RIVERVIEW BANCORP INC
Form 10-Q
August 10, 2011

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, 2011

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) 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 [X] 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 [X]

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, 22,471,890 shares outstanding as of August 8, 2011.

Form 10-Q

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
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Forward Looking Statements

As used in this report, the terms “we,” “our,” “us” and “Company” refer to Riverview Bancorp, Inc. and its consolidated subsidiaries, unless the context indicates otherwise. When we refer to “Bank” in this report, we are referring to Riverview Community Bank, a wholly owned subsidiary of Riverview Bancorp, Inc.

“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 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 (“OCC”) and of the Company by the Federal Reserve, 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 its banking regulators 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 2012 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, 2011 AND MARCH 31, 2011

(In thousands, except share and per share data) (Unaudited)	June 30, 2011	March 31, 2011
ASSETS		
Cash (including interest-earning accounts of $58,044 and $37,349)	$ 70,010	$ 51,752
Certificates of deposit held for investment	18,875	14,900
Loans held for sale	190	173
Investment securities held to maturity, at amortized cost (fair value of $549 and $556)	499	506
Investment securities available for sale, at fair value (amortized cost of $8,493 and $8,514)	6,506	6,320
Mortgage-backed securities held to maturity, at amortized cost (fair value of $194 and $199)	185	190
Mortgage-backed securities available for sale, at fair value (amortized cost of $1,494 and $1,729)	1,545	1,777
Loans receivable (net of allowance for loan losses of $16,059 and $14,968)	677,310	672,609
Real estate and other personal property owned	27,213	27,590
Prepaid expenses and other assets	5,973	5,887
Accrued interest receivable	2,494	2,523
Federal Home Loan Bank stock, at cost	7,350	7,350
Premises and equipment, net	15,864	16,100
Deferred income taxes, net	9,375	9,447
Mortgage servicing rights, net	364	396
Goodwill	25,572	25,572
Core deposit intangible, net	197	219
Bank owned life insurance	16,103	15,952
TOTAL ASSETS	$ 885,625	$ 859,263
LIABILITIES AND EQUITY		
LIABILITIES:		
Deposit accounts	$ 742,859	$ 716,530
Accrued expenses and other liabilities	8,824	9,396
Advanced payments by borrowers for taxes and insurance	406	680
Junior subordinated debentures	22,681	22,681
Capital lease obligations	2,556	2,567
Total liabilities	777,326	751,854
COMMITMENTS AND CONTINGENCIES (See Note 14)		
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, 2011 – 22,471,890 issued and outstanding		225		225
March 31, 2011 – 22,471,890 issued and outstanding				
Additional paid-in capital		65,634		65,639
Retained earnings		43,907		43,193
Unearned shares issued to employee stock ownership trust		(670)		(696)
Accumulated other comprehensive loss		(1,278)		(1,417)
Total shareholders’ equity		107,818		106,944
Noncontrolling interest		481		465
Total equity		108,299		107,409
TOTAL LIABILITIES AND EQUITY	$	885,625	$	859,263

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME	Three Months Ended June 30,	
(In thousands, except share and per share data) (Unaudited)	2011	2010
INTEREST INCOME:		
Interest and fees on loans receivable	$ 10,280	$ 11,193
Interest on investment securities – taxable	45	55
Interest on investment securities – non-taxable	12	15
Interest on mortgage-backed securities	16	26
Other interest and dividends	75	15
Total interest and dividend income	10,428	11,304
INTEREST EXPENSE:		
Interest on deposits	1,230	1,901
Interest on borrowings	368	385
Total interest expense	1,598	2,286
Net interest income	8,830	9,018
Less provision for loan losses	1,550	1,300
Net interest income after provision for loan losses	7,280	7,718
NON-INTEREST INCOME:		
Fees and service charges	1,042	1,099
Asset management fees	625	521
Net gain on sale of loans held for sale	23	119
Bank owned life insurance	151	150
Other	63	347
Total non-interest income	1,904	2,236
NON-INTEREST EXPENSE:		
Salaries and employee benefits	4,511	3,940
Occupancy and depreciation	1,163	1,141
Data processing	288	252
Amortization of core deposit intangible	22	26
Advertising and marketing expense	245	135
FDIC insurance premium	273	421
State and local taxes	179	171
Telecommunications	107	107
Professional fees	339	326
Real estate owned expenses	430	166
Other	600	580
Total non-interest expense	8,157	7,265
INCOME BEFORE INCOME TAXES	1,027	2,689
PROVISION FOR INCOME TAXES	313	924
NET INCOME	$ 714	$ 1,765
Earnings per common share:		
Basic	$ 0.03	$ 0.16

Diluted	0.03	0.16
Weighted average number of shares outstanding:		
Basic	22,308,696	10,735,946
Diluted	22,309,353	10,735,946

See notes to consolidated financial statements.

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RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2011 AND 2010

(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, 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 loss, 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
Balance April 1, 2011	22,471,890	$ 225	$ 65,639	$ 43,193	$ (696)	$ (1,417)	$ 465	$ 107,409
Stock option expense	-	-	3	-	-	-	-	3
Earned ESOP shares	-	-	(8)	-	26	-	-	18
	22,471,890	225	65,634	43,193	(670)	(1,417)	465	107,430

Comprehensive income:								
Net income	-	-	-	714	-	-	-	714
Other comprehensive income, net of tax:								
Unrealized holding gain on securities available for sale	-	-	-	-	-	139	-	139
Noncontrolling interest	-	-	-	-	-	-	16	16
Total comprehensive income	-	-	-	-	-	-	-	869
Balance June 30, 2011	22,471,890	$ 225	$ 65,634	$ 43,907	$ (670)	$ (1,278)	$ 481	$ 108,299

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2011 AND 2010

(In thousands) (Unaudited)	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 714	$ 1,765
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	456	345
Provision for loan losses	1,550	1,300
Noncash expense related to ESOP	18	19
Decrease in deferred loan origination fees, net of amortization	(12)	(189)
Origination of loans held for sale	(818)	(3,969)
Proceeds from sales of loans held for sale	808	3,602
Stock based compensation expense	3	39
Writedown of real estate owned	211	74
Net gain on loans held for sale, sale of real estate owned, mortgage-backed securities, investment securities and premises and equipment	(16)	(261)
Income from bank owned life insurance	(151)	(150)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(138)	480
Accrued interest receivable	29	196
Accrued expenses and other liabilities	(518)	1,450
Net cash provided by operating activities	2,136	4,701
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan (originations) repayments, net	(6,789)	10,988
Proceeds from call, maturity, or sale of investment securities available for sale	-	4,990
Principal repayments on investment securities available for sale	21	27
Principal repayments on investment securities held to maturity	7	6
Purchase of investment securities available for sale	-	(5,000)
Principal repayments on mortgage-backed securities available for sale	235	274
Principal repayments on mortgage-backed securities held to maturity	5	56
Purchase of premises and equipment and capitalized software	(148)	(147)
Purchase of certificates of deposits held for investment, net	(3,975)	-
Capitalized improvements related to real estate owned	(207)	(5)
Proceeds from sale of real estate owned and premises and equipment	929	1,486
Net cash provided by (used in) investing activities	(9,922)	12,675
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	26,329	27,525
Proceeds from borrowings	-	78,800

Repayment of borrowings	-	(83,800)
Principal payments under capital lease obligation	(11)	(11)
Net decrease in advance payments by borrowers	(274)	(233)
Net cash provided by financing activities	26,044	22,281
NET INCREASE IN CASH	18,258	39,657
CASH, BEGINNING OF PERIOD	51,752	13,587
CASH, END OF PERIOD	$ 70,010	$ 53,244
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 1,226	$ 1,939
Income taxes	-	4
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to real estate owned, net	$ 561	$ 2,996
Fair value adjustment to securities available for sale	210	(59)
Income tax effect related to fair value adjustment	(71)	20

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, 2011 ("2011 Form 10-K"). The results of operations for the three months ended June 30, 2011 are not necessarily indicative of the results, which may be expected for the fiscal year ending March 31, 2012. 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 from October 1, 1998 and expired 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, 2011, there were options for 75,154 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, 2011

	Number of Shares		Weighted Average Exercise Price
Balance, beginning of period	468,700	$	9.00
Grants	-		-
Forfeited	-		-
Balance, end of period	468,700	$	9.00

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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, 2011	Three Months Ended June 30, 2010
Stock options fully vested and expected to vest:		
Number	466,775	458,475
Weighted average exercise price	$ 9.01	$ 9.42
Aggregate intrinsic value (1)	$ -	$ -
Weighted average contractual term of options (years)	5.73	6.44
Stock options fully vested and currently exercisable:		
Number	448,400	335,700
Weighted average exercise price	$ 9.23	$ 11.28
Aggregate intrinsic value (1)	$ -	$ -
Weighted average contractual term of options (years)	5.60	5.46

(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, 2011 and 2010 was $3,000 and $39,000, respectively. As of June 30, 2011, there was $13,000 of unrecognized compensation expense related to unvested stock options, which will be recognized over the remaining vesting periods of the underlying stock options through December 2014.

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, 2011.

	Risk Free Interest Rate	Expected Life (years)	Expected Volatility	Expected Dividends
Fiscal 2011	2.50%	6.25	45.05%	2.77%

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 exercise 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, 2011 and 2010, stock options for 468,000 and 466,000 shares, respectively, of common stock were excluded in computing diluted EPS because they were antidilutive.

	Three Months Ended June 30, 2011	2010
Basic EPS computation:		
Numerator-net income	$ 714,000	$ 1,765,000
Denominator-weighted average common shares outstanding	22,308,696	10,735,946
Basic EPS	$ 0.03	$ 0.16
Diluted EPS computation:		
Numerator-net income	$ 714,000	$ 1,765,000
Denominator-weighted average common shares outstanding	22,308,696	10,735,946
Effect of dilutive stock options	657	-
Weighted average common shares and common stock equivalents	22,309,353	10,735,946
Diluted EPS	$ 0.03	$ 0.16

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, 2011				
Municipal bonds	$ 499	$ 50	$ -	$ 549
March 31, 2011				
Municipal bonds	$ 506	$ 50	$ -	$ 556

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

June 30, 2011	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	499	549
Due after ten years	-	-
Total	$ 499	$ 549

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2011				

Trust preferred	$	2,974	$	-	$	(1,986)	$	988
Agency securities		5,000		-		(1)		4,999
Municipal bonds		519		-		-		519
Total	$	8,493	$	-	$	(1,987)	$	6,506
March 31, 2011								
Trust preferred	$	2,974	$	-	$	(2,058)	$	916
Agency securities		5,000		-		(136)		4,864
Municipal bonds		540		-		-		540
Total	$	8,514	$	-	$	(2,194)	$	6,320

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

June 30, 2011	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	5,000	4,999
Due after five years through ten years	-	-
Due after ten years	3,493	1,507
Total	$ 8,493	$ 6,506

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, 2011						
Trust preferred	$ -	$ -	$ 988	$ (1,986)	$ 988	$ (1,986)
Agency securities	4,999	(1)	-	-	4,999	(1)
Total	$ 4,999	$ (1)	$ 988	$ (1,986)	$ 5,987	$ (1,987)

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2011						
Trust preferred	$ -	$ -	$ 916	$ (2,058)	$ 916	$ (2,058)
Agency securities	4,864	(136)	-	-	4,864	(136)
Total	$ 4,864	$ (136)	$ 916	$ (2,058)	$ 5,780	$ (2,194)

At June 30, 2011, the Company had a single collateralized debt obligation which is secured by trust preferred securities issued by 19 other financial institution holding companies, which we refer to as a pooled trust preferred security. The Company holds the mezzanine tranche of this security. Four of the issuers in this pool have defaulted (representing 37% of the remaining collateral), and eight others are currently in deferral (30% of the remaining collateral). The Company has estimated an expected default rate of 45% for the security. The expected default rate was estimated based primarily on an analysis of the financial condition of the underlying banks. There was no excess subordination on this security.

During the three months ended June 30, 2011, the Company determined that there was no additional other than temporary impairment ("OTTI") charge on the above pooled trust preferred 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.

The unrealized losses on the above agency 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 agency securities to recover as the agency securities approach their maturity dates or sooner if market yields for such securities decline. The Company does not believe that any of the agency 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 related to the agency securities in this table are considered other than temporary.

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, 2011				
FHLMC mortgage-backed securities	$ 76	$ 3	$ -	$ 79
FNMA mortgage-backed securities	109	6	-	115
Total	$ 185	$ 9	$ -	$ 194
March 31, 2011				
FHLMC mortgage-backed securities	$ 78	$ 4	$ -	$ 82
FNMA mortgage-backed securities	112	5	-	117
Total	$ 190	$ 9	$ -	$ 199

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

June 30, 2011	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	5	6
Due after five years through ten years	-	-
Due after ten years	180	188
Total	$ 185	$ 194

Mortgage-backed securities held to maturity with an amortized cost of $74,000 and $76,000 and a fair value of $77,000 and $80,000 at June 30, 2011 and March 31, 2011, respectively, were pledged as collateral for governmental public funds held by the Bank. Mortgage-backed securities held to maturity with an amortized cost of $97,000 and $98,000 and a fair value of $101,000 and $103,000 at June 30, 2011 and March 31, 2011, 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, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Real estate mortgage investment conduits	$ 390	$ 12	$ -	$ 402
FHLMC mortgage-backed securities	1,089	38	-	1,127
FNMA mortgage-backed securities	15	1	-	16

Total	$	1,494	$	51	$	-	$	1,545
March 31, 2011								
Real estate mortgage investment conduits	$	421	$	12	$	-	$	433
FHLMC mortgage-backed securities		1,270		34		-		1,304
FNMA mortgage-backed securities		38		2		-		40
Total	$	1,729	$	48	$	-	$	1,777

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

June 30, 2011		Amortized Cost		Estimated Fair Value
Due in one year or less	$	-	$	-
Due after one year through five years		1,104		1,143
Due after five years through ten years		125		133
Due after ten years		265		269
Total	$	1,494	$	1,545

Mortgage-backed securities available for sale with an amortized cost of $1.0 million and $178,000 and a fair value of $1.1 million and $187,000 at June 30, 2011 and March 31, 2011, respectively, were pledged as collateral for governmental public funds held by the Bank. Mortgage-backed securities available for sale with an amortized cost of $108,000 and $128,000 and a fair value of $110,000 and $131,000 at June 30, 2011 and March 31, 2011, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank.

7. LOANS RECEIVABLE

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

	June 30, 2011	March 31, 2011
Commercial and construction		
Commercial business	$ 84,158	$ 85,511
Other real estate mortgage	465,391	461,955
Real estate construction	25,924	27,385
Total commercial and construction	575,473	574,851
Consumer		
Real estate one-to-four family	115,578	110,437
Other installment	2,318	2,289
Total consumer	117,896	112,726
Total loans	693,369	687,577
Less: Allowance for loan losses	16,059	14,968
Loans receivable, net	$ 677,310	$ 672,609

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, 2011 and March 31, 2011, the Bank had no loans to any one borrower in excess of the regulatory limit.

8. ALLOWANCE FOR LOAN LOSSES

Allowance for loan loss: The allowance for loan losses is maintained at a level sufficient to provide for probable loan losses based on evaluating known and inherent risks in the loan portfolio. The allowance is provided based upon the Company's ongoing quarterly assessment of the pertinent factors underlying the quality of the loan portfolio. These factors include changes in the size and composition of the loan portfolio, delinquency levels, actual loan loss experience, current economic conditions and detailed analysis of individual loans for which full collectibility may not be assured. The detailed analysis includes techniques to estimate the fair value of loan collateral and the existence of potential alternative sources of repayment. The allowance consists of specific, general and unallocated components. The specific component relates to loans that are considered impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans based on the Company’s risk rating system and historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that the Company believes have resulted in losses that have not yet been allocated to specific elements of the general component. Such factors include uncertainties in economic conditions and in identifying triggering events that directly correlate to subsequent loss rates, changes in appraised value of underlying collateral, risk factors that have not yet manifested themselves in loss allocation factors and historical loss experience data that may not precisely correspond to the current portfolio or economic conditions. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. The appropriate allowance level is estimated based upon factors and trends identified by the Company at the time the consolidated financial statements are prepared.

Commercial business, commercial real estate, construction and land acquisition loans are considered to have a higher degree of credit risk than one-to-four family residential loans, and tend to be more vulnerable to adverse conditions in the real estate market and deteriorating economic conditions. While the Company believes the estimates and assumptions used in its determination of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, that the actual amount of future provisions will not exceed the amount of past provisions, or that any increased provisions that may be required will not adversely impact our financial condition and results of operations. In addition, bank regulators periodically review the Company’s allowance for loan losses and may require the Company to increase its provision for loan losses or recognize additional loan charge-offs. An increase in the Company’s allowance for loan losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on its financial condition and results of operations.

Loss factors are based on the Company’s historical loss experience with additional consideration and adjustments made for changes in economic conditions, changes in the amount and composition of the loan portfolio, delinquency rates, changes in collateral values, seasoning of the loan portfolio, duration of current business cycle, a detailed analysis of impaired loans and other factors as deemed appropriate. These factors are evaluated on a quarterly basis. Loss rates used by the Company are affected as changes in these factors increase or decrease from quarter to quarter. The Company also considers bank regulatory examination results, findings of its third-party independent credit reviewers and internal credit department in its quarterly evaluation of the allowance for loan losses. Management's recent analysis of the allowance for loan losses has placed greater emphasis on the Company's construction and land development loan portfolios and the effect of various factors such as geographic and loan type concentrations. The Company has focused on managing these portfolios in an attempt to minimize the effects of declining home values and slower home sales in its market areas.

The following tables present a reconciliation of the allowance for loan losses (in thousands):

June 30, 2011	Commercial Business	Commercial Real Estate	Land	Multi-Family	Real Estate Construction	Consumer	Unallocated	Total
Beginning balance	$ 1,822	$ 4,744	$ 2,003	$ 2,172	$ 820	$ 1,339	$ 2,068	$ 14,968
Provision for loan losses	464	(172)	1,804	(9)	(21)	222	(738)	1,550
Charge-offs	(453)	-	-	-	-	(15)	-	(468)
Recoveries	8	-	-	-	-	1	-	9
Ending balance	$ 1,841	$ 4,572	$ 3,807	$ 2,163	$ 799	$ 1,547	$ 1,330	$ 16,059

June 30, 2010	Commercial Business	Commercial Real Estate	Land	Multi-Family	Real Estate Construction	Consumer	Unallocated	Total
Beginning balance	$ 3,181	$ 4,592	$ 5,013	$ 423	$ 5,137	$ 1,574	$ 1,722	$ 21,642
Provision for loan losses	779	470	(491)	18	105	(62)	481	1,300
Charge-offs	(400)	-	(1,408)	-	(1,191)	(393)	-	(3,392)
Recoveries	3	-	-	-	2	10	-	15
Ending balance	$ 3,563	$ 5,062	$ 3,114	$ 441	$ 4,053	$ 1,129	$ 2,203	$ 19,565

The following tables present an analysis of loans receivable and allowance for loan losses, which were evaluated individually and collectively for impairment at the dates indicated (in thousands):

	Allowance for loan losses			Recorded investment in loans		
June 30, 2011	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial business	$ 171	$ 1,670	$ 1,841	$ 2,958	$ 81,200	$ 84,158
Commercial real estate	33	4,539	4,572	10,418	350,376	360,794
Land	1,983	1,824	3,807	9,947	44,615	54,562
Multi-family	1,749	414	2,163	8,117	41,918	50,035

Real estate construction	-	799	799	3,963	21,961	25,924
Consumer	-	1,547	1,547	-	117,896	117,896
Unallocated	-	1,330	1,330	-	-	-
Total	$ 3,936	$ 12,123	$ 16,059	$ 35,403	$ 657,966	$ 693,369

	Allowance for loan losses			Recorded investment in loans		
March 31, 2011	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial business	$ 207	$ 1,615	$ 1,822	$ 3,382	$ 82,129	$ 85,511
Commercial real estate	59	4,685	4,744	8,976	355,712	364,688
Land	-	2,003	2,003	2,695	52,563	55,258
Multi-family	1,779	393	2,172	8,000	34,009	42,009
Real estate construction	-	820	820	4,206	23,179	27,385
Consumer	-	1,339	1,339	-	112,726	112,726
Unallocated	-	2,068	2,068	-	-	-
Total	$ 2,045	$ 12,923	$ 14,968	$ 27,259	$ 660,318	$ 687,577

Non-accrual loans: Loans are reviewed regularly and it is the Company's general policy that a loan is past due when it is 30 days to 89 days delinquent. In general, when a loan is 90 days delinquent or when collection of principal or interest appears doubtful, it is placed on non-accrual status, at which time the accrual of interest ceases and a reserve for unrecoverable accrued interest is established and charged against operations. Payments received on non-accrual loans are applied to reduce the outstanding principal balance on a cash-basis method. As a general practice, a loan is not removed from non-accrual status until all delinquent principal, interest and late fees have been brought current and the borrower has demonstrated a history of performance based upon the contractual terms of the note. Interest income foregone on non-accrual loans was $281,000 and $612,000 during the three months ended June 30, 2011 and 2010, respectively.

The following tables present an analysis of past due loans at the dates indicated (in thousands):

June 30, 2011	30-89 Days Past Due	90 Days and Greater (Non-Accrual)	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Commercial business	$ 1,378	$ 2,660	$ 4,038	$ 80,120	$ 84,158	$ -
Commercial real estate	5,417	1,281	6,698	354,096	360,794	-
Land	11,301	2,904	14,205	40,357	54,562	-
Multi-family	445	-	445	49,590	50,035	-
Real estate construction	-	3,963	3,963	21,961	25,924	-
Consumer	1,013	2,302	3,315	114,581	117,896	-
Total	$ 19,554	$ 13,110	$ 32,664	$ 660,705	$ 693,369	$ -

March 31, 2011	30-89 Days Past Due	90 Days and Greater (Non-Accrual)	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Commercial business	$ 1,415	$ 2,871	$ 4,286	$ 81,225	$ 85,511	$ -
Commercial real estate	2,112	1,385	3,497	361,191	364,688	-
Land	-	2,904	2,904	52,354	55,258	-
Multi-family	-	-	-	42,009	42,009	-
Real estate construction	-	4,206	4,206	23,179	27,385	-
Consumer	4,271	957	5,228	107,498	112,726	-
Total	$ 7,798	$ 12,323	$ 20,121	$ 667,456	$ 687,577	$ -

Credit quality indicators: The Company monitors credit risk in its loan portfolio using a risk rating system for all commercial (non-consumer) loans. The risk rating system is a measure of the credit risk of the borrower based on their historical, current and anticipated financial characteristics. The Company assigns a risk rating to each commercial loan at origination and subsequently updates these ratings, as necessary, so the risk rating continues to reflect the appropriate risk characteristics of the loan. Application of appropriate risk ratings is key to management of the loan portfolio risk. In arriving at the rating, the Company considers the following factors: delinquency, payment history, quality of management, liquidity, leverage, earning trends, alternative funding sources, geographic risk, industry risk, cash flow adequacy, account practices, asset protection and extraordinary risks. Consumer loans, including custom construction loans, are not assigned a risk rating but rather are grouped into homogeneous pools with similar risk characteristics unless the loan is placed on non-accrual status in which case it is assigned a substandard risk rating. Loss factors are assigned to each risk rating and homogeneous pool based on historical loss experience for similar loans. This historical loss experience is adjusted for qualitative factors that are likely to cause the estimated credit losses to differ from the Company's historical loss experience. The Company uses these loss factors to estimate the general component of its allowance for loan loss.

Pass – These loans have risk rating between 1 and 4 and are to borrowers that meet normal credit standards. Any deficiencies in satisfactory asset quality, liquidity, debt servicing capacity and coverage are offset by strengths in other areas. The borrower currently has the capacity to perform according to the loan terms. Any concerns about risk factors such as stability of margins, stability of cash flows, liquidity, dependence on a single product/supplier/customer, depth of management, etc., are offset by strength in other areas. Typically, the operating assets of the company and/or real estate will secure these loans. Management is considered competent. The borrower has the ability to repay the debt in the normal course of business.

Watch – These loans have a risk rating of 5 and would typically have many of the attributes of loans in the pass rating. However, there would typically be some reason for additional management oversight, such as recent financial setbacks, deteriorating financial position, industry concerns and failure to perform on other borrowing obligations. Loans with this rating are to be monitored closely in an effort to correct deficiencies.

Special mention – These loans have a risk rating of 6 and are currently protected but have the potential to deteriorate to a "substandard" rating. The borrower's financial performance may be inconsistent or below forecast, creating the possibility of liquidity problems and shrinking debt service coverage. The borrower may have a short track record and little depth of management. Other typical characteristics include inadequate current financial information, marginal capitalization, and susceptibility to negative industry trends. The primary source of repayment is still viable but there is increasing reliance on collateral or guarantor support.

Substandard – These loans have a risk rating of 7 and are rated in accordance with regulatory guidelines, for which the accrual of interest may or may not be discontinued. By definition under regulatory guidelines, a "substandard" loan has defined weaknesses which make payment default or principal exposure likely, but not yet certain. Such loans are apt to be dependent upon collateral liquidation, a secondary source of repayment, or an event outside of the normal course of business.

Doubtful – These loans have a risk rating of 8 and are rated in accordance with regulatory guidelines. Such loans are placed on nonaccrual status and may be dependent upon collateral having a value that is difficult to determine or upon some near-term event which lacks certainty.

Loss – These loans have a risk rating of 9 and are rated in accordance with regulatory guidelines. Such loans are to be charged-off or charged-down when payment is acknowledged to be uncertain or when the timing or value of payments cannot be determined. "Loss" is not intended to imply that the loan or some portion of it will never be paid, nor does it in any way imply that there has been a forgiveness of debt.

The following tables present an analysis of credit quality indicators at the dates indicated (dollars in thousands):

	June 30, 2011		March 31, 2011	
	Weighted-Average Risk Grade	Classified Loans	Weighted-Average Risk Grade	Classified Loans
Commercial business	4.00	$ 4,970	4.00	$ 4,920
Commercial real estate	3.67	11,667	3.66	8,909
Land	5.06	8,857	5.00	8,818
Multi-family	3.90	4,796	4.06	4,679
Real estate construction	5.00	7,863	4.96	8,106
Consumer (1)	6.58	2,302	7.00	957
Total	3.94	$ 40,455	3.93	$ 36,389
Total loans risk rated	$ 575,642		$ 573,506	

(1) Consumer loans are primarily evaluated on a homogenous pool level and generally not individually risk rated unless certain factors are met.

Impaired loans: A loan is considered impaired when it is probable that a creditor will be unable to collect all amounts (principal and interest) due according to the contractual terms of the loan agreement. Typically, factors used in determining if a loan is impaired are, but not limited to, whether the loan is 90 days or more delinquent, internally designated as substandard, on non-accrual status or a troubled debt restructure. The majority of the Company's impaired loans are considered collateral dependent. When a loan is considered collateral dependent impairment is measured using the estimated value of the underlying collateral, less any prior liens, and estimated selling costs. For impaired loans that are not collateral dependent impairment is measured using the present value of expected future cash flows, discounted at the loan's original effective interest rate. When the net realizable value of the impaired loan is less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs, and unamortized premium or discount), an impairment is recognized by adjusting an allocation of the allowance for loan losses. Subsequent to the initial allocation of allowance to the individual loan the Company may conclude that it is appropriate to record a charge-off of the impaired portion of the loan. When a charge-off is recorded the loan balance is reduced and the specific allowance is eliminated.

Generally, when a collateral dependent loan is initially measured for impairment and does not have an appraisal performed in the last six months, the Company obtains an updated market valuation. Subsequently, the Company obtains an updated market valuation on an annual basis. The valuation may occur more frequently if the Company determines that there is an indication that the market value may have declined.

The following tables present an analysis of impaired loans at the dates indicated (in thousands):

June 30, 2011	Recorded Investment with No Specific Valuation Allowance	Recorded Investment with Specific Valuation Allowance	Total Recorded Investment	Unpaid Principal Balance	Related Specific Valuation Allowance	Average Recorded Investment
Commercial business	$ 940	$ 2,018	$ 2,958	$ 5,240	$ 171	$ 3,170
Commercial real estate	3,206	7,212	10,418	10,696	33	9,697
Land	1,315	8,632	9,947	12,939	1,983	6,321
Multi-family	-	8,117	8,117	8,150	1,749	8,059
Real estate construction	3,963	-	3,963	8,455	-	4,085
Consumer	-	-	-	-	-	-
Total	$ 9,424	$ 25,979	$ 35,403	$ 45,480	$ 3,936	$ 31,332
March 31, 2011						
Commercial business	$ 1,024	$ 2,358	$ 3,382	$ 5,562	$ 207	$ 5,593
Commercial real estate	750	8,226	8,976	9,221	59	9,979
Land	2,695	-	2,695	5,094	-	6,695
Multi-family	-	8,000	8,000	8,036	1,779	3,864
Real estate construction	4,206	-	4,206	8,474	-	10,950
Consumer	-	-	-	-	-	462
Total	$ 8,675	$ 18,584	$ 27,259	$ 36,387	$ 2,045	$ 37,543

The related amount of interest income recognized on loans that were impaired was $291,000 and $176,000 during the three months ended June 30, 2011and 2010, respectively.

At June 30, 2011, the Company had troubled debt restructurings totaling $5.3 million, which includes one commercial business loan totaling $499,000 which is on nonaccrual status. All other troubled debt restructurings were on accrual status at June 30, 2011. At March 31, 2011, the Company had troubled debt restructurings totaling $5.9 million, which were on accrual status.

In accordance with the Company’s policy guidelines, unsecured loans are generally charged-off when no payments have been received for three consecutive months unless an alternative action plan is in effect. Consumer installment loans delinquent six months or more that have not received at least 75% of their required monthly payment in the last 90 days will be charged-off. Loans discharged in bankruptcy proceedings will be charged-off. Loans under bankruptcy protection with no payments received for four consecutive months will be charged-off. The portion of the outstanding balance of a secured loan that is in excess of the net realizable value is generally charged-off if no payments are received for four to five consecutive months. However, charge-offs would be postponed if alternative proposals to restructure, obtain additional guarantors, obtain additional assets as collateral or a potential sale would result in full repayment of the outstanding loan balance. Once any of these or other repayment potentials are considered exhausted the impaired portion of the loan is charged-off, unless an updated valuation of the collateral reveals no impairment.

9. GOODWILL

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 2011, 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, 2011, 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 was remote.

10. JUNIOR SUBORDINATED DEBENTURE

At June 30, 2011, the Company had two wholly-owned subsidiary grantor trusts that 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 trust agreement. 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 governing the Debentures plus any accrued but unpaid interest to the redemption date. The Company also has the right to defer the payment of interest on each of the Debentures for a period not to exceed 20 consecutive quarters, provided that the deferral period does not extend beyond the stated maturity. During such deferral period, distributions on the corresponding trust preferred securities will also be deferred and the Company may not pay cash dividends to the holders of shares of our common stock. Beginning in the first quarter of fiscal 2011, the Company elected to defer regularly scheduled interest payments on its outstanding $22.7 million aggregate principal amount of the Debentures. The Company continued with the interest deferral at June 30, 2011. As of June 30, 2011, the Company has deferred a total of $1.6 million of interest payments. During the deferral period, the Company is restricted from paying dividends on its common stock.

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, 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, 2011 and March 31, 2011, 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, 2011 (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%	1.61%	3/2036
Riverview Bancorp Statutory Trust II	06/2007		15,464	Fixed (2)	7.03%	7.03%	9/2037
		$					