ 260	\$ 407

Loans on which the accrual of interest has been discontinued were \$28.4 million and \$7.6 million at December 31, 2008 and March 31, 2008, respectively. Interest income foregone on non-accrual loans was \$646,000 and \$37,000 for the three months ended December 31, 2008 and 2007. Interest income foregone on non-accrual loans was \$1.5 million and \$46,000 during the nine months ended December 31, 2008 and 2007, respectively.

At December 31, 2008 and March 31, 2008, impaired loans were \$29.5 million and \$7.2 million, respectively. At December 31, 2008, \$27.1 million of the impaired loans had specific valuation allowances of \$5.6 million while \$2.4 million of the impaired loans did not require specific valuation allowances. At March 31, 2008, all of the impaired loans had specific valuation allowances totaling \$902,000. The balance of the allowance for loan losses in excess of these specific reserves is available to absorb the inherent losses from all other loans in the portfolio. The average balance in impaired loans was \$23.2 million and \$2.0 million during the nine months ended December 31, 2008 and the year ended March 31, 2008, respectively. The related amount of interest income recognized on loans that were impaired was approximately \$151,000 and \$65,000 during the nine months ended December 31, 2008 and 2007, respectively. There were no loans past due 90 days or more and still accruing interest at December 31, 2008. Loans past due 90 days or more and still accruing interest were \$115,000 at March 31, 2008.

9. 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	Nine Months Ended
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	December 31, 2008		December 31, 2007	
Balance at beginning of period, net	\$ 271	\$ 332	\$ 302	\$ 351
Additions	45	35	94	104
Amortization	(35)	(49)	(119)	(151)
Change in valuation allowance	1	13	5	27
Balance at end of period, net	\$ 282	\$ 331	\$ 282	\$ 331
Valuation allowance at beginning of period	\$ 3	\$ 21	\$ 7	\$ 35
Change in valuation allowance))))
Valuation allowance at end of period	(1	(13	(5	(27
	\$ 2	\$ 8	\$ 2	\$ 8

The Company evaluates MSRs for impairment by stratifying MSRs based on the predominant risk characteristics of the underlying financial assets. At December 31, 2008 and March 31, 2008, the estimated fair value of MSRs was \$900,000 and \$1.0 million, respectively. The December 31, 2008 fair value was estimated using various discount rates and a range of Prepayment Standard Assumption (PSA) values (the Bond Market Association's standard prepayment values) that ranged from 153 to 868.

10. GOODWILL

The majority of goodwill and intangibles generally arise from business combinations accounted for under the purchase method. Goodwill and other intangibles deemed to have indefinite lives generated from purchase business combinations are not subject to amortization and are instead tested for impairment no less than annually. The Company has one reporting unit, the Bank, for purposes of computing goodwill.

During the third quarter of fiscal 2009, the Company performed its annual goodwill impairment test to determine whether an impairment of its goodwill asset exists. The goodwill impairment test involves a two-step process. The first step is a comparison of the reporting unit's fair value to its carrying value. If the reporting unit's fair value is less than its carrying value, the Company would be required to progress to the second step. In the second step the Company calculates the implied fair value of its reporting unit. The GAAP standards with respect to goodwill require that the Company compare the implied fair value of goodwill to the carrying amount of goodwill on the Company's balance sheet. If the carrying amount of the goodwill is greater than the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as goodwill recognized in a business combination. The estimated fair value of the Company is allocated to all of the Company's individual assets and liabilities, including any unrecognized identifiable intangible assets, as if the Company had been acquired in a business combination and the estimated fair value of the Company is the price paid to acquire it. The allocation process is performed only for purposes of determining the amount of goodwill impairment, as no assets or liabilities are written up or down, nor are any additional unrecognized identifiable intangible assets recorded as a part of this process. The results of the Company's step one test indicated that the reporting unit's fair value was less than its carrying value and therefore the Company performed a step two analysis. After the step two analysis was completed, the Company determined the implied fair value of goodwill was greater than the carrying value on the Company's balance sheet and no goodwill impairment existed; however, no assurance can be given that the Company's goodwill will not be written down in future periods.

11. FEDERAL HOME LOAN BANK ADVANCES

Borrowings are summarized as follows (dollars in thousands):

	December 31, 2008	March 31, 2008
Federal Home Loan Bank advances	\$ 117,100	\$ 92,850
Weighted average interest rate:	1.12%	3.35%

Borrowings have the following maturities at December 31, 2008 (in thousands):

2009	\$ 77,100
2010	40,000
Total	\$ 117,100

12. JUNIOR SUBORDINATED DEBENTURE

At December 31, 2008, the Company had established two wholly-owned subsidiary grantor trusts for the purpose of issuing trust preferred securities and common securities. The trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in each indenture. The trusts used the net proceeds from each of the offerings to purchase a like amount of junior subordinated debentures (the "Debentures") of the Company. The Debentures are the sole assets of the trusts. The Company's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The trust preferred securities are mandatorily redeemable upon maturity of the Debentures, or upon earlier redemption as provided in the indentures. The Company has the right to redeem the Debentures in whole or in part on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date.

The Debentures issued by the Company to the grantor trusts, totaling \$22.7 million, are reflected in the consolidated balance sheets in the liabilities section at December 31, 2008, under the caption "junior subordinated debentures." The common securities issued by the grantor trusts were purchased by the Company, and the Company's investment in the common securities of \$681,000 at December 31, 2008 and March 31, 2008, is included in prepaid expenses and other assets in the Consolidated Balance Sheets. The Company records interest expense on the Debentures in the consolidated statements of operations.

The following table is a summary of the terms of the current Debentures at December 31, 2008:

Issuance Trust	Issuance Date	Amount Outstanding	Rate Type	Initial Rate	Rate	Maturing Date
(dollars in thousands)						
Riverview Bancorp Statutory Trust I	12/2005	\$ 7,217	Variable (1)	5.88%	3.36%	3/2036
Riverview Bancorp Statutory Trust II	6/2007	15,464	Fixed (2)	7.03%	7.03%	9/2037
	Total	\$ 22,681				

(1) The trust preferred securities reprice quarterly based on the three month LIBOR plus 1.36%

(2) The trust preferred securities bear a fixed quarterly interest rate for 60 months, at which time the rate begins to float on a quarterly basis based on the three month LIBOR plus 1.35% thereafter until maturity.

13. FAIR VALUE MEASUREMENT

SFAS No. 157, "Fair Value Measurements" defines fair value and establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. The following definitions describe the categories used in the tables presented under fair value measurement.

Quoted prices in active markets for identical assets (Level 1): Inputs that are quoted unadjusted prices in active markets for identical assets that the Company has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Other observable inputs (Level 2): Inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity including quoted prices for similar assets, quoted prices for securities in inactive markets and inputs derived principally from or corroborated by observable market data by correlation or other means.

Significant unobservable inputs (Level 3): Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Financial instruments are broken down in the tables that follow by recurring or nonrecurring measurement status. Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that, as a result of an event or circumstance, were required to be remeasured at fair value after initial recognition in the financial statements at some time during the reporting period.

The following tables presents fair value measurements for assets that are measured at fair value on a recurring basis subsequent to initial recognition (in thousands).

	Fair value December 31, 2008	Fair value measurements at December 31, 2008, using		
		Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment securities available for sale	\$ 8,981	\$ -	\$ 7,395	\$ 1,586
Mortgage-backed securities available for sale	4,339	-	4,339	-
Total recurring assets measured at fair value	\$ 13,320	\$ -	\$ 11,734	\$ 1,586

The following table presents a reconciliation of assets that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended December 31, 2008 (in thousands). There were no transfers of assets in to Level 3 for the three months ended December 31, 2008.

	For the Nine Months Ended December 31, 2008	
	Available for sale securities	
Balance at March 31, 2008	\$	-
Transfers in to Level 3		4,612
Included in earnings (1)		(3,414)
Included in other comprehensive income (2)		388
Balance at December 31, 2008	\$	1,586

(1) Included in other non-interest income

(2) Reversal of previously recorded unrealized loss

The following method was used to estimate the fair value of each class of financial instrument above:

Securities – Fair values for available for sale securities are based on quoted market prices when available or through the use of alternative approaches, such as matrix or model pricing, indicators from market makers or discounted cash flows, when market quotes are not readily accessible or available. Our Level 3 assets consist of a single pooled trust preferred security. Due to the inactivity in the market for these types of securities, the Company determined the security is classified within Level 3 of the fair value hierarchy, and believes that significant unobservable inputs are required to determine the security's fair value at the measurement date. The Company determined that an income approach valuation technique was most representative of the security's fair value. Significant assumptions used by the Company as part of the income approach include selecting an appropriate discount rate, expected default rate and estimated repayment dates. In selecting its assumptions, the Company considered all available market information that could be obtained without undue cost or effort, and considered the unique characteristics of the trust preferred security by assessing the available market information and the various risks associated with the security including: valuation estimates provided by third party pricing services; relevant reports issued by analyst and credit rating agencies; level of interest rates and any movement in pricing for credit and other risks; information about the performance of the underlying institutions that issued the debt instruments, such as net income, return on equity, capital adequacy, non-performing asset, etc; and other relevant observable inputs.

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment. The following table represents the fair value measurement for nonrecurring assets (in thousands).

Fair value measurements at December 31, 2008, using		
Quoted prices in active markets for	Other observable inputs	Significant unobservable inputs

	identical assets
Fair value December 31, 2008	(Level 1)