

RIVERVIEW BANCORP INC
Form 10-Q
February 08, 2017
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, 2016

OR

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

For the transition period from _____ to _____

Commission File Number: 0-22957

RIVERVIEW BANCORP, INC.

(Exact name of registrant as specified in its charter)

Washington 91-1838969
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer I.D. Number)

900 Washington St., Ste. 900, Vancouver, Washington 98660
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (360) 693-6650

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

Indicate by check mark whether the registrant 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 Non-accelerated filer
Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). 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, 22,510,890 shares outstanding as of February 8, 2017.

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RIVERVIEW BANCORP, INC. AND SUBSIDIARY
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Certifications

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Forward-Looking Statements

As used in this Form 10-Q, the terms "we," "our," "us," "Riverview" and "Company" refer to Riverview Bancorp, Inc. and its consolidated subsidiaries, including its wholly-owned subsidiary, Riverview Community Bank, unless the context indicates otherwise.

"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," "probably," "projects," "outlook," or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could," or similar expressions 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 known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated, including, but not limited to: expected cost savings, synergies and other financial benefits from our pending purchase of certain assets and assumption of certain liabilities of MBank and Merchants Bancorp pursuant to the Purchase and Assumption Agreement (the "Agreement") with Merchants Bancorp and its wholly-owned subsidiary MBank (the "transaction") might not be realized within the expected time frames or at all, and costs or difficulties relating to integration matters might be greater than expected; the requisite approval of Merchants Bancorp's shareholders and regulatory approvals for the transaction might not be obtained; 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 our bank subsidiary, Riverview Community Bank, by the Office of the Comptroller of the Currency and of the Company by the Board of Governors of the Federal Reserve System, or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require the Company to increase its allowance for loan losses, write-down assets, reclassify its 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; 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, including as a result of Basel III; the Company's ability to attract and retain deposits; 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 consolidated 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 2017 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 consolidated financial condition and consolidated results of operations as well as its stock price performance.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND MARCH 31, 2016

	December 31, 2016	March 31, 2016
(In thousands, except share and per share data) (Unaudited)		
ASSETS		
Cash and cash equivalents (including interest-earning accounts of \$14,302 and \$40,317)	\$ 28,262	\$ 55,400
Certificates of deposit held for investment	11,291	16,769
Loans held for sale	1,679	503
Investment securities:		
Available for sale, at estimated fair value	207,271	150,690
Held to maturity, at amortized cost (estimated fair value of \$68 and \$76)	67	75
Loans receivable (net of allowance for loan losses of \$10,289 and \$9,885)	654,053	614,934
Real estate owned	298	595
Prepaid expenses and other assets	4,832	3,405
Accrued interest receivable	2,846	2,384
Federal Home Loan Bank stock, at cost	1,060	1,060
Premises and equipment, net	13,953	14,595
Deferred income taxes, net	8,665	9,189
Mortgage servicing rights, net	390	380
Goodwill	25,572	25,572
Bank owned life insurance	25,430	25,678
TOTAL ASSETS	\$ 985,669	\$ 921,229
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits	\$ 840,391	\$ 779,803
Accrued expenses and other liabilities	10,450	7,388
Advanced payments by borrowers for taxes and insurance	288	609
Junior subordinated debentures	22,681	22,681
Capital lease obligation	2,459	2,475
Total liabilities	876,269	812,956
COMMITMENTS AND CONTINGENCIES (See Note 12)		
SHAREHOLDERS' EQUITY:		
Serial preferred stock, \$.01 par value; 250,000 authorized; issued and outstanding: none	-	-
Common stock, \$.01 par value; 50,000,000 authorized		
December 31, 2016 – 22,510,890 issued and outstanding	225	225
March 31, 2016 – 22,507,890 issued and outstanding		
Additional paid-in capital	64,448	64,418
Retained earnings	46,750	42,728
Unearned shares issued to employee stock ownership plan ("ESOP")	(103)	(181)
Accumulated other comprehensive income (loss)	(1,920)	1,083
Total shareholders' equity	109,400	108,273
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 985,669	\$ 921,229

See accompanying notes to consolidated financial statements.

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RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED
DECEMBER 31, 2016 AND 2015

	Three Months Ended December 31,		Nine Months Ended December 31,	
(In thousands, except share and per share data) (Unaudited)	2016	2015	2016	2015
INTEREST AND DIVIDEND INCOME:				
Interest and fees on loans receivable	\$7,883	\$7,109	\$22,954	\$20,758
Interest on investment securities – taxable	946	702	2,435	1,986
Interest on investment securities – nontaxable	11	-	11	-
Other interest and dividends	112	110	344	340
Total interest and dividend income	8,952	7,921	25,744	23,084
INTEREST EXPENSE:				
Interest on deposits	277	290	837	893
Interest on borrowings	173	144	494	417
Total interest expense	450	434	1,331	1,310
Net interest income	8,502	7,487	24,413	21,774
Recapture of loan losses	-	-	-	(800)
Net interest income after recapture of loan losses	8,502	7,487	24,413	22,574
NON-INTEREST INCOME:				
Fees and service charges	1,304	1,312	3,815	3,740
Asset management fees	709	830	2,258	2,455
Net gains on sales of loans held for sale	191	125	493	425
Bank owned life insurance ("BOLI")	185	193	566	580
BOLI death benefit in excess of cash surrender value	-	-	407	-
Other, net	(56)	(43)	(111)	(18)
Total non-interest income, net	2,333	2,417	7,428	7,182
NON-INTEREST EXPENSE:				
Salaries and employee benefits	4,850	4,452	14,021	13,102
Occupancy and depreciation	1,158	1,200	3,520	3,523
Data processing	562	424	1,533	1,345
Advertising and marketing	163	149	608	533
FDIC insurance premium	77	127	273	375
State and local taxes	170	102	455	362
Telecommunications	75	71	224	218
Professional fees	355	222	1,066	673
Litigation settlement	-	-	500	100
Real estate owned	2	65	52	511
Other	439	537	1,811	1,636
Total non-interest expense	7,851	7,349	24,063	22,378
INCOME BEFORE INCOME TAXES	2,984	2,555	7,778	7,378
PROVISION FOR INCOME TAXES	991	849	2,408	2,425
NET INCOME	\$ 1,993	\$ 1,706	\$5,370	\$4,953

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Earnings per common share:

Basic	\$0.09	\$0.08	\$0.24	\$0.22
Diluted	0.09	0.08	0.24	0.22
Weighted average number of common shares outstanding:				
Basic	22,490,433	22,455,543	22,477,473	22,446,463
Diluted	22,563,712	22,506,341	22,537,663	22,491,546

See accompanying notes to consolidated financial statements.

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RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED
DECEMBER 31, 2016 AND 2015

(In thousands) (Unaudited)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Net income	\$1,993	\$1,706	\$5,370	\$4,953
Other comprehensive income (loss)				
Net unrealized holding loss from available for sale investment securities arising during the period, net of tax of \$1,787, \$436, \$1,738 and \$511, respectively	(3,249)	(792)	(3,158)	(978)
Reclassification adjustment for other than temporary impairment of available for sale investment security included in income, net of tax of (\$38), \$0, (\$85) and \$0, respectively	70	-	155	-
Noncontrolling interest	-	13	-	47
Total comprehensive income (loss)	\$(1,186)	\$927	\$2,367	\$4,022

See accompanying notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(In thousands, except share data) (Unaudited)	Common Stock		Additional	Retained	Unearned	Accumulated	Noncontrolling	Total
	Shares	Amount	Paid-In Capital	Earnings	Shares Issued to ESOP	Other Comprehensive Income (Loss)	Interest	
Balance April 1, 2015	22,489,890	\$ 225	\$ 65,268	\$ 37,830	\$ (284)	\$ 762	\$ 536	\$ 104,337
Net income	-	-	-	4,953	-	-	-	4,953
Purchase of subsidiary shares from noncontrolling interest	-	-	(919)	-	-	-	(583)	(1,502)
Cash dividend (\$0.045 per share)	-	-	-	(1,010)	-	-	-	(1,010)
Exercise of stock options	18,000	-	62	-	-	-	-	62
Earned ESOP shares	-	-	6	-	78	-	-	84
Other comprehensive loss	-	-	-	-	-	(978)	-	(978)
Noncontrolling interest	-	-	-	-	-	-	47	47
Balance December 31, 2015	22,507,890	\$ 225	\$ 64,417	\$ 41,773	\$ (206)	\$ (216)	\$ -	\$ 105,993
Balance April 1, 2016	22,507,890	\$ 225	\$ 64,418	\$ 42,728	\$ (181)	\$ 1,083	\$ -	\$ 108,273
Net income	-	-	-	5,370	-	-	-	5,370
Cash dividend (\$0.06 per share)	-	-	-	(1,348)	-	-	-	(1,348)
Exercise of stock options	3,000	-	11	-	-	-	-	11
Earned ESOP shares	-	-	19	-	78	-	-	97
Other comprehensive loss	-	-	-	-	-	(3,003)	-	(3,003)
Balance December 31, 2016	22,510,890	\$ 225	\$ 64,448	\$ 46,750				