RIVERVIEW BANCORP INC
Form 10-Q
August 06, 2010
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010
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 X No___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes __ No __

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.

Large accelerated filer ( )	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, 20,965,614 shares outstanding as of August 5, 2010.

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Forward Looking Statements

“Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: When used in this Form 10-Q the words “believes,” “expects,” “anticipates,” “estimates,” “forecasts,” “intends,” “plans,” “targets,” “potentially,” “probab “outlook,” or similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would,” and “could.” or si expression are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future performance. These forward-looking statements are subject to know and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated, including, but not limited to: the Company’s ability to raise common capital, the amount of capital it intends to raise and its intended use of that capital; the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in the Company’s allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions, either nationally or in the Company’s market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, the Company’s net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in the Company’s market areas; secondary market conditions for loans and the Company’s ability to sell loans in the secondary market; results of examinations of us by the Office of Thrift Supervision (“OTS”) or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require the Company to increase its reserve for loan losses, write-down assets, change Riverview Community Bank’s regulatory capital position or affect the Company’s ability to borrow funds or maintain or increase deposits, which could adversely affect its liquidity and earnings; the Company’s compliance with regulatory enforcement actions entered into with the OTS and the possibility that noncompliance could result in the imposition of additional enforcement actions and additional requirements or restrictions on its operations; legislative or regulatory changes that adversely affect the Company’s business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules; the Company’s ability to attract and retain deposits; further increases in premiums for deposit insurance; the Company’s ability to control operating costs and expenses; the use of estimates in determining fair value of certain of the Company’s assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans on the Company’s balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect the Company’s workforce and potential associated charges; computer systems on which the Company depends could fail or experience a security breach; the Company’s ability to retain key members of its senior management team; costs and effects of litigation, including settlements and judgments; the Company’s ability to implement its business strategies; the Company’s ability to successfully integrate any assets, liabilities, customers, systems, and management personnel it may acquire into its operations and the Company’s ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; the Company’s ability to pay dividends on its common stock and interest or principal payments on its junior subordinated debentures; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods; other economic, competitive, governmental, regulatory, and technological factors affecting the Company’s operations, pricing, products and services and the other risks described from time to time in our filings with the Securities and Exchange Commission.

The Company cautions readers not to place undue reliance on any forward-looking statements. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to the Company. The Company does not undertake to revise any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. These risks could cause our actual results for fiscal 2011 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us, and could negatively affect the Company's operating and stock price performance.

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

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2010 AND MARCH 31, 2010

(In thousands, except share and per share data) (Unaudited)	June 30, 2010	March 31, 2010
ASSETS		
Cash (including interest-earning accounts of $41,435 and $3,384)	$ 53,244	$ 13,587
Loans held for sale	667	255
Investment securities held to maturity, at amortized cost (fair value of $562 and $573)	511	517
Investment securities available for sale, at fair value (amortized cost of $8,691 and $8,706)	6,727	6,802
Mortgage-backed securities held to maturity, at amortized cost (fair value of $211 and $265)	203	259
Mortgage-backed securities available for sale, at fair value (amortized cost of $2,472 and $2,746)	2,554	2,828
Loans receivable (net of allowance for loan losses of $19,565 and $21,642)	697,795	712,837
Real estate and other personal property owned	14,908	13,325
Prepaid expenses and other assets	7,560	7,934
Accrued interest receivable	2,653	2,849
Federal Home Loan Bank stock, at cost	7,350	7,350
Premises and equipment, net	16,201	16,487
Deferred income taxes, net	11,197	11,177
Mortgage servicing rights, net	493	509
Goodwill	25,572	25,572
Core deposit intangible, net	288	314
Bank owned life insurance	15,501	15,351
TOTAL ASSETS	$ 863,424	$ 837,953
LIABILITIES AND EQUITY		
LIABILITIES:		
Deposit accounts	$ 715,573	$ 688,048
Accrued expenses and other liabilities	8,224	6,833
Advanced payments by borrowers for taxes and insurance	194	427
Federal Home Loan Bank advances	28,000	23,000
Federal Reserve Bank advances	-	10,000
Junior subordinated debentures	22,681	22,681
Capital lease obligations	2,599	2,610
Total liabilities	777,271	753,599

COMMITMENTS AND CONTINGENCIES (See Note 16)

EQUITY:		
Shareholders’ equity		
Serial preferred stock, $.01 par value; 250,000 authorized, issued and outstanding: none	-	-
Common stock, $.01 par value; 50,000,000 authorized		
June 30, 2010 – 10,923,773 issued and outstanding	109	109
March 31, 2010 – 10,923,773 issued and outstanding		
Additional paid-in capital	46,980	46,948
Retained earnings	40,643	38,878
Unearned shares issued to employee stock ownership trust	(773)	(799)
Accumulated other comprehensive loss	(1,241)	(1,202)
Total shareholders’ equity	85,718	83,934
Noncontrolling interest	435	420
Total equity	86,153	84,354
TOTAL LIABILITIES AND EQUITY	$ 863,424	$ 837,953

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS ON INCOME

(In thousands, except share and per share data) (Unaudited)	Three Months Ended June 30, 2010	2009
INTEREST INCOME:		
Interest and fees on loans receivable	$ 11,193	$ 11,710
Interest on investment securities – taxable	55	98
Interest on investment securities – non-taxable	15	32
Interest on mortgage-backed securities	26	40
Other interest and dividends	15	14
Total interest and dividend income	11,304	11,894
INTEREST EXPENSE:		
Interest on deposits	1,901	2,694
Interest on borrowings	385	520
Total interest expense	2,286	3,214
Net interest income	9,018	8,680
Less provision for loan losses	1,300	2,350
Net interest income after provision for loan losses	7,718	6,330
NON-INTEREST INCOME:		
Fees and service charges	1,099	1,244
Asset management fees	521	509
Net gain on sale of loans held for sale	119	401
Impairment on investment security	-	(258)
Bank owned life insurance	150	151
Other	347	56
Total non-interest income	2,236	2,103
NON-INTEREST EXPENSE:		
Salaries and employee benefits	3,940	3,875
Occupancy and depreciation	1,141	1,233
Data processing	252	240
Amortization of core deposit intangible	26	30
Advertising and marketing expense	135	159
FDIC insurance premium	421	695
State and local taxes	171	149
Telecommunications	107	116
Professional fees	326	304
Real estate owned expenses	166	609
Other	580	578
Total non-interest expense	7,265	7,988
INCOME BEFORE INCOME TAXES	2,689	445
PROVISION FOR INCOME TAXES	924	102
NET INCOME	$ 1,765	$ 343

Earnings per common share:				
Basic	$	0.16	$	0.03
Diluted		0.16		0.03
Weighted average number of shares outstanding:				
Basic		10,735,946		10,711,313
Diluted		10,735,946		10,711,313

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RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2010 AND 2009

(In thousands, except share data) (Unaudited)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Unearned Shares Issued to Employee Stock Ownership Trust	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance April 1, 2009	10,923,773	$ 109	$ 46,866	$ 44,322	$ (902)	$ (1,732)	$ 364	$ 89,027
Stock option expense	-	-	12	-	-	-	-	12
Earned ESOP shares	-	-	(6)	-	26	-	-	20
	10,923,773	109	46,872	44,322	(876)	(1,732)	364	89,059
Comprehensive income:								
Net loss	-	-	-	343	-	-	-	343
Other comprehensive income, net of tax:								
Unrealized holding gain on securities available for sale	-	-	-	-	-	76	-	76
Noncontrolling interest	-	-	-	-	-	-	18	18
Total comprehensive income	-	-	-	-	-	-	-	437
Balance June 30, 2009	10,923,773	$ 109	$ 46,872	$ 44,665	$ (876)	$ (1,656)	$ 382	$ 89,496
Balance April 1, 2010	10,923,773	$ 109	$ 46,948	$ 38,878	$ (799)	$ (1,202)	$ 420	$ 84,354
Stock option expense	-	-	39	-	-	-	-	39
Earned ESOP shares	-	-	(7)	-	26	-	-	19
	10,923,773	109	46,980	38,878	(773)	(1,202)	420	84,412
Comprehensive income:								

Net income	-	-	-	1,765	-	-	-	1,765
Other comprehensive income, net of tax:								
Unrealized holding loss on securities available for sale	-	-	-	-	-	(39)	-	(39)
Noncontrolling interest	-	-	-	-	-	-	15	15
Total comprehensive income	-	-	-	-	-	-	-	1,741
Balance June 30, 2010	10,923,773	$ 109	$ 46,980	$ 40,643	$ (773)	$ (1,241)	$ 435	$ 86,153

See notes to consolidated financial statements.

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RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2010 AND 2009

(In thousands) (Unaudited)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,765	$ 343
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	345	595
Mortgage servicing rights valuation adjustment	(1)	1
Provision for loan losses	1,300	2,350
Noncash expense related to ESOP	19	20
Decrease in deferred loan origination fees, net of amortization	(189)	(83)
Origination of loans held for sale	(3,969)	(13,990)
Proceeds from sales of loans held for sale	3,602	15,243
Stock based compensation expense	39	12
Writedown of real estate owned	74	305
Net gain on loans held for sale, sale of real estate owned, mortgage-backed securities, investment securities and premises and equipment	(261)	(32)
Income from bank owned life insurance	(150)	(151)
Changes in assets and liabilities:		
Prepaid expenses and other assets	481	(434)
Accrued interest receivable	196	88
Accrued expenses and other liabilities	1,450	(358)
Net cash provided by operating activities	4,701	3,909
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan repayments, net	10,988	17,385
Proceeds from call, maturity, or sale of investment securities available for sale	4,990	-
Principal repayments on investment securities available for sale	27	37
Principal repayments on investment securities held to maturity	6	6
Purchase of investment securities available for sale	(5,000)	(4,988)
Principal repayments on mortgage-backed securities available for sale	274	367
Principal repayments on mortgage-backed securities held to maturity	56	92
Purchase of premises and equipment and capitalized software	(147)	(222)
Capitalized improvements related to real estate owned	(5)	-
Proceeds from sale of real estate owned and premises and equipment	1,486	2,110
Net cash provided by investing activities	12,675	14,787
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposit accounts	27,525	(20,998)
Proceeds from borrowings	78,800	377,000

Repayment of borrowings	(83,800)	(349,850)
Principal payments under capital lease obligation	(11)	(9)
Net decrease in advance payments by borrowers	(233)	(170)
Net cash provided by financing activities	22,281	5,973
NET INCREASE IN CASH	39,657	24,669
CASH, BEGINNING OF PERIOD	13,587	19,199
CASH, END OF PERIOD	$ 53,244	$ 43,868
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 1,939	$ 3,218
Income taxes	4	28
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to real estate owned, net	$ 2,996	$ 4,356
Fair value adjustment to securities available for sale	(59)	169
Income tax effect related to fair value adjustment	20	(93)

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, 2010 ("2010 Form 10-K"). The results of operations for the three months ended June 30, 2010 are not necessarily indicative of the results, which may be expected for the fiscal year ending March 31, 2011. 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. ("RAMCorp.") 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.

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 Company's Board of Directors ("the Board"). 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 June 30, 2010, there were options for 78,154 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.

	Three Months Ended June 30, 2010	Year Ended March 31, 2010

	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Balance, beginning of period	465,700	$	9.35	371,696	$	10.99
Grants	-		-	122,000		3.82
Options exercised	-		-	-		-
Forfeited	-		-	(8,000)		10.82
Expired	-		-	(19,996)		5.50
Balance, end of period	465,700	$	9.35	465,700	$	9.35

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

	Three Months Ended June 30, 2010	Year Ended March 31, 2010
Stock options fully vested and expected to vest:		
Number	458,475	458,475
Weighted average exercise price	$ 9.42	$ 9.42
Aggregate intrinsic value (1)	$ -	$ -
Weighted average contractual term of options (years)	6.44	6.69
Stock options fully vested and currently exercisable:		
Number	335,700	334,200
Weighted average exercise price	$ 11.28	$ 11.28
Aggregate intrinsic value (1)	$ -	$ -
Weighted average contractual term of options (years)	5.46	5.70

(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 three months ended June 30, 2010 and 2009 was approximately $39,000 and $12,000, respectively. As of June 30, 2010, there was approximately $35,000 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 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. There were no stock options granted during the three months ended June 30, 2010.

	Risk Free Interest Rate	Expected Life (years)	Expected Volatility	Expected Dividends
Fiscal 2010	3.08%	6.25	37.55%	2.45%

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 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. 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 months ended June 30, 2010 and 2009, stock options for 466,000 and 368,000 shares, respectively, of common stock were excluded in computing diluted EPS because they were antidilutive.

	Three Months Ended June 30, 2010	2009
Basic EPS computation:		
Numerator-net income	$ 1,765,000	$ 343,000
Denominator-weighted average common shares outstanding	10,735,946	10,711,313
Basic EPS	$ 0.16	$ 0.03
Diluted EPS computation:		
Numerator-net income	$ 1,765,000	$ 343,000
Denominator-weighted average common shares outstanding	10,735,946	10,711,313
Effect of dilutive stock options	-	-
Weighted average common shares and common stock equivalents	10,735,946	10,711,313
Diluted EPS	$ 0.16	$ 0.03

5. INVESTMENT SECURITIES

The amortized cost and 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
June 30, 2010				
Municipal bonds	$ 511	$ 51	$ -	$ 562
March 31, 2010				
Municipal bonds	$ 517	$ 56	$ -	$ 573

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

June 30, 2010	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	511	562
Due after ten years	-	-
Total	$ 511	$ 562

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

	Amortized	Gross	Gross	Estimated

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2010				
Trust preferred	$ 2,974	$ -	$ (1,980)	$ 994
Agency securities	5,000	16	-	5,016
Municipal bonds	717	-	-	717
Total	$ 8,691	$ 16	$ (1,980)	$ 6,727
March 31, 2010				
Trust preferred	$ 2,974	$ -	$ (1,932)	$ 1,042
Agency securities	4,989	28	-	5,017
Municipal bonds	743	-	-	743
Total	$ 8,706	$ 28	$ (1,932)	$ 6,802

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

June 30, 2010	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	5,000	5,016
Due after five years through ten years	-	-
Due after ten years	3,691	1,711
Total	$ 8,691	$ 6,727

Investment securities with an amortized cost of $500,000 and $499,000 and a fair value of $502,000 and $502,000 at June 30, 2010 and March 31, 2010, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank. Investment securities with an amortized cost of $850,000 and $2.8 million and a fair value of $853,000 and $2.9 million at June 30, 2010 and March 31, 2010, respectively, were pledged as collateral for governmental 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 are as follows (in thousands):

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2010						
Trust preferred	$ -	$ -	$ 994	$ (1,980)	$ 994	$ (1,980)
March 31, 2010						
Trust preferred	$ -	$ -	$ 1,042	$ (1,932)	$ 1,042	$ (1,932)

During the three months ended June 30, 2010, the Company determined that there was no additional other than temporary impairment ("OTTI") charge on the above trust preferred investment security. The Company does not intend to sell this security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of the remaining amortized cost basis.

To determine the component of gross OTTI related to credit losses, the Company compared the amortized cost basis of the OTTI security to the present value of the revised expected cash flows, discounted using the current pre-impairment yield. The revised expected cash flow estimates are based primarily on an analysis of default rates, prepayment speeds and third-party analytical reports. Significant judgment of management is required in this analysis that includes, but is not limited to, assumptions regarding the ultimate collectibility of principal and interest on the underlying collateral.

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
June 30, 2010				
	$ 85	$ 3	$ -	$ 88

FHLMC mortgage-backed securities								
FNMA mortgage-backed securities		118		5		-		123
Total	$	203	$	8	$	-	$	211
March 31, 2010								
Real estate mortgage investment conduits	$	53	$	-	$	-	$	53
FHLMC mortgage-backed securities		86		3		-		89
FNMA mortgage-backed securities		120		3		-		123
Total	$	259	$	6	$	-	$	265

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

June 30, 2010		Amortized Cost		Estimated Fair Value
Due in one year or less	$	-	$	-
Due after one year through five years		8		8
Due after five years through ten years		-		-
Due after ten years		195		203
Total	$	203	$	211

Mortgage-backed securities held to maturity with an amortized cost of $82,000 and $136,000 and a fair value of $85,000 and $138,000 at June 30, 2010 and March 31, 2010, respectively, were pledged as collateral for governmental public funds

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held by the Bank. Mortgage-backed securities held to maturity with an amortized cost of $103,000 and $105,000 and a fair value of $108,000 and $107,000 at June 30, 2010 and March 31, 2010, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank.

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

June 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Real estate mortgage investment conduits	$ 501	$ 19	$ -	$ 520
FHLMC		7		
mortgage-backed securities	1,925	61	-	1,986
FNMA mortgage-backed securities	46	2	-	48
Total	$ 2,472	$ 82	$ -	$ 2,554
March 31, 2010				
Real estate mortgage investment conduits	$ 538	$ 18	$ -	$ 556
FHLMC mortgage-backed securities	2,158	61	-	2,219
FNMA mortgage-backed securities	50	3	-	53
Total	$ 2,746	$ 82	$ -	$ 2,828

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

June 30, 2010	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	1,950	2,013
Due after five years through ten years	175	187
Due after ten years	347	354
Total	$ 2,472	$ 2,554

There were no mortgage-backed securities available for sale pledged as collateral for Federal Home Loan Bank of Seattle ("FHLB") advances at June 30, 2010. Mortgage-backed securities available for sale with an amortized cost of $2.7 million and a fair value of $2.8 million at March 31, 2010, were pledged as collateral for FHLB advances. Mortgage-backed securities available for sale with an amortized cost of $46,000 and $51,000 and a fair value of $49,000 and $53,000 at June 30, 2010 and March 31, 2010, respectively, were pledged as collateral for government public funds held by the Bank.

7. LOANS RECEIVABLE

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

	June 30, 2010	March 31, 2010
Commercial and construction		
Commercial business	$ 106,002	$ 108,368
Other real estate mortgage	455,106	459,178
Real estate construction	68,717	75,456
Total commercial and construction	629,825	643,002
Consumer		
Real estate one-to-four family	84,956	88,861
Other installment	2,579	2,616
Total consumer	87,535	91,477
Total loans	717,360	734,479
Less: Allowance for loan losses	19,565	21,642
Loans receivable, net	$ 697,795	$ 712,837

The Company considers its loan portfolio to have very little exposure to sub-prime mortgage loans since the Company has not historically 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 loss. As of June 30, 2010 and March 31, 2010, 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 June 30, 2010	2009
Beginning balance	$ 21,642	$ 16,974
Provision for losses	1,300	2,350
Charge-offs	(3,392)	(1,599)
Recoveries	15	51
Ending balance	$ 19,565	$ 17,776

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

	Three Months Ended June 30, 2010	2009
Beginning balance	$ 185	$ 296
Net change in allowance for unfunded loan commitments	5	(20)
Ending balance	$ 190	$ 276

Loans on which the accrual of interest has been discontinued were $33.0 million and $36.0 million at June 30, 2010 and March 31, 2010, respectively. Interest income foregone on non-accrual loans was $612,000 and $804,000 during the three months ended June 30, 2010 and 2009, respectively.

At June 30, 2010 and March 31, 2010, impaired loans were $42.5 million and $37.8 million, respectively. At June 30, 2010 and March 31, 2010, $23.5 million and $30.1 million, respectively, of impaired loans had specific valuation allowances of $5.4 million and $8.0 million, respectively. For these same dates, $19.0 million and $7.7 million, respectively, did not require a specific reserve. 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. At June 30, 2010, the Company had one trouble debt restructuring totaling $1.0 million, which was on accrual status. There were no trouble debt restructurings at March 31, 2010.

The average balance in impaired loans was $40.1 million and $36.4 million during the three months ended June 30, 2010 and the year ended March 31, 2010, respectively. The related amount of interest income recognized on loans that were impaired was $176,000 and $44,000 during the three months ended June 30, 2010 and 2009, respectively. At June 30, 2010 and March 31, 2010 there were no loans 90 days past due and still accruing interest, respectively.

9. 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 2010, 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 goodwill. 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.

An interim impairment test was not deemed necessary as of June 30, 2010, due to there not being a significant change in the reporting unit's assets and liabilities, the amount that the fair value of the reporting unit exceeded the carrying value as of the most recent valuation, and because the Company determined that, based on an analysis of events that have occurred and circumstances that have changed since the most recent valuation date, the likelihood that a current fair value determination would be less than the current carrying amount of the reporting unit is remote.

FEDERAL HOME LOAN BANK ADVANCES

FHLB borrowings are summarized as follows (dollars in thousands):

	June 30, 2010	March 31, 2010
Federal Home Loan Bank advances	$ 28,000	$ 23,000
Weighted average interest rate:	0.81%	0.64%

The FHLB borrowings at June 30, 2010 consisted of a Cash Management Advance with a rate set daily by the FHLB. This advance is scheduled to mature during August 2010.

10. FEDERAL RESERVE BANK ADVANCES

Federal Reserve Bank of San Francisco ("FRB") borrowings are summarized as follows (dollars in thousands):

	June 30, 2010	March 31, 2010
Federal Reserve Bank of San Francisco advances	$ -	$ 10,000
Weighted average interest rate:	-%	0.50%

11. JUNIOR SUBORDINATED DEBENTURE

At June 30, 2010, the Company had two wholly-owned subsidiary grantor trusts which were established 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 June 30, 2010, 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 June 30, 2010 and March 31, 2010, 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 Income.

The following table is a summary of the terms of the current Debentures at June 30, 2010 (in thousands):

Issuance Trust	Issuance Date		Amount Outstanding	Rate Type	Initial Rate	Rate	Maturing Date
Riverview Bancorp Statutory Trust I	12/2005	$	7,217	Variable (1)	5.88%	1.90%	3/2036
Riverview Bancorp Statutory Trust II	06/2007		15,464	Fixed (2)	7.03%	7.03%	9/2037
		$	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.

12. FAIR VALUE MEASUREMENT

Accounting guidance regarding 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 table presents assets that are measured at fair value on a recurring basis (in thousands).

		Fair value measurements at June 30, 2010, using		
	Fair value June 30, 2010	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				
Trust preferred	$ 994	$ -	$ -	$ 994
Agency securities	5,016	-	5,016	-
Municipal bonds	717	-	717	-
Mortgage-backed securities available for sale				
Real estate mortgage investment conduits	520	-	520	-
FHLMC mortgage-backed securities	1,986	-	1,986	-
FNMA mortgage-backed securities	48	-	48	-
Total recurring assets measured at fair value	$ 9,281	$ -	$ 8,287	$ 994

The following tables presents a reconciliation of assets that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2010 (in thousands). There were no transfers of assets in to or out of Level 3 for the three months ended June 30, 2010.

		For the Three Months Ended June 30, 2010 Available for sale securities
Balance at March 31, 2010	$	1,042
Transfers in to Level 3		-
Included in earnings (1)		-
Included in other comprehensive income		(48)
Balance at June 30, 2010	$	994

(1) Included in other non-interest income

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

Investments and Mortgage-Backed Securities – Investment securities available-for-sale are included within Level 1 of the hierarchy when quoted prices in an active market for identical assets are available. The Company uses a third party pricing service to assist the Company in determining the fair value of its Level 2 securities, which incorporates pricing models and/or quoted prices of investment securities with similar characteristics. Our Level 3 assets consist of a single pooled trust preferred security. The fair value for this security was estimated using an income approach valuation technique (using cash flows and present value techniques). Significant unobservable inputs used for this security included selecting an appropriate discount rate, default rate and repayment assumptions.

The following table represents certain loans and real estate owned ("REO") which were marked down to their fair value using fair value measures for the three months ended June 30, 2010. The following are assets that are measured at fair value on a nonrecurring basis (in thousands).

		Fair value measurements at June 30, 2010, using		
	Fair value June 30, 2010	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Impaired loans	$ 13,414	$ -	$ -	$ 13,414
Real estate owned	5,624	-	-	5,624
Total nonrecurring assets measured at fair value	$ 19,038	$ -	$ -	$ 19,038

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

Impaired loans – A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loans' observable market price or the fair market value of the collateral. A significant portion of the Bank's impaired loans is measured using the fair market value of the collateral.

Real estate owned – REO is real property that the Bank has taken ownership of in partial or full satisfaction of a loan or loans. REO is recorded at the lower of the carrying amount of the loan or fair value less estimated costs to sell. This amount becomes the property's new basis. Any write downs based on the property's fair value less estimated costs to sell at the date of acquisition are charged to the allowance for loan losses. Management periodically reviews REO in an effort to ensure the property is carried at the lower of its new basis or fair value, net of estimated costs to sell.

13. NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued an accounting standards update on fair value measurements and disclosures, which focuses on improving disclosures about fair value measurement. The standards update requires new disclosures about transfers in and out of Level 1 and Level 2 fair value measurements and the activity in Level 3 fair value measurements (i.e. purchases, sales, issuances, and settlements). This accounting standards update also amended disclosure requirements related to the level of disaggregation of assets and liabilities, as well as disclosures about input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements. The new guidance became effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this accounting standard is not expected to have a material impact on the Company's financial position or results of operations.

In July 2010, the FASB issued an accounting standards update that improves the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. The guidance is effective for interim and annual reporting periods ending on or after December 15, 2010. The adoption of this accounting standard is not expected to have a material impact on the Company's financial position or results of operations

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with accounting guidance on the requirements of disclosures about fair value of financial instruments. The Company, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. However, considerable judgment is necessary to interpret market data in the development of the estimates of fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The estimated fair value of financial instruments is as follows (in thousands):

	June 30, 2010		March 31, 2010	
	Carrying Value	Fair value	Carrying Value	Fair Value
Assets:				
Cash	$ 53,244	$ 53,244	$ 13,587	$ 13,587
Investment securities held to maturity	511	562	517	573
Investment securities available for sale	6,727	6,727	6,802	6,802
Mortgage-backed securities held to maturity	203	211	259	265
Mortgage-backed securities available for sale	2,554	2,554	2,828	2,828
Loans receivable, net	697,795	617,558	712,837	631,706
Loans held for sale	667	667	255	255
Mortgage servicing rights	493	871	509	1,015
Liabilities:				
Demand – savings deposits	410,268	410,268	396,342	396,342
Time deposits	305,305	308,145	291,706	294,337