ARCH COAL INC
Form 10-Q
October 23, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
(Mark One)
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018
o 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: 1-13105
Arch Coal, Inc.
(Exact name of registrant as specified in its charter)

Delaware	43-0921172
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One CityPlace Drive, Suite 300, St. Louis, Missouri	63141
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (314) 994-2700
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 ý No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ý No o
At October 19, 2018, there were 18,799,400 shares of the registrant's common stock outstanding.

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Part I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Income Statements
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Revenues	$633,180	$613,538	$1,800,824	$1,764,379
Costs, expenses and other operating				
Cost of sales (exclusive of items shown separately below)	482,029	494,379	1,411,197	1,389,294
Depreciation, depletion and amortization	31,775	31,914	92,027	94,536
Accretion on asset retirement obligations	6,992	7,580	20,977	22,826
Amortization of sales contracts, net	3,241	13,861	9,540	42,903
Change in fair value of coal derivatives and coal trading activities, net	10,418	1,028	22,142	2,745
Selling, general and administrative expenses	22,909	21,290	73,613	64,508
Gain on sale of Lone Mountain Processing, Inc.	—	(21,574)	—	(21,574)
Other operating income, net	(7,070)	(8,250)	(21,320)	(14,078)
	550,294	540,228	1,608,176	1,581,160
Income from operations	82,886	73,310	192,648	183,219
Interest expense, net				
Interest expense	(5,179)	(5,972)	(15,624)	(21,400)
Interest and investment income	1,801	720	4,626	2,089
	(3,378)	(5,252)	(10,998)	(19,311)
Income before nonoperating expenses	79,508	68,058	181,650	163,908
Nonoperating expenses				
Non-service related pension and postretirement benefit costs	(971)	(821)	(2,206)	(1,774)
Net loss resulting from early retirement of debt and debt restructuring	—	(486)	(485)	(2,547)
Reorganization items, net	(560)	(43)	(1,601)	(2,892)
	(1,531)	(1,350)	(4,292)	(7,213)
Income before income taxes	77,977	66,708	177,358	156,695
Benefit from income taxes	(45,215)	(1,643)	(49,125)	(484)
Net income	$123,192	$68,351	$226,483	$157,179
Net income per common share				
Basic earnings per common share	$6.40	$2.90	$11.27	$6.44
Diluted earnings per common share	$6.10	$2.83	$10.76	$6.32
Weighted average shares outstanding				

Basic weighted average shares outstanding	19,250	23,580	20,102	24,416
Diluted weighted average shares outstanding	20,208	24,135	21,040	24,875
Dividends declared per common share	$0.40	$0.35	$1.20	$0.70

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Net income	$123,192	$68,351	$226,483	$157,179
Derivative instruments				
Comprehensive income (loss) before tax	64	(19)	(5,672)	257
Income tax benefit (provision)	—	—	—	—
	64	(19)	(5,672)	257
Pension, postretirement and other post-employment benefits				
Comprehensive income (loss) before tax	2,736	(8,521)	6,389	(5,367)
Income tax benefit (provision)	—	—	—	—
	2,736	(8,521)	6,389	(5,367)
Available-for-sale securities				
Comprehensive income (loss) before tax	102	—	(379)	(387)
Income tax benefit (provision)	—	—	—	—
	102	—	(379)	(387)
Total other comprehensive income (loss)	2,902	(8,540)	338	(5,497)
Total comprehensive income	$126,094	$59,811	$226,821	$151,682

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except per share data)

	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$245,679	$273,387
Short term investments	162,530	155,846
Trade accounts receivable	183,318	172,604
Other receivables	26,972	29,771
Inventories	163,878	128,960
Other current assets	95,040	70,426
Total current assets	877,417	830,994
Property, plant and equipment, net	919,613	955,948
Other assets		
Equity investments	105,325	106,107
Other noncurrent assets	95,267	86,583
Total other assets	200,592	192,690
Total assets	$1,997,622	$1,979,632
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$119,629	$134,137
Accrued expenses and other current liabilities	203,667	184,161
Current maturities of debt	11,478	15,783
Total current liabilities	334,774	334,081
Long-term debt	302,830	310,134
Asset retirement obligations	319,601	308,855
Accrued pension benefits	5,101	14,036
Accrued postretirement benefits other than pension	105,400	102,369
Accrued workers’ compensation	180,880	184,835
Other noncurrent liabilities	61,896	59,457
Total liabilities	1,310,482	1,313,767
Stockholders' equity		
Common stock, $0.01 par value, authorized 300,000 shares, issued 25,047 shares at September 30, 2018 and December 31, 2017, respectively	250	250
Paid-in capital	712,295	700,125
Retained earnings	449,122	247,232
Treasury stock, 6,215 shares and 3,977 shares at September 30, 2018 and December 31, 2017, respectively, at cost	(495,232)	(302,109)
Accumulated other comprehensive income	20,705	20,367
Total stockholders’ equity	687,140	665,865
Total liabilities and stockholders’ equity	$1,997,622	$1,979,632

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30,	
	2018	2017
	(Unaudited)	
Operating activities		
Net income	$226,483	$157,179
Adjustments to reconcile to cash provided by operating activities:		
Depreciation, depletion and amortization	92,027	94,536
Accretion on asset retirement obligations	20,977	22,826
Amortization of sales contracts, net	9,540	42,903
Prepaid royalties expensed	134	2,905
Deferred income taxes	(22,999)	6,069
Employee stock-based compensation expense	12,161	7,485
Gains on disposals and divestitures, net	(54)	(23,006)
Net loss resulting from early retirement of debt and debt restructuring	485	2,547
Amortization relating to financing activities	3,300	2,628
Changes in:		
Receivables	(5,983)	(24,110)
Inventories	(34,918)	(13,102)
Accounts payable, accrued expenses and other current liabilities	(24,762)	5,103
Income taxes, net	(1,942)	(2,430)
Other	(8,334)	20,612
Cash provided by operating activities	266,115	302,145
Investing activities		
Capital expenditures	(55,742)	(30,503)
Minimum royalty payments	(522)	(5,033)
Proceeds from disposals and divestitures	512	11,432
Purchases of short term investments	(140,097)	(191,327)
Proceeds from sales of short term investments	133,400	123,996
Investments in and advances to affiliates, net	(1,817)	(9,216)
Cash used in investing activities	(64,266)	(100,651)
Financing activities		
Proceeds from issuance of term loan due 2024	—	298,500
Payments to extinguish term loan due 2021	—	(325,684)
Payments on term loan due 2024	(2,250)	(1,500)
Net payments on other debt	(10,286)	(5,992)
Debt financing costs	(1,009)	(10,043)
Net loss resulting from early retirement of debt and debt restructuring	(50)	(2,360)
Dividends paid	(23,966)	(16,763)
Purchases of treasury stock	(192,221)	(215,735)
Other	10	—
Cash used in financing activities	(229,772)	(279,577)
Decrease in cash and cash equivalents, including restricted cash	(27,923)	(78,083)
Cash and cash equivalents, including restricted cash, beginning of period	273,602	376,422
Cash and cash equivalents, including restricted cash, end of period	$245,679	$298,339

Cash and cash equivalents, including restricted cash, end of period		
Cash and cash equivalents	$245,679	$298,337
Restricted cash	—	2
	$245,679	$298,339

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Arch Coal, Inc. ("Arch Coal") and its subsidiaries (the "Company"). Unless the context indicates otherwise, the terms "Arch" and the "Company" are used interchangeably in this Quarterly Report on Form 10-Q. The Company's primary business is the production of thermal and metallurgical coal from surface and underground mines located throughout the United States, for sale to utility, industrial and steel producers both in the United States and around the world. The Company currently operates mining complexes in West Virginia, Illinois, Wyoming and Colorado. All subsidiaries are wholly-owned. Intercompany transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and U.S. Securities and Exchange Commission regulations. In the opinion of management, all adjustments, consisting of normal, recurring accruals considered necessary for a fair presentation, have been included. Results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of results to be expected for the year ending December 31, 2018. These financial statements should be read in conjunction with the audited financial statements and related notes as of and for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

2. Accounting Policies

Recently Adopted Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 is a comprehensive revenue recognition standard that has superseded nearly all existing revenue recognition guidance under current U.S. GAAP and replaced it with a principle based approach for determining revenue recognition. ASU 2014-09 requires that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. The Company's primary source of revenue is from the sale of coal through both short-term and long-term contracts with utilities, industrial customers and steel producers whereby revenue is currently recognized when risk of loss has passed to the customer. During the fourth quarter of 2017, the Company finalized its assessment related to the new standard by analyzing certain contracts representative of the majority of the Company's coal sales and determined that the timing of revenue recognition related to the Company's coal sales will remain consistent between the new standard and the previous standard. The Company also reviewed other sources of revenue, and concluded the current basis of accounting for these items is in accordance with the new standard. The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective method, and there was no cumulative adjustment to retained earnings. The Company also reviewed the disclosure requirements under the new standard and has compiled information needed for the expanded disclosures which are included within Note 19, "Revenue Recognition" in the Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." The amendment requires the classification of certain cash receipts and cash payments in the statement of cash flows to reduce diversity in practice. The new guidance is effective for fiscal years beginning after December 15, 2017 and the

interim periods therein, with early adoption permitted. The amendments in the classification should be applied retrospectively to all periods presented, unless deemed impracticable, in which case, the prospective application is permitted. The Company adopted ASU 2016-15 effective January 1, 2018 with no impact on the Company’s financial statements.

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In November 2016, FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The ASU applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The ASU should be adopted using a retrospective transition method to each period presented. The Company adopted ASU 2016-18 effective January 1, 2018 and applied the ASU retrospectively to the periods presented in the Company's Condensed Consolidated Statements of Cash Flow. As a result, net cash used in investing activities for the nine months ended September 30, 2017 was adjusted to exclude the change in restricted cash as follows:

(in thousands)	Nine Months Ended September 30, 2017
Cash used in investing activities previously reported	$(29,603)
Less: Withdrawals of restricted cash	71,048
Cash used in investing activities	$(100,651)

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 changes the income statement presentation of defined benefit plan expense by requiring separation between operating expense (service cost component) and non-operating expense (all other components, including interest cost, amortization of prior service cost, curtailments and settlements, etc.). The operating expense component is reported with similar compensation costs while the non-operating components are reported in Nonoperating expense. In addition, only the service cost component is eligible for capitalization as part of an asset such as inventory or property, plant and equipment. The ASU is effective for public companies for fiscal years beginning after December 15, 2017, and interim periods therein. The ASU should be adopted using a retrospective transition method to each period presented. The Company adopted ASU 2017-07 effective January 1, 2018 and applied the ASU retrospectively to the periods presented in the Company's Condensed Consolidated Income Statements. The retrospective application resulted in a $1.0 million and $2.6 million reduction in cost of coal sales and a $0.2 million and $0.8 million increase in selling, general and administrative costs with the corresponding offset to Nonoperating expense for the three and nine months ended September 30, 2017.

Recent Accounting Guidance Issued Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, "Leases" which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the term of the lease, on a generally straight line basis. The ASU is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; early adoption is permitted. The Company has both operating and capital leases. The Company expects the adoption of this standard to result in the recognition of right-of-use assets and lease liabilities not currently recorded on the Company's financial statements. The Company is currently in the process of accumulating all contractual lease arrangements in order to determine the impact on its financial statements.

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities." The new guidance provides targeted improvements to the accounting for hedging activities to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedging results. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; early adoption is permitted. The Company anticipates early adopting the standard in the fourth quarter of 2018, although it does not expect a significant impact to the Company's financial results.

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." ASU 2018-02 provides an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings due to the change in the U.S. federal tax rate in the Tax Cuts and Jobs Act of 2017. The ASU is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods therein with early adoption permitted. The Company is currently in the process of analyzing the standard, but does not expect a significant impact to the Company's financial statements.

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3. Accumulated Other Comprehensive Income

The following items are included in accumulated other comprehensive income ("AOCI"):

	Derivative Instruments	Pension, Postretirement and Other Post-Employment Benefits	Available-for-Sale Securities	Accumulated Other Comprehensive Income
	(In thousands)			
Balance at December 31, 2017	$647	$ 19,720	$ —	$ 20,367
Unrealized gains (losses)	(9,743)	8,373	(355)	(1,725)
Amounts reclassified from AOCI	4,071	(1,984)	(24)	2,063
Balance at September 30, 2018	$(5,025)	$ 26,109	$ (379)	$ 20,705

The following amounts were reclassified out of AOCI:

	Three Months Ended September 30,		Nine Months Ended September 30,		
Details About AOCI Components	2018	2017	2018	2017	Line Item in the Condensed Consolidated Statement of Operations
(In thousands)					
Coal hedges	$(4,824)	$(88)	$(4,824)	$(88)	Revenues
Interest rate hedges	265	—	753	—	Interest expense
	$(4,559)	$(88)	$(4,071)	$(88)	Net of tax
Pension, postretirement and other post-employment benefits					
Pension settlement	613	228	1,984	715	Non-service related pension and postretirement benefit (costs) credits
Actuarial curtailments	—	(773)	—	(773)	
Sale of Cumberland River Pension Plan	—	(360)	—	(360)	
	$613	$(905)	$1,984	$(418)	Net of tax
Available-for-sale securities	$8	$—	$24	$332	Interest and investment income
	$8	$—	$24	$332	Net of tax

4. Divestitures

On September 14, 2017, the Company closed on its' definitive agreement to sell Lone Mountain Processing LLC, an operating mine complex within the Company's metallurgical coal segment, and two idled mining companies, Cumberland River Coal LLC and Powell Mountain Energy LLC to Revelation Energy LLC. The Company received $8.3 million of proceeds offset by $1.3 million in disbursements related to landholder consent fees and professional fees; and recorded a gain of $21.6 million which is reflected as a separate line, "Gain on sale of Lone Mountain Processing, Inc.," within the Condensed Consolidated Statement of Operations. The gain included a $4.7 million curtailment gain related to black lung liabilities accrued for active employees at these operations, $0.5 million curtailment gain related to postretirement medical claims.

5. Reorganization items, net

In accordance with Accounting Codification Standard 852, "Reorganizations," the income statement shall portray the results of operations of the reporting entity while it is in Chapter 11. Revenues, expenses (including professional fees), realized gains and losses, and provisions for losses resulting from reorganization and restructuring of the business shall be reported separately as reorganization items.

During the three months ended September 30, 2018 and 2017, the Company recorded $0.6 million and near $0.0 million, respectively in "Reorganization items, net" primarily comprised of professional fee expenses. Net cash paid for "Reorganization items, net" totaled $0.6 million and $0.2 million during the three months ended September 30, 2018 and 2017, respectively.

During the nine months ended September 30, 2018 and 2017, the Company recorded $1.6 million and $2.9 million, respectively in "Reorganization items, net" primarily comprised of professional fee expenses. Net cash paid for "Reorganization items, net" totaled $1.2 million and $4.8 million during the nine months ended September 30, 2018 and 2017, respectively.

6. Inventories

Inventories consist of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Coal	$77,497	$54,692
Repair parts and supplies	86,381	74,268
	$163,878	$128,960

The repair parts and supplies are stated net of an allowance for slow-moving and obsolete inventories of $1.0 million at September 30, 2018 and $0.3 million at December 31, 2017.

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7. Investments in Available-for-Sale Securities

The Company has invested in marketable debt securities, primarily highly liquid U.S. Treasury securities and investment grade corporate bonds. These investments are held in the custody of a major financial institution. These securities are classified as available-for-sale securities and, accordingly, the unrealized gains and losses are recorded through other comprehensive income.

The Company's investments in available-for-sale marketable securities are as follows:

September 30, 2018						
		Gross Unrealized			Balance Sheet Classification	
	Cost Basis	Gains	Losses	Fair Value	Short-Term Investments	Other Assets
	(In thousands)					
Available-for-sale:						
U.S. government and agency securities	$99,754	$1	$(180)	$99,575	$99,575	$ —
Corporate notes and bonds	63,155	—	(200)	62,955	62,955	—
Total Investments	$162,909	$1	$(380)	$162,530	$162,530	$ —

December 31, 2017						
		Gross Unrealized			Balance Sheet Classification	
	Cost Basis	Gains	Losses	Fair Value	Short-Term Investments	Other Assets
	(In thousands)					
Available-for-sale:						
U.S. government and agency securities	$64,151	$22	$(73)	$64,100	$64,100	$ —
Corporate notes and bonds	92,038	—	(292)	91,746	91,746	—
Total Investments	$156,189	$22	$(365)	$155,846	$155,846	$ —

The aggregate fair value of investments with unrealized losses that were owned for less than a year was $151.6 million and $132.0 million at September 30, 2018 and December 31, 2017, respectively. There were no investments with unrealized losses that were owned for over a year at September 30, 2018 and December 31, 2017, respectively. The unrealized losses in the Company's portfolio at September 30, 2018 are the result of normal market fluctuations. The Company does not currently intend to sell these investments before recovery of their amortized cost base.

The debt securities outstanding at September 30, 2018 have maturity dates ranging from the fourth quarter of 2018 through the second quarter of 2020. The Company classifies its investments as current based on the nature of the investments and their availability to provide cash for use in current operations.

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8. Sales Contracts

The sales contracts reflected in the Condensed Consolidated Balance Sheets are as follows:

	September 30, 2018			December 31, 2017		
	Assets	Liabilities	Net Total	Assets	Liabilities	Net Total
	(In thousands)			(In thousands)		
Original fair value	$97,196	$31,742		$97,196	$31,742	
Accumulated amortization	(95,104)	(30,783)		(84,760)	(29,979)	
Total	$2,092	$959	$1,133	$12,436	$1,763	$10,673
Balance Sheet classification:						
Other current	$2,091	$562		$12,432	$934	
Other noncurrent	$1	$397		$4	$829	

The Company anticipates the majority of the remaining net book value of sale contracts to be amortized in 2018 based upon expected shipments.

9. Derivatives

Interest rate risk management

The Company has entered into interest rate swaps to reduce the variability of cash outflows associated with interest payments on its variable rate term loan. These swaps have been designated as cash flow hedges. For additional information on these arrangements, see Note 11, “Debt and Financing Arrangements,” in the Condensed Consolidated Financial Statements.

Diesel fuel price risk management

The Company is exposed to price risk with respect to diesel fuel purchased for use in its operations. The Company anticipates purchasing approximately 40 to 48 million gallons of diesel fuel for use in its operations annually. To protect the Company’s cash flows from increases in the price of diesel fuel for its operations, the Company uses forward physical diesel purchase contracts and purchased heating oil call options. At September 30, 2018, the Company had protected the price of approximately 69% of its expected diesel fuel purchases for the remainder of 2018 at an average strike price of $2.05 per gallon. Additionally, the Company has protected approximately 38% of its expected 2019 purchases with call options with an average strike price of $2.33 per gallon. At September 30, 2018, the Company had outstanding heating oil call options for approximately 26 million gallons for the purpose of managing the price risk associated with future diesel purchases. These positions are not designated as hedges for accounting purposes, and therefore, changes in the fair value are recorded immediately to earnings.

Coal price risk management positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market in order to manage its exposure to coal prices. The Company has exposure to the risk of fluctuating coal prices related to forecasted, index-priced sales or purchases of coal or to the risk of changes in the fair value of a fixed price physical sales contract. Certain derivative contracts may be designated as hedges of these risks.

At September 30, 2018, the Company held derivatives for risk management purposes that are expected to settle in the following years:

(Tons in thousands)	2018	2019	Total

Coal sales	646	1,620	2,266
Coal purchases	284	118	402

The Company has also entered into a minimal quantity of natural gas put options to protect the Company from decreases in natural gas prices, which could impact thermal coal demand. These options are not designated as hedges.

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Coal trading positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market for trading purposes. The Company is exposed to the risk of changes in coal prices on the value of its coal trading portfolio. The estimated future realization of the value of the trading portfolio is $0.4 million of losses during the remainder of 2018 and $0.7 million of losses during 2019.

Tabular derivatives disclosures

The Company has master netting agreements with all of its counterparties which allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. Such netting arrangements reduce the Company's credit exposure related to these counterparties. For classification purposes, the Company records the net fair value of all the positions with a given counterparty as a net asset or liability in the Condensed Consolidated Balance Sheets. The amounts shown in the table below represent the fair value position of individual contracts, and not the net position presented in the accompanying Condensed Consolidated Balance Sheets. The fair value and location of derivatives reflected in the accompanying Condensed Consolidated Balance Sheets are as follows:

Fair Value of Derivatives (In thousands)	September 30, 2018 Asset Derivative	September 30, 2018 Liability Derivative		December 31, 2017 Asset Derivative	December 31, 2017 Liability Derivative	
Derivatives Designated as Hedging Instruments						
Coal	$310	$(7,979)		$942	$(2,146)	
Derivatives Not Designated as Hedging Instruments						
Heating oil -- diesel purchases	6,240	—		5,354	—	
Coal -- held for trading purposes	38,895	(40,006)		44,088	(45,221)	
Coal -- risk management	5,057	(31,397)		5,139	(9,892)	
Natural gas	24	(24)		27	—	
Total	$50,216	$(71,427)		$54,608	$(55,113)	
Total derivatives	$50,526	$(79,406)		$55,550	$(57,259)	
Effect of counterparty netting	(42,851)	42,851		(50,042)	50,042	
Net derivatives as classified in the balance sheets	$7,675	$(36,555)	$(28,880)	$5,508	$(7,217)	$(1,709)

Net derivatives as reflected on the balance sheets (in thousands)		September 30, 2018	December 31, 2017
Heating oil and coal	Other current assets	$7,675	$5,508
Coal	Accrued expenses and other current liabilities	(36,555)	(7,217)
		$(28,880)	$(1,709)

The Company had a current asset representing cash collateral posted to a margin account for derivative positions primarily related to coal derivatives of $54.6 million and $16.2 million at September 30, 2018 and December 31, 2017, respectively. These amounts are not included with the derivatives presented in the table above and are included in "other current assets" in the accompanying Condensed Consolidated Balance Sheets.

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The effects of derivatives on measures of financial performance are as follows:

Derivatives used in Cash Flow Hedging Relationships (in thousands)
Three Months Ended September 30,

		Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)		Gains (Losses) Reclassified from Other Comprehensive Income into Income (Effective Portion)	
		2018	2017	2018	2017
Coal sales	(1)	$ (4,631)	$ (169)	$ (6,996)	$ —
Coal purchases	(2)	424	152	2,171	—
Totals		$ (4,207)	$ (17)	$ (4,825)	$ —

No ineffectiveness or amounts excluded from effectiveness testing relating to the Company's cash flow hedging relationships were recognized in the results of operations in the three month periods ended September 30, 2018 and 2017.

Derivatives Not Designated as Hedging Instruments (in thousands)
Three Months Ended September 30,

		Gain (Loss) Recognized	
		2018	2017
Coal trading — realized and unrealized	(3)	$ (928)	$ (696)
Coal risk management — unrealized	(3)	(9,486)	(212)
Natural gas trading— realized and unrealized	(3)	(4)	(120)
Change in fair value of coal derivatives and coal trading activities, net total		$ (10,418)	$ (1,028)
Coal risk management— realized	(4)	$ (2,537)	$ —
Heating oil — diesel purchases	(4)	$ 719	$ 822

Location in statement of operations:
(1) — Revenues
(2) — Cost of sales
(3) — Change in fair value of coal derivatives and coal trading activities, net
(4) — Other operating (income) expense, net

Derivatives used in Cash Flow Hedging Relationships (in thousands)
Nine Months Ended September 30,

		Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)		Gains (Losses) Reclassified from Other Comprehensive Income into Income (Effective Portion)	
		2018	2017	2018	2017
Coal sales	(1)	$ (14,862)	$ 100	$ (6,996)	$ —

Coal purchases (2)	2,587	(82)	2,171	—
Totals	$ (12,275)	$ 18	$ (4,825)	$ —

No ineffectiveness or amounts excluded from effectiveness testing relating to the Company’s cash flow hedging relationships were recognized in the results of operations in the nine month periods ended September 30, 2018 and 2017.

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Derivatives Not Designated as Hedging Instruments (in thousands)
Nine Months Ended September 30,

		Gain (Loss) Recognized	
		2018	2017
Coal trading — realized and unrealized	(3)	$ 14	$ (2,190)
Coal risk management — unrealized	(3)	(22,116)	(186)
Natural gas trading— realized and unrealized	(3)	(40)	(369)
Change in fair value of coal derivatives and coal trading activities, net total		$ (22,142)	$ (2,745)
Coal risk management— realized	(4)	$ (5,217)	$ —
Heating oil — diesel purchases	(4)	$ 4,394	$ (3,903)

Location in statement of operations:
(1) — Revenues
(2) — Cost of sales
(3) — Change in fair value of coal derivatives and coal trading activities, net
(4) — Other operating (income) expense, net

Based on fair values at September 30, 2018, amounts on derivative contracts designated as hedge instruments in cash flow hedges to be reclassified from other comprehensive income into earnings during the next twelve months are losses of approximately $5.5 million.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Payroll and employee benefits	$48,961	$53,149
Taxes other than income taxes	72,095	77,017
Interest	237	246
Acquired sales contracts	562	934
Workers' compensation	19,787	18,782
Asset retirement obligations	19,840	19,840
Coal derivative liability	36,555	7,217
Other	5,630	6,976
	$203,667	$184,161

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11. Debt and Financing Arrangements

	September 30, 2018	December 31, 2017
	(In thousands)	
Term loan due 2024 ($295.5 million face value)	$294,327	$296,435
Other	26,338	36,514
Debt issuance costs	(6,357)	(7,032)
	314,308	325,917
Less: current maturities of debt	11,478	15,783
Long-term debt	$302,830	$310,134

Term Loan Facility

On March 7, 2017, the Company entered into a senior secured term loan credit agreement (the “Credit Agreement) in an aggregate principal amount of $300 million (the “Term Loan Debt Facility) with Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the other financial institutions from time to time party thereto (collectively, the “Lenders”). The Term Loan Debt Facility was issued at 99.50% of the face amount and will mature on March 7, 2024. The term loans provided under the Term Loan Debt Facility (the “Term Loans”) are subject to quarterly principal amortization payments in an amount equal to $750,000.

On September 25, 2017, the Company entered into the First Amendment (the “First Amendment”) to its Credit Agreement. The First Amendment reduced the interest rate on the $300 million Term Loan Debt Facility to, at the option of Arch Coal, either (i) the London interbank offered rate (“LIBOR”) plus an applicable margin of 3.25%, subject to a 1.00% LIBOR floor, or (ii) a base rate plus an applicable margin of 2.25%. The First Amendment also reset the 1.00% call premium to apply to repricing events that occur on or prior to March 26, 2018.

The Term Loan Debt Facility is guaranteed by all existing and future wholly owned domestic subsidiaries of the Company (collectively, the “Subsidiary Guarantors” and, together with Arch Coal, the “Loan Parties”), subject to customary exceptions, and is secured by first priority security interests on substantially all assets of the Loan Parties, including 100% of the voting equity interests of directly owned domestic subsidiaries and 65% of the voting equity interests of directly owned foreign subsidiaries, subject to customary exceptions.

The Company has the right to prepay Term Loans at any time and from time to time in whole or in part without premium or penalty, upon written notice, except that any prepayment of Term Loans that bear interest at the LIBOR Rate other than at the end of the applicable interest periods therefor shall be made with reimbursement for any funding losses and redeployment costs of the Lenders resulting therefrom.

The Term Loan Debt Facility is subject to certain usual and customary mandatory prepayment events, including 100% of net cash proceeds of (i) debt issuances (other than debt permitted to be incurred under the terms of the Term Loan Debt Facility) and (ii) non-ordinary course asset sales or dispositions, subject to customary thresholds, exceptions and reinvestment rights.

The Term Loan Debt Facility contains customary affirmative covenants and representations.

The Term Loan Debt Facility also contains customary negative covenants, which, among other things, and subject to certain exceptions, include restrictions on (i) indebtedness, (ii) liens, (iii) liquidations, mergers, consolidations and acquisitions, (iv) disposition of assets or subsidiaries, (v) affiliate transactions, (vi) creation or ownership of certain subsidiaries, partnerships and joint ventures, (vii) continuation of or change in business, (viii) restricted payments, (ix)

prepayment of subordinated and junior lien indebtedness, (x) restrictions in agreements on dividends, intercompany loans and granting liens on the collateral, (xi) loans and investments, (xii) sale and leaseback transactions, (xiii) changes in organizational documents and fiscal year and (xiv) transactions with respect to bonding subsidiaries. The Term Loan Debt Facility does not contain any financial maintenance covenant.

The Term Loan Debt Facility contains customary events of default, subject to customary thresholds and exceptions, including, among other things, (i) nonpayment of principal and nonpayment of interest and fees, (ii) a material inaccuracy of a representation or warranty at the time made, (iii) a failure to comply with any covenant, subject to customary grace periods in the case of certain affirmative covenants, (iv) cross-events of default to indebtedness of at least $50 million, (v) cross-events of

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default to surety, reclamation or similar bonds securing obligations with an aggregate face amount of at least $50 million, (vi) uninsured judgments in excess of $50 million, (vii) any loan document shall cease to be a legal, valid and binding agreement, (viii) uninsured losses or proceedings against assets with a value in excess of $50 million, (ix) certain ERISA events, (x) a change of control or (xi) bankruptcy or insolvency proceedings relating to the Company or any material subsidiary of the Company.

Second Amendment to Term Loan Facility

On April 3, 2018, the Company entered into the Second Amendment (the “Second Amendment”) to its Credit Agreement. The Second Amendment further reduces the interest rate on its Term Loan Debt Facility to, at the option of Arch Coal, either (i) the London interbank offered rate (“LIBOR”) plus an applicable margin of 2.75%, subject to a 1.00% LIBOR floor, or (ii) a base rate plus an applicable margin of 1.75%. The Second Amendment also resets the 1.00% call premium to apply to repricing events that occur on or prior to October 3, 2018. The LIBOR floor remains at 1.00%. There is no change to the maturities as a result of the Second Amendment.

Accounts Receivable Securitization Facility

On August 27, 2018, the Company extended and amended its existing trade accounts receivable securitization facility provided to Arch Receivable Company, LLC, a special-purpose entity that is a wholly owned subsidiary of Arch Coal (“Arch Receivable”) (the “Extended Securitization Facility”), which supports the issuance of letters of credit and requests for cash advances. The amendment to the Extended Securitization Facility maintains the $160 million borrowing capacity and extends the maturity date to the date that is three years after the Securitization Facility Closing Date. Additionally, the amendment provided the Company the opportunity to use credit insurance to increase the pool of eligible receivables for borrowing. Pursuant to the Extended Securitization Facility, Arch Receivable also agreed to a revised schedule of fees payable to the administrator and the providers of the Extended Securitization Facility.

The Extended Securitization Facility will terminate at the earliest of (i) three years from the Securitization Facility Closing Date, (ii) if the Liquidity (defined in the Extended Securitization Facility and consistent with the definition in the Inventory Facility) is less than $175 million for a period of 60 consecutive days, the date that is the 364th day after the first day of such 60 consecutive day period and (iii) the occurrence of certain predefined events substantially consistent with the existing transaction documents. Under the Extended Securitization Facility, Arch Receivable, Arch Coal and certain of Arch Coal’s subsidiaries party to the Extended Securitization Facility have granted to the administrator of the Extended Securitization Facility a first priority security interest in eligible trade accounts receivable generated by such parties from the sale of coal and all proceeds thereof. As of September 30, 2018, letters of credit totaling $75.0 million were outstanding under the facility which had a borrowing base of $83.3 million. As a result, there was no cash collateral required to be posted in the facility.

Inventory-Based Revolving Credit Facility

On April 27, 2017, the Company and certain subsidiaries of Arch Coal entered into a senior secured inventory-based revolving credit facility in an aggregate principal amount of $40 million (the “Inventory Facility”) with Regions Bank (“Regions”) as administrative agent and collateral agent, as lender and swingline lender (in such capacities, the “Lender”) and as letter of credit issuer. Availability under the Inventory Facility is subject to a borrowing base consisting of (i) 85% of the net orderly liquidation value of eligible coal inventory, (ii) the lesser of (x) 85% of the net orderly liquidation value of eligible parts and supplies inventory and (y) 35% of the amount determined pursuant to clause (i), and (iii) 100% of Arch Coal’s Eligible Cash (defined in the Inventory Facility), subject to reduction for reserves imposed by Regions.

The commitments under the Inventory Facility will terminate on the date that is the earliest to occur of (i) the third anniversary of the Inventory Facility Closing Date, (ii) the date, if any, that is 364 days following the first day that Liquidity (defined in the Inventory Facility and consistent with the definition in the Extended Securitization Facility (as defined below)) is less than $250 million for a period of 60 consecutive days and (iii) the date, if any, that is 60 days following the maturity, termination or repayment in full of the Extended Securitization Facility.

Revolving loan borrowings under the Inventory Facility bear interest at a per annum rate equal to, at the option of Arch Coal, either the base rate or the London interbank offered rate plus, in each case, a margin ranging from 2.25% to 2.50% (in the case of LIBOR loans) and 1.25% to 1.50% (in the case of base rate loans) determined using a Liquidity-based grid. Letters of credit under the Inventory Facility are subject to a fee in an amount equal to the applicable margin for LIBOR loans, plus customary fronting and issuance fees.

All existing and future direct and indirect domestic subsidiaries of Arch Coal, subject to customary exceptions, will either

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constitute co-borrowers under or guarantors of the Inventory Facility (collectively with Arch Coal, the “Loan Parties”). The Inventory Facility is secured by first priority security interests in the ABL Priority Collateral (defined in the Inventory Facility) of the Loan Parties and second priority security interests in substantially all other assets of the Loan Parties, subject to customary exceptions (including an exception for the collateral that secures the Extended Securitization Facility).

Arch Coal has the right to prepay borrowings under the Inventory Facility at any time and from time to time in whole or in part without premium or penalty, upon written notice, except that any prepayment of such borrowings that bear interest at the LIBOR rate other than at the end of the applicable interest periods therefore shall be made with reimbursement for any funding losses and redeployment costs of the Lender resulting therefrom.

The Inventory Facility is subject to certain usual and customary mandatory prepayment events, including non-ordinary course asset sales or dispositions, subject to customary thresholds, exceptions (including exceptions for required prepayments under Arch Coal’s term loan facility) and reinvestment rights.

The Inventory Facility contains certain customary affirmative and negative covenants; events of default, subject to customary thresholds and exceptions; and representations, including certain cash management and reporting requirements that are customary for asset-based credit facilities. The Inventory Facility also includes a requirement to maintain Liquidity equal to or exceeding $175 million at all times. As of September 30, 2018, letters of credit totaling $35.7 million were outstanding under the facility with $4.3 million available for borrowings.

Interest Rate Swaps

During the second quarter of 2017, the Company entered into a series of interest rate swaps to fix a portion of the LIBOR interest rate within the term loan. The interest rate swaps qualify for cash flow hedge accounting treatment and as such, the change in the fair value of the interest rate swaps are recorded on the Company’s Condensed Consolidated Balance Sheet as an asset or liability with the effective portion of the gains or losses reported as a component of accumulated other comprehensive income and the ineffective portion reported in earnings. As interest payments are made on the term loan, amounts in accumulated other comprehensive income will be reclassified into earnings through interest expense to reflect a net interest on the term loan equal to the effective yield of the fixed rate of the swap plus 2.75% which is the spread on the revised LIBOR term loan. In the event that an interest rate swap is terminated prior to maturity, gains or losses in accumulated other comprehensive income will remain deferred and reclassified into earnings in the periods which the hedged forecasted transaction affects earnings.

Below is a summary of the Company’s outstanding interest rate swap agreements designated as hedges as of September 30, 2018:

Notional Amount (in millions)	Effective Date	Fixed Rate	Receive Rate	Expiration Date
$250.0	June 29, 2018	1.662%	1-month LIBOR	June 28, 2019
$200.0	June 28, 2019	1.952%	1-month LIBOR	June 30, 2020
$100.0	June 30, 2020	2.182%	1-month LIBOR	June 30, 2021

The fair value of the interest rate swaps at September 30, 2018 is an asset of $3.6 million which is recorded within Other noncurrent assets with the offset to accumulated other comprehensive income on the Company’s Condensed Consolidated Balance Sheet. The Company realized $0.3 million and $0.8 million of gains during the three and nine months ended September 30, 2018, respectively, related to settlements of the interest rate swaps which was recorded to interest expense on the Company’s Condensed Consolidated Income Statements. The interest rate swaps are classified as level 2 within the fair value hierarchy.

Financing Costs

The Company paid $1.0 million of financing costs during the nine months ended September 30, 2018; $0.5 million related to the amendment of the Accounts Receivable Securitization Facility, with the remaining $0.5 million related to the Second Amendment to the Term Loan Facility. During the nine months ended September 30, 2017, the Company paid $10.0 million of financing costs primarily related to the issuance of the Term Loan Debt facility discussed above. These issuance costs were capitalized and amortized using the effective interest method over the term of the facility.

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The Company incurred $2.4 million of legal and financial advisory fees associated with debt refinancing activities during the nine months ended September 30, 2017 related to the extinguishment of its previously existing first lien debt facility and initial efforts to replace the accounts receivable securitization facility.

12. Income Taxes

A reconciliation of the statutory federal income tax provision (benefit) at the statutory rate to the actual provision for (benefit from) income taxes follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Income tax provision (benefit) at statutory rate	$16,375	$23,347	$37,245	$54,843
Percentage depletion allowance	(5,964)	(7,708)	(13,059)	(20,439)
State taxes, net of effect of federal taxes	4,528	728	5,865	1,619
Change in valuation allowance	(44,278)	(19,118)	(62,234)	(39,336)
Current expense associated with uncertain tax positions	511	1,127	(599)	2,762
Impact of Tax Cut and Jobs Act of 2017	(19,780)	—	(19,780)	—
Other, net	3,393	(19)	3,437	67
Benefit from income taxes	$(45,215)	$(1,643)	$(49,125)	$(484)

During the quarter, the IRS completed an audit of AMT NOL carryback claims the Company filed in prior periods. In addition, the Company filed an amended 2016 return which changed the amount of available tax attributes and the mix used to offset its bankruptcy cancellation of indebtedness income as of January 1, 2017. As a result, the Company increased available alternative minimum tax ("AMT") credits and reduced other tax attributes as of that date that were available for attribute reduction. The AMT credits do not require a valuation allowance to be recorded against them due to the law changes enacted as part of the Tax Cut and Jobs Act of 2017 (the "Act"), while the Company's other tax attributes are fully offset by a valuation allowance. The associated valuation allowance release related to the shift in attributes reflects what the Company believes will be realized upon audit of the amended return filing. The Company anticipates all AMT credits, net of sequestration, will be converted to cash in the next five years as provided by the Act. In total, these changes resulted in a recorded benefit from income taxes of $45.2 million, which was net of a $24.9 million uncertain tax position charge.

On December 22, 2017 the Act was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the elimination of the corporate AMT regime effective for tax years beginning after December 31, 2017, implementation of a process whereby corporations with unused AMT credits will be refunded during 2018-2022, the transition of U.S. international taxation from a worldwide tax system to a territorial system, a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017, further limitation on the deductibility of certain executive compensation, allowance for immediate capital expensing of certain qualified property, and limitations on the amount of interest expense deductible beginning in 2018.

The Company has not completed its analysis for the income tax effects of the Act but has provided its best estimate of the impact of the Act for 2017 in its year-end income tax provision in accordance with the guidance and interpretations available at that time as provided under SAB 118. During the quarter, the Company estimated the tax rate change impact of the Act on the 2016 amended return items. The Company has also recorded provisional adjustments under SAB 118 as part of the forecasted effective tax rate for 2018. The Company will finalize the

analysis for the estimate by December 22, 2018, within the one year measurement period under SAB 118.

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13. Fair Value Measurements

The hierarchy of fair value measurements assigns a level to fair value measurements based on the inputs used in the respective valuation techniques. The levels of the hierarchy, as defined below, give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include U.S. Treasury securities, and coal swaps and futures that are submitted for clearing on the New York Mercantile Exchange.

- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's level 2 assets and liabilities include U.S. government agency securities, coal commodity contracts and interest rate swaps with fair values derived from quoted prices in over-the-counter markets or from prices received from direct broker quotes.

- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. These include the Company's commodity option contracts (coal, natural gas and heating oil) valued using modeling techniques, such as Black-Scholes, that require the use of inputs, particularly volatility, that are rarely observable. Changes in the unobservable inputs would not have a significant impact on the reported Level 3 fair values at September 30, 2018.

The table below sets forth, by level, the Company's financial assets and liabilities that are recorded at fair value in the accompanying Condensed Consolidated Balance Sheet:

	September 30, 2018			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Assets:				
Investments in marketable securities	$162,530	$99,575	$62,955	$—
Derivatives	11,284	—	5,044	6,240
Total assets	$173,814	$99,575	$67,999	$6,240
Liabilities:				
Derivatives	$36,555	$34,838	$709	$1,008

The Company's contracts with its counterparties allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. For classification purposes, the Company records the net fair value of all the positions with these counterparties as a net asset or liability. Each level in the table above displays the underlying contracts according to their classification in the accompanying Condensed Consolidated Balance Sheet, based on this counterparty netting.

The following table summarizes the change in the fair values of financial instruments categorized as Level 3.

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
	(In thousands)	

Balance, beginning of period	$6,083	$ 5,426
Realized and unrealized gains recognized in earnings, net	749	4,402
Purchases	825	2,481
Issuances	(70)	(724)
Settlements	(2,355)	(6,353)
Ending balance	$5,232	$ 5,232

Net unrealized gains of $0.8 million and $2.6 million were recognized in the Condensed Consolidated Income Statements within Other operating income, net during the three and nine months ended September 30, 2018, respectively, related to Level 3 financial instruments held on September 30, 2018.

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Fair Value of Long-Term Debt

At September 30, 2018 and December 31, 2017, the fair value of the Company’s debt, including amounts classified as current, was $322.6 million and $336.1 million, respectively. Fair values are based upon observed prices in an active market, when available, or from valuation models using market information, which fall into Level 2 in the fair value hierarchy.

14. Earnings per Common Share

The Company computes basic net income per share using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities may consist of warrants, restricted stock units or other contingently issuable shares. The dilutive effect of outstanding warrants, restricted stock units and other contingently issuable shares is reflected in diluted earnings per share by application of the treasury stock method.

The following table provides the basis for basic and diluted earnings per share by reconciling the denominators of the computations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Weighted average shares outstanding:				
Basic weighted average shares outstanding	19,250	23,580	20,102	24,416
Effect of dilutive securities	958	555	938	459
Diluted weighted average shares outstanding	20,208	24,135	21,040	24,875

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15. Workers Compensation Expense

The Company is liable under the Federal Mine Safety and Health Act of 1969, as subsequently amended, to provide for pneumoconiosis (occupational disease) benefits to eligible employees, former employees and dependents. The Company currently provides for federal claims principally through a self-insurance program. The Company is also liable under various state workers' compensation statutes for occupational disease benefits. The occupational disease benefit obligation represents the present value of the actuarially computed present and future liabilities for such benefits over the employees' applicable years of service.

In addition, the Company is liable for workers' compensation benefits for traumatic injuries which are calculated using actuarially-based loss rates, loss development factors and discounted based on a risk free rate. Traumatic workers' compensation claims are insured with varying retentions/deductibles, or through state-sponsored workers' compensation programs.

Workers' compensation expense consists of the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Self-insured occupational disease benefits:				
Service cost	$1,860	$1,558	$5,580	$4,675
Interest cost[1]	1,196	1,169	3,585	3,506
Curtailments	$—	$(4,660)	$—	$(4,660)
Total occupational disease	$3,056	$(1,933)	$9,165	$3,521
Traumatic injury claims and assessments	(2,069)	3,077	3,130	8,487
Total workers' compensation expense	$987	$1,144	$12,295	$12,008

During the third quarter of 2018, the Company recorded a $4.0 million reduction to its workers' compensation liability with the offset to "Cost of Sales" in the Condensed Consolidated Income Statements. The liability was revalued using current claims data discounted at 3.08%.

(1) In accordance with the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," these costs are recorded within Nonoperating expenses in the Condensed Consolidated Income Statements on the line item "Non-service related pension and postretirement benefit costs." For additional information about the adoption of the standard, see Note 2, "Accounting Policies" in the Condensed Consolidated Financial Statements.

16. Employee Benefit Plans

The following table details the components of pension benefit costs (credits):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Interest cost[1]	$2,376	$2,736	$6,917	$8,718
Expected return on plan assets[1]	(2,906)	(3,913)	(9,067)	(12,909)
Pension settlement[1]	(613)	(229)	(1,984)	(716)
Net benefit credit	$(1,143)	$(1,406)	$(4,134)	$(4,907)

During the third quarter of 2018, the Company recorded a pension settlement related to its cash balance pension plan as the qualifying distributions from the plan exceeded the annual service and interest costs of the plan. Additionally, in accordance with accounting guidance, the Company revalued the cash balance pension plan liability which reduced the liability by approximately $3.3 million with the offset to accumulated other comprehensive income. The discount rate used for the revaluation was 4.17%.

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The following table details the components of other postretirement benefit costs:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Service cost	$140	$170	$419	$511
Interest cost[1]	918	1,058	2,755	3,175
Curtailments	—	(520)	—	(520)
Net benefit cost	$1,058	$708	$3,174	$3,166

(1) In accordance with the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," these costs are recorded within Nonoperating expenses in the Condensed Consolidated Income Statements on the line item "Non-service related pension and postretirement benefit costs." For additional information about the adoption of the standard, see Note 2, "Accounting Policies" in the Condensed Consolidated Financial Statements.

17. Commitments and Contingencies

The Company accrues for costs related to contingencies when a loss is probable and the amount is reasonably determinable. Disclosure of contingencies is included in the financial statements when it is at least reasonably possible that a material loss or an additional material loss in excess of amounts already accrued may be incurred.

In addition, the Company is a party to numerous other claims and lawsuits with respect to various matters. As of September 30, 2018 and December 31, 2017, the Company had accrued $0.4 million and $0.2 million, respectively, for all legal matters, of which all amounts are classified as current. The ultimate resolution of any such legal matter could result in outcomes which may be materially different from amounts the Company has accrued for such matters.

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18. Segment Information

The Company's reportable business segments are based on two distinct lines of business, metallurgical and thermal, and may include a number of mine complexes. The Company manages its coal sales by market, not by individual mining complex. Geology, coal transportation routes to customers, and regulatory environments also have a significant impact on the Company's marketing and operations management. Mining operations are evaluated based on Adjusted EBITDA, per-ton cash operating costs (defined as including all mining costs except depreciation, depletion, amortization, accretion on asset retirement obligations, and pass-through transportation expenses), and on other non-financial measures, such as safety and environmental performance. Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded from Adjusted EBITDA are significant in understanding and assessing the Company's financial condition. Therefore, Adjusted EBITDA should not be considered in isolation, nor as an alternative to net income, income from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. The Company uses Adjusted EBITDA to measure the operating performance of its segments and allocate resources to the segments. Furthermore, analogous measures are used by industry analysts and investors to evaluate the Company's operating performance. Investors should be aware that the Company's presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The Company reports its results of operations primarily through the following reportable segments: Powder River Basin (PRB) segment containing the Company's primary thermal operations in Wyoming; the Metallurgical (MET) segment, containing the Company's metallurgical operations in West Virginia, and the Other Thermal segment containing the Company's supplementary thermal operations in Colorado, Illinois, and West Virginia. Periods presented in this note have been recast for comparability.

On September 14, 2017, the Company closed on its' definitive agreement to sell Lone Mountain Processing LLC, an operating mine complex within the Company's metallurgical coal segment. Through this transaction the Company divested all active operations in the states of Kentucky and Virginia.

Operating segment results for the three and nine months ended September 30, 2018 and 2017, are presented below. The Company measures its segments based on "adjusted earnings before interest, taxes, depreciation, depletion, amortization, accretion on asset retirements obligations, and nonoperating expenses (Adjusted EBITDA)." Adjusted EBITDA does not reflect mine closure or impairment costs, since those are not reflected in the operating income reviewed by management. The Corporate, Other and Eliminations grouping includes these charges, as well as the change in fair value of coal derivatives and coal trading activities, net; corporate overhead; land management activities; other support functions; and the elimination of intercompany transactions.

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	PRB	MET	Other Thermal	Corporate, Other and Eliminations	Consolidated
	(in thousands)				
Three Months Ended September 30, 2018					
Revenues	$261,927	$236,328	$130,663	$ 4,262	$633,180
Adjusted EBITDA	48,646	81,250	25,200	(30,202)	124,894
Depreciation, depletion and amortization	9,114	18,106	3,924	631	31,775
Accretion on asset retirement obligation	4,885	469	565	1,073	6,992
Total assets	374,092	561,989	127,904	933,637	1,997,622
Capital expenditures	3,458	17,827	3,332	1,076	25,693
Three Months Ended September 30, 2017					
Revenues	$276,000	$238,946	$93,859	$ 4,733	$613,538
Adjusted EBITDA	48,768	53,346	21,217	(18,240)	105,091
Depreciation, depletion and amortization	9,577	18,479	3,465	393	31,914
Accretion on asset retirement obligation	5,040	511	540	1,489	7,580
Total assets	419,162	538,637	130,729	934,005	2,022,533
Capital expenditures	2,047	4,597	4,013	2,924	13,581
Nine Months Ended September 30, 2018					
Revenues	$737,233	$733,707	$321,997	$ 7,887	$1,800,824
Adjusted EBITDA	102,639	251,649	52,710	(91,806)	315,192
Depreciation, depletion and amortization	25,841	53,109	11,459	1,618	92,027
Accretion on asset retirement obligation	14,656	1,406	1,696	3,219	20,977
Total assets	374,092	561,989	127,904	933,637	1,997,622
Capital expenditures	7,221	35,555	7,097	5,869	55,742
Nine Months Ended September 30, 2017					
Revenues	$780,007	$692,178	$287,404	$ 4,790	$1,764,379
Adjusted EBITDA	128,562	184,208	75,369	(66,229)	321,910
Depreciation, depletion and amortization	27,661	55,629	9,950	1,296	94,536
Accretion on asset retirement obligation	15,120	1,568	1,621	4,517	22,826
Total assets	419,162	538,637	130,729	934,005	2,022,533
Capital expenditures	2,997	16,032	6,653	4,821	30,503

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A reconciliation of net income to adjusted EBITDA follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income	$123,192	$68,351	$226,483	$157,179
Benefit from income taxes	(45,215)	(1,643)	(49,125)	(484)
Interest expense, net	3,378	5,252	10,998	19,311
Depreciation, depletion and amortization	31,775	31,914	92,027	94,536
Accretion on asset retirement obligations	6,992	7,580	20,977	22,826
Amortization of sales contracts, net	3,241	13,861	9,540	42,903
Gain on sale of Lone Mountain Processing, Inc.	—	(21,574)	—	(21,574)
Net loss resulting from early retirement of debt and debt restructuring	—	486	485	2,547
Non-service related pension and postretirement benefit costs	971	821	2,206	1,774
Reorganization items, net	560	43	1,601	2,892
Adjusted EBITDA	$124,894	$105,091	$315,192	$321,910

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19. Revenue Recognition

ASC 606-10-50-5 requires that entities disclose disaggregated revenue information in categories (such as type of good or service, geography, market, type of contract, etc.) that depict how the nature, amount, timing, and uncertainty of revenue and cash flow are affected by economic factors. ASC 606-10-55-89 explains that the extent to which an entity's revenue is disaggregated depends on the facts and circumstances that pertain to the entity's contracts with customers and that some entities may need to use more than one type of category to meet the objective for disaggregating revenue.

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its coal and customer relationships and provides meaningful disaggregation of each segment's results. The company has further disaggregated revenue between North America and Seaborne revenues which depicts the pricing and contract differences between the two. North America revenue is characterized by contracts with a term of one year or longer and typically the pricing is fixed; whereas Seaborne revenue generally is derived by spot or short term contracts with an indexed based pricing mechanism.

	PRB	MET	Other Thermal	Corporate, Other and Eliminations	Consolidated
	(in thousands)				
Three Months Ended September 30, 2018					
North America revenues	$261,927	$49,698	$56,051	$ 4,262	$ 371,938
Seaborne revenues	—	186,630	74,612	—	261,242
Total revenues	$261,927	$236,328	$130,663	$ 4,262	$ 633,180
Three Months Ended September 30, 2017					
North America revenues	$276,000	$84,411	$76,426	$ 4,733	$ 441,570
Seaborne revenues	—	154,535	17,433	—	171,968
Total revenues	$276,000	$238,946	$93,859	$ 4,733	$ 613,538

	PRB	MET	Other Thermal	Corporate, Other and Eliminations	Consolidated
	(in thousands)				
Nine Months Ended September 30, 2018					
North America revenues	$735,322	$117,699	$140,265	$ 7,887	$ 1,001,173
Seaborne revenues	1,911	616,008	181,732	—	799,651
Total revenues	$737,233	$733,707	$321,997	$ 7,887	$ 1,800,824

					-	299,691
Land	11,665	2,892	801	-	-	15,358
Multi-family	28,508	14	1,935	-	-	30,457
Real estate construction	28,670	-	1,828	-	-	30,498

Consumer	125,356	-	1,226	-	-	126,582
Total	$ 546,998	$ 19,453	$ 13,321	$ -	$ -	$ 579,772

Impaired loans and troubled debt restructurings ("TDRs"): A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Typically, factors used in determining if a loan is impaired include, but are not limited to, whether the loan is 90 days or more delinquent, internally designated as substandard or worse, on non-accrual status or represents a TDR. 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 when applicable, less 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 estimated 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 has not had an appraisal of the collateral performed in the last six months, the Company obtains an updated market valuation. Subsequently, the Company generally obtains an updated market valuation of the collateral on an annual basis. The collateral 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 the total and average recorded investment in impaired loans at the dates and for the periods indicated (in thousands):

September 30, 2015	Recorded Investment with No Specific Valuation Allowance	Recorded Investment with Specific Valuation Allowance	Total Recorded Investment	Unpaid Principal Balance	Related Specific Valuation Allowance
Commercial business	$617	$-	$617	$619	$-
Commercial real estate	14,288	-	14,288	15,442	-
Land	801	-	801	804	-
Multi-family	1,901	-	1,901	2,044	-
Consumer	647	1,217	1,864	2,054	121
Total	$18,254	$1,217	$19,471	$20,963	$121
March 31, 2015					
Commercial business	$1,091	$-	$1,091	$1,125	$-
Commercial real estate	15,939	-	15,939	17,188	-
Land	801	-	801	804	-
Multi-family	1,922	-	1,922	2,058	-
Consumer	1,276	1,346	2,622	3,211	147
Total	$21,029	$1,346	$22,375	$24,386	$147

	Three Months ended September 30, 2015		Three Months ended September 30, 2014	
	Average Recorded Investment	Interest Recognized on Impaired Loans	Average Recorded Investment	Interest Recognized on Impaired Loans
Commercial business	$ 619	$ 6	$ 1,074	$ 11
Commercial real estate	14,481	133	17,286	114
Land	801	-	813	-
Multi-family	1,907	26	2,326	-
Consumer	1,871	20	3,336	19
Total	$ 19,679	$ 185	$ 24,835	$ 144

	Six Months ended September 30, 2015		Six Months ended September 30, 2014	
	Average Recorded Investment	Interest Recognized on Impaired Loans	Average Recorded Investment	Interest Recognized on Impaired Loans

Commercial business	$	776	$	13	$	1,031	$	22
Commercial real estate		14,967		266		17,565		225
Land		801		-		828		-
Multi-family		1,912		52		2,222		-
Consumer		2,121		36		3,560		38
Total	$	20,577	$	367	$	25,206	$	285

TDRs are loans where the Company, for economic or legal reasons related to the borrower's financial condition, has granted a concession to the borrower that it would otherwise not consider. A TDR typically involves a modification of terms such as a reduction of the stated interest rate or face amount of the loan, a reduction of accrued interest, and/or an extension of the maturity date(s) at a stated interest rate lower than the current market rate for a new loan with similar risk. TDRs are considered impaired loans and as such, impairment is measured as described for impaired loans above.

At September 30, 2015 and March 31, 2015, the Company had TDRs totaling $19.2 million and $21.4 million, respectively, of which $16.1 million and $17.3 million, respectively, were on accrual status. At September 30, 2015, the Company had no commitments at these dates to lend additional funds on these loans. At September 30, 2015, all of the Company’s TDRs are paying as agreed except for one of the Company’s TDRs that defaulted since the loan was modified.

The following table presents new TDRs for the periods indicated (dollars in thousands):

	Six Months Ended September 30, 2015			Six Months Ended September 30, 2014		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate	-	$ -	-	1	$ 344	$ 340

There were no loans modified as a TDR within the previous twelve months that subsequently defaulted in the six months ended September 30, 2015.

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 are charged-off. In addition, loans discharged in bankruptcy proceedings are charged-off. Loans under bankruptcy protection with no payments received for four consecutive months will be charged-off. 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 are postponed if alternative proposals to restructure, obtain additional guarantors, obtain additional assets as collateral or a potential sale of the underlying collateral would result in full repayment of the outstanding loan balance. Once any other potential sources of repayment are exhausted, the impaired portion of the loan is charged-off. Regardless of whether a loan is unsecured or collateralized, once an amount is determined to be a confirmed loan loss it is promptly charged off.

9. GOODWILL

Goodwill and certain other intangibles generally arise from business combinations accounted for under the purchase method. Goodwill and other intangibles deemed to have indefinite lives generated from business combinations are not subject to amortization and are instead tested for impairment not less than annually. The Company has one reporting unit, the Bank, for purposes of computing goodwill.

The Company performed an impairment assessment as of October 31, 2014 and determined that no impairment of goodwill 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. GAAP with respect to goodwill requires that the Company compare the implied fair value of goodwill to the carrying amount of goodwill on the Company's consolidated 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 greater than its carrying value, and, therefore, a step two analysis was not required; 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 September 30, 2015 due to there not being a significant change in the reporting unit's assets, liabilities and the Company's stock price since the date of the most recent goodwill impairment assessment; the amount by which the fair value of the reporting unit exceeded the carrying value as of the date of the most recent goodwill impairment test; 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.

10. JUNIOR SUBORDINATED DEBENTURES

At September 30, 2015, 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.

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 both September 30, 2015 and March 31, 2015, 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 Company's Debentures at September 30, 2015 (dollars in thousands):

Issuance Trust	Issuance Date		Amount Outstanding	Rate Type	Initial Rate	Current Rate	Maturity Date
Riverview Bancorp Statutory Trust I	12/2005	$	7,217	Variable (1)	5.88%	1.70%	3/2036
Riverview Bancorp Statutory Trust II	06/2007		15,464	Variable (2)	7.03%	1.69%	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 reprice quarterly based on the three-month LIBOR plus 1.35%

11. FAIR VALUE MEASUREMENTS

GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The categories of fair value measurement prescribed by GAAP and used in the tables presented under fair value measurements are as follows:

Quoted prices in active markets for identical assets (Level 1): Inputs that are quoted unadjusted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market 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 or liabilities in active markets, quoted prices for identical or similar assets or liabilities 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 an asset or liability developed based on the best information available in the circumstances.

Financial instruments are presented 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 consolidated 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 consolidated financial statements at some time during the reporting period.

The following tables present assets that are measured at fair value on a recurring basis at the dates indicated (in thousands):

September 30, 2015	Total estimated fair value	Estimated fair value measurements using Level 1	Level 2	Level 3
Investment securities available for sale:				
Trust preferred	$1,768	$-	$-	$1,768
Agency securities	13,982	-	13,982	-
Mortgage-backed securities available for sale:				
Real estate mortgage investment conduits	35,987	-	35,987	-
Mortgage-backed securities	77,620	-	77,620	-
Other mortgage-backed securities	5,214	-	5,214	-
Total recurring assets measured at fair value	$134,571	$-	$132,803	$1,768
March 31, 2015				
Investment securities available for sale:				
Trust preferred	$1,812	$-	$-	$1,812
Agency securities	13,939	-	13,939	-
Mortgage-backed securities available for sale:				
Real estate mortgage investment conduits	22,709	-	22,709	-
Mortgage-backed securities	68,514	-	68,514	-
Other mortgage-backed securities	5,489	-	5,489	-
Total recurring assets measured at fair value	$112,463	$-	$110,651	$1,812

There were no transfers of assets in to or out of Level 1, 2 or 3 for the six months ended September 30, 2015 and 2014.

The following table presents a reconciliation of assets that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods indicated (in thousands):

	For the Six Months Ended September 30, 2015 Available for sale securities	September 30, 2014 Available for sale securities
Beginning balance	$ 1,812	$ 1,903
Transfers in to Level 3	-	-
Included in earnings	-	-
Included in other comprehensive income	(44)	(18)
Ending balance	$ 1,768	$ 1,885

The following methods were used to estimate the fair value of financial instruments above:

Investment Securities and Mortgage-Backed Securities – Investments and mortgage-backed 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. The Company's Level 3 assets consist of a single pooled trust preferred security.

For Level 2 securities, the independent pricing service provides pricing information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data from market research publications. The Company's third-party pricing service has established processes for the Company to submit inquiries regarding the estimated fair value. The Company's third-party pricing service will review the inputs to the evaluation in light of any new market data presented by the Company. The Company's third-party pricing service may then affirm the original estimated fair value or may update the evaluation on a go-forward basis.

Management reviews the pricing information received from the third-party pricing service through a combination of procedures that include an evaluation of methodologies used by the pricing service, analytical reviews and performance analysis of the prices against statistics and trends. Based on this review, management determines whether the current placement of the security in the fair value hierarchy is appropriate or whether transfers may be warranted. As necessary, the Company compares prices received from the pricing service to discounted cash flow models or through performing

independent valuations of inputs and assumptions similar to those used by the pricing service in order to ensure prices represent a reasonable estimate of fair value.

The Company has determined that the market for its collateralized debt obligation secured by a pool of trust preferred securities is inactive. This determination was made by the Company after considering the last known trade dates for this specific security, the low number of transactions for similar types of securities, the low number of new issuances for similar securities, the bid-ask spread in the brokered markets in which these securities trade, the implied liquidity risk premium for similar securities, the lack of information that is released publicly and discussions with third-party industry analysts. Due to the inactivity in the market, observable market data was not readily available for all significant inputs for this security. Accordingly, the collateralized debt obligation was classified as Level 3 in the fair value hierarchy. The Company utilized observable inputs where available and unobservable data and modeled the cash flows adjusted by an appropriate liquidity and credit risk adjusted discount rate using an income approach valuation technique in order to measure the fair value of the security. Significant unobservable inputs were used that reflect the Company's estimate of assumptions that a market participant would use to price the security. Significant unobservable inputs included the discount rate, the default rate and repayment assumptions. The Company estimated the discount rate by comparing rates for similarly rated corporate bonds, with additional consideration given to market liquidity. The default rates and repayment assumptions were estimated based on the individual issuer's financial conditions and historical repayment information, as well as the Company's future expectations of the capital markets.

The following table presents certain loans and real estate owned ("REO") which were marked down to their estimated fair values during the six months ended September 30, 2015. The following are assets that are measured at fair value on a nonrecurring basis (in thousands):

		Estimated fair value measurements using		
	Total estimated fair value	Level 1	Level 2	Level 3
Impaired loans	$ 946	$ -	$ -	$ 946
REO	500	-	-	500
Total nonrecurring assets measured at fair value	$ 1,446	$ -	$ -	$ 1,446

The following table presents quantitative information about Level 3 inputs for financial instruments measured at fair value on a nonrecurring basis at September 30, 2015:

	Valuation technique	Significant unobservable inputs	Range (1)
Impaired loans	Appraised value	Adjustment for market conditions	N/A
REO	Appraised value	Adjustment for market conditions	N/A

(1) There were no adjustments to appraised values for the six months ended September 30, 2015.

The following methods were used to estimate the fair value of each class of financial instrument above:

Impaired loans – For information regarding the Company's method for estimating the fair value of impaired loans, see Note 8 – Allowance For Loan Losses.

In determining the estimated net realizable value of the underlying collateral, the Company primarily uses third-party appraisals which may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available and include consideration of variations in location, size, and income production capacity of the property. Additionally, the appraisals are periodically further adjusted by the Company in consideration of charges that may be incurred in the event of foreclosure and are based on management’s historical knowledge, changes in business factors and changes in market conditions.

Impaired loans are reviewed and evaluated quarterly for additional impairment and adjusted accordingly based on the same factors identified above. Because of the high degree of judgment required in estimating the fair value of collateral underlying impaired loans and because of the relationship between fair value and general economic conditions, the Company considers the fair value of impaired loans to be highly sensitive to changes in market conditions.

REO – 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 estimated fair value less estimated costs to sell. This amount becomes the property’s new basis. Any write downs based on the property’s estimated fair value less estimated costs to sell at the date of acquisition are charged to the allowance for loan losses. At acquisition date, any write ups (whereby the fair value less estimated costs to sell exceeds the loan basis) are first recovered through the allowance for loan losses if there was a prior charge-off and then applied to any outstanding accrued interest. If no prior charge-off or accrued interest is present, the amount is recorded as gain on transfer of REO.

The Company considers third-party appraisals in determining the fair value of particular properties. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available and include consideration of variations in location, size, and income production capacity of the property. Additionally, the appraisals are periodically further adjusted by the Company in consideration of charges that may be incurred in the event of foreclosure and are based on management's historical knowledge, changes in business factors and changes in market conditions.

Management periodically reviews REO to ensure the property is carried at the lower of its new basis or fair value, net of estimated costs to sell. Any additional write-downs based on re-evaluation of the property's fair value are charged to non-interest expense. Because of the high degree of judgment required in estimating the fair value of REO and because of the relationship between fair value and general economic conditions, the Company considers the fair value of REO to be highly sensitive to changes in market conditions.

12. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2017. Adoption of ASU 2014-09 is not expected to have a significant impact on the Company's consolidated financial statements.

In August 2014, the FASB issued, "Presentation of Financial Statements – Going Concern" ("ASU 2014-15"). ASU 2014-15 provides guidance in connection with preparing financial statements for each annual and interim reporting period for which an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued (or within one year after the date that the consolidated financial statements are available to be issued when applicable). ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for interim periods within annual periods beginning after December 15, 2016. Adoption of ASU 2014-15 is not expected to have a significant impact on the Company's consolidated financial statements.

In January 2015, the FASB issued, "Income Statement – Extraordinary and Unusual Items" ("ASU 2015-01"). ASU 2015-01 eliminates the need to separately classify, present and disclose extraordinary events. The disclosure of events or transactions that are unusual or infrequent in nature will be included in other guidance. The amendments in ASU 2015-01 are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of ASU 2015-01 is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2015, the FASB issued, "Consolidation: Amendments to the Consolidation Analysis" ("ASU 2015-02"). ASU 2015-02 is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). ASU 2015-02 focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, ASU 2015-02 simplifies the FASB Accounting

Standards Codification and improves current GAAP by placing more emphasis on risk of loss when determining a controlling financial interest. ASU 2015-02 will be effective for periods beginning after December 15, 2015 for public companies. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2015-02 is not expected to have a significant impact on the Company’s consolidated financial statements.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with applicable GAAP. 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. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in the future. 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 at the dates indicated (in thousands):

September 30, 2015	Carry value	Level 1	Level 2	Level 3	Fair value
Assets:					
Cash and cash equivalents	$68,865	$68,865	$-	$-	$68,865
Certificates of deposit held for investment	21,247	-	21,422	-	21,422
Loans held for sale	950	-	950	-	950
Investment securities available for sale	15,750	-	13,982	1,768	15,750
Mortgage-backed securities held to maturity	80	-	82	-	82
Mortgage-backed securities available for sale	118,821	-	118,821	-	118,821
Loans receivable, net	585,784	-	-	534,881	534,881
FHLB stock	988	-	988	-	988
Liabilities:					
Demand – savings deposits	626,146	626,146	-	-	626,146
Time deposits	130,850	-	130,678	-	130,678
Junior subordinated debentures	22,681	-	-	8,300	8,300
March 31, 2015					
Assets:					
Cash and cash equivalents	$58,659	$58,659	$-	$-	$58,659
Certificates of deposit held for investment	25,969	-	26,256	-	26,256
Loans held for sale	778	-	778	-	778
Investment securities available for sale	15,751	-	13,939	1,812	15,751
Mortgage-backed securities held to maturity	86	-	88	-	88
Mortgage-backed securities available for sale	96,712	-	96,712	-	96,712
Loans receivable, net	569,010	-	-	548,908	548,908
FHLB stock	5,924	-	5,924	-	5,924
Liabilities:					
Demand – savings deposits	582,011	582,011	-	-	582,011
Time deposits	138,839	-	138,744	-	138,744
Junior subordinated debentures	22,681	-	-	9,769	9,769

Fair value estimates were based on existing financial instruments without attempting to estimate the value of anticipated future business. The fair value was not estimated for assets and liabilities that were not considered financial instruments.

Fair value estimates, methods and assumptions are set forth below.

Cash and cash equivalents – Fair value approximates the carrying amount.

Certificates of deposit held for investment – The fair value of certificates of deposit with stated maturities was based on the discounted value of contractual cash flows. The discount rate was estimated using rates currently available in the local market.

Investment securities and mortgage-backed securities – Fair values were based on quoted market rates and dealer quotes. The fair value of the trust preferred investment was determined using a discounted cash flow method (see also Note 11 – Fair Value Measurements).

Loans receivable and loans held for sale – Loans were priced using a discounted cash flow analysis. The fair value of loans held for sale was based on the loans carrying values as the agreements to sell these loans are short term fixed rate commitments and no material difference between the carrying value and expected sales price is deemed likely.

FHLB stock – The carrying amount approximates the estimated fair value of this investment.

Deposits – The fair value of deposits with no stated maturities such as non-interest-bearing demand deposits, interest checking, money market and savings accounts was equal to the amount payable on demand. The fair value of time deposits with stated maturities was based on the discounted value of contractual cash flows. The discount rate was estimated using rates currently available in the local market.

Junior subordinated debentures – The fair value of the Debentures was based on the discounted cash flow method. Management believes that the discount rate utilized is indicative of those that would be used by market participants for similar types of debentures.

Off-balance sheet financial instruments – The estimated fair value of loan commitments approximates fees recorded associated with such commitments. Since the majority of the Company's off-balance-sheet instruments consist of non-fee producing, variable rate commitments, the Company has determined they do not have a distinguishable fair value.

14. COMMITMENTS AND CONTINGENCIES

Off-balance sheet arrangements. In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk in order to meet the financing needs of its customers. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The Company's maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Commitments to originate loans are conditional, and are honored for up to 45 days subject to the Company's usual terms and conditions. Collateral is not required to support commitments.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. These guarantees are primarily used to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies and is required in instances where the Company deems necessary.

Significant off-balance sheet commitments at September 30, 2015 are listed below (in thousands):

	Contract or Notional Amount
Commitments to originate loans:	
Adjustable-rate	$ 23,488
Fixed-rate	25,955
Standby letters of credit	1,160
Undisbursed loan funds, and unused lines of credit	75,897
Total	$ 126,500

At September 30, 2015, the Company had firm commitments to sell $2.3 million of residential loans to the FHLMC. Typically, these agreements are short-term fixed rate commitments and no material gain or loss is likely.

Other Contractual Obligations. In connection with certain asset sales, the Company typically makes representations and warranties about the underlying assets conforming to specified guidelines. If the underlying assets do not conform to the specifications, the Company may have an obligation to repurchase the assets or indemnify the purchaser against loss. At September 30, 2015, loans under warranty totaled $118.0 million, which substantially represents the unpaid principal balance of the Company's loans serviced for FHLMC. The Company believes that the potential for loss under these arrangements is remote. Accordingly, no related contingent liability has been recorded in the consolidated financial statements.

The Bank is a public depository and, accordingly, accepts deposit and other public funds belonging to, or held for the benefit of, Washington and Oregon states, political subdivisions thereof and, municipal corporations. In accordance with applicable state law, in the event of default of a participating bank, all other participating banks in the state collectively assure that no loss of funds are suffered by any public depositor. Generally, in the event of default by a public depositary, the assessment attributable to all public depositaries is allocated on a pro rata basis in proportion to the maximum liability of each depository as it existed on the date of loss. The Company has not incurred any losses related to public depository funds for the six months ended September 30, 2015 and 2014.

The Company is party to litigation arising in the ordinary course of business. In the opinion of management, these actions will not have a material effect, if any, on the Company's consolidated financial position, results of operations and cash flows.

The Bank has entered into employment contracts with certain key employees, which provide for contingent payment subject to future events.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Critical Accounting Policies

Critical accounting policies and estimates are discussed in our 2015 Form 10-K under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies." That discussion highlights estimates the Company makes that involve uncertainty or potential for substantial change. There have not been any material changes in the Company's critical accounting policies and estimates as compared to the disclosure contained in the Company's 2015 Form 10-K.

Executive Overview

As a progressive, community-oriented financial services company, the Company emphasizes local, personal service to residents of its primary market area. The Company considers Clark, Cowlitz, Klickitat and Skamania counties of Washington and Multnomah and Marion counties of Oregon as its primary market area. The counties of Multnomah, Clark and Skamania are part of the Portland metropolitan area as defined by the U.S. Census Bureau. The Company is engaged predominantly in the business of attracting deposits from the general public and using such funds in its primary market area to originate commercial business, commercial real estate, multi-family real estate, real estate construction, residential real estate and other consumer loans. The Company's loan portfolio totaled $585.8 million at September 30, 2015 compared to $569.0 million at March 31, 2015.

Most recently, the Company's primary focus has been on increasing commercial business loans and owner occupied commercial real estate loans with a specific focus on medical professionals and the medical industry. Beginning in 2014, the Company began purchasing from time to time pools of automobile loans from another financial institution as a way to further diversify its loan portfolio and to earn a higher yield than earned on its cash or short-term investments. These indirect automobile loans are originated through a single dealership group located outside the Company's primary market area. The collateral for these loans is comprised of a mix of used automobiles. These loans are purchased with servicing retained by the seller. At September 30, 2015, the Company's purchased automobile loan portfolio was $28.5 million. In October 2015, the Company purchased an additional $14.8 million pool of automobile loans. The Company may purchase additional automobile loans during fiscal year 2016, subject to these loans meeting our investment criteria, underwriting standards and internal loan concentration limits. As of September 30, 2015, 13 of the purchased automobile loans totaling $172,000 were on non-accrual status.

The Bank's subsidiary, RAMCorp, a trust and financial services company located in downtown Vancouver, Washington, provides full-service brokerage activities, trust and asset management services. The Bank's Business and Professional Banking Division, with two lending offices in Vancouver and one in Portland, offers commercial and business banking services.

Vancouver is located in Clark County, Washington, which is just north of Portland, Oregon. Many businesses are located in the Vancouver area because of the favorable tax structure and lower energy costs in Washington as

compared to Oregon. Companies located in the Vancouver area include Sharp Microelectronics, Hewlett Packard, Georgia Pacific, Underwriters Laboratory, Wafer Tech, Nautilus, Barrett Business Services, PeaceHealth and Fisher Investments, as well as several support industries. In addition to this industry base, the Columbia River Gorge Scenic Area is a source of tourism, which has helped to transform the area from its past dependence on the timber industry.

The Company's strategic plan includes targeting the commercial banking customer base in its primary market area for loan originations and deposit growth, specifically small and medium size businesses, professionals and wealth building individuals. In pursuit of these goals, the Company will seek to increase the loan portfolio consistent with its strategic plan and asset/liability and regulatory capital objectives, which includes maintaining a significant amount of commercial and commercial real estate loans in its loan portfolio. Significant portions of our new loan originations which are mainly concentrated in commercial business, commercial real estate and multifamily loans carry adjustable rates, higher yields or shorter terms and higher credit risk than traditional fixed-rate consumer mortgages.

At September 30, 2015, checking accounts totaled $308.9 million, or 40.8% of our total deposit mix compared to $252.4 million or 35.9% a year ago. Our strategic plan also stresses increased emphasis on non-interest income, including increased fees for asset management through RAMCorp and deposit service charges. The strategic plan is designed to

enhance earnings, reduce interest rate risk and provide a more complete range of financial services to customers and the local communities the Company serves. We believe we are well positioned to attract new customers and to increase our market share through our 17 branches, including ten in Clark County, two in the Portland metropolitan area and three lending centers.

Economic conditions in the Company's market areas have continued to improve from the recent recessionary downturn. According to the Washington State Employment Security Department, unemployment in Clark County decreased to 6.2% at August 31, 2015 compared to 6.8% at March 31, 2015 and 7.0% at September 30, 2014. According to the Oregon Employment Department, unemployment in Portland increased to 5.3% at August 31, 2015 compared to 4.8% at March 31, 2015 and decreased compared to 6.1% at September 30, 2014. According to the Regional Multiple Listing Services ("RMLS"), residential home inventory levels in Portland, Oregon have remained at 1.9 months at September 30, 2015 and at March 31, 2015 and decreased compared to 3.1 months at September 30, 2014. Residential home inventory levels in Clark County have slightly increased to 2.7 months at September 30, 2015 compared to 2.6 months at March 31, 2015 and decreased compared to 3.7 months at September 30, 2014. According to the RMLS, closed home sales in Clark County increased 22.5% and 26.6% during September 2015 compared to March 2015 and September 2014, respectively. Closed home sales in Portland increased 10.1% and 4.5% during September 2015 compared to March 2015 and September 2014, respectively. The Company has also seen an increase in sales activity for building lots during the past twelve months. Commercial real estate leasing activity in the Portland/Vancouver area has performed better than the residential real estate market; however, it is generally affected by a slow economy later than other indicators. According to Norris Beggs Simpson (a firm specializing in Pacific Northwest commercial real estate sales and management) commercial vacancy rates in Clark County, Washington and Portland, Oregon were approximately 12.55% and 12.63%, respectively, as of September 30, 2015 compared to 11.41% and 14.03%, respectively, at September 30, 2014.

Operating Strategy

The Company's goal is to deliver returns to shareholders by managing problem assets, increasing higher-yielding assets (in particular commercial real estate and commercial business loans), increasing core deposit balances, reducing expenses, hiring experienced employees with a commercial lending focus and exploring expansion opportunities. The Company seeks to achieve these results by focusing on the following objectives:

Focusing on Asset Quality. The Company is focused on monitoring existing performing loans, resolving nonperforming loans and selling foreclosed assets. The Company has aggressively sought to reduce its level of nonperforming assets through write-downs, collections, modifications and sales of nonperforming loans and real estate owned. The Company has taken proactive steps to resolve its nonperforming loans, including negotiating repayment plans, forbearances, loan modifications and loan extensions with borrowers when appropriate, and accepting short payoffs on delinquent loans, particularly when such payoffs result in a smaller loss than foreclosure. In connection with the downturn in real estate markets, the Company applied more conservative and stringent underwriting practices to new loans, including, among other things, increasing the amount of required collateral or equity requirements, reducing loan-to-value ratios and increasing debt service coverage ratios. Nonperforming assets decreased $2.2 million to $4.7 million at September 30, 2015 compared to $6.9 million at March 31, 2015. However, there can be no assurance that the ongoing economic conditions affecting our borrowers will not result in future increases in nonperforming and classified loans.

Improving Earnings by Expanding Product Offerings. The Company intends to prudently increase the percentage of its assets consisting of higher-yielding commercial real estate and commercial loans, which offer higher risk-adjusted returns, shorter maturities and more sensitivity to interest rate fluctuations, while maintaining compliance with its heightened regulatory capital requirements. The Company also intends to selectively add additional products to further diversify revenue sources and to capture more of each customer's banking relationship by cross selling loan and deposit products and additional services to Bank customers, including services provided through RAMCorp to

increase its fee income. Assets under management by RAMCorp totaled $410.5 million and $363.7 million at September 30, 2015 and 2014, respectively.

The Company continuously reviews new products and services to provide its customers more financial options. All new technology and services are generally reviewed for business development and cost saving purposes. The Bank has implemented remote check capture at all of its branches and for selected customers of the Bank. The Company continues to experience growth in customer use of its online banking services, which allows customers to conduct a full range of services on a real-time basis, including balance inquiries, transfers and electronic bill paying. The Company also upgraded its online banking product for consumer customers, including the introduction of mobile deposit capture, providing consumer customers greater flexibility and convenience in conducting their online banking. The Company's online service has also enhanced the delivery of cash management services to business customers. The Company also participates in an internet deposit listing service which allows the Company to post time deposit rates on an internet site where institutional investors have the ability to deposit funds with the Company. Although the Company has currently chosen not to utilize these internet based deposits, the Company will continue to have accessibility to these funds in the future. Furthermore, the Company may utilize the internet deposit listing service to purchase certificates of deposit at other financial institutions. The Company also offers Insured Cash Sweep (ICS™), a reciprocal money market product, to its customers along with the

Certificate of Deposit Account Registry Service (CDARS™) program which allows customers access to FDIC insurance on deposits exceeding the $250,000 FDIC insurance limit.

Attracting Core Deposits and Other Deposit Products. The Company's strategic focus is to emphasize total relationship banking with its customers to internally fund its loan growth. The Company has reduced its reliance on other wholesale funding sources, including FHLB and FRB advances, by focusing on the continued growth of core customer deposits. The Company believes that a continued focus on customer relationships will help to increase the level of core deposits and locally-based retail certificates of deposit. In addition to its retail branches, the Company maintains technology-based products, such as personal financial management, business cash management, and business remote deposit products, that enable it to compete effectively with banks of all sizes. Core branch deposits (comprised of all demand, savings, interest checking accounts and all time deposits excluding wholesale-brokered deposits, trust account deposits, Interest on Lawyer Trust Accounts ("IOLTA"), public funds and Internet based deposits) increased $28.3 million during the quarter-ended September 30, 2015.

Continued Expense Control. Management has undertaken several initiatives to reduce non-interest expense and continues to make it a priority to identify cost savings opportunities throughout all aspects of the Company's operations, including forming a cost saving committee whose mission is to find additional cost saving opportunities at the Company. The Company has instituted expense control measures such as cancelling certain projects and capital purchases, and reducing travel and entertainment expenditures. In October 2014, the Company closed one of its branches as a result of its failure to meet the Company's required growth and profitability standards. This was an in-store branch located in Portland Oregon. The Company experienced minimal impact to its customers and deposit totals as a result of this branch's proximity to its Gresham, Oregon branch which opened in the summer of 2012.

Recruiting and Retaining Highly Competent Personnel with a Focus on Commercial Lending. The Company's ability to continue to attract and retain banking professionals with strong community relationships and significant knowledge of its markets will be a key to its success. The Company believes that it enhances its market position and adds profitable growth opportunities by focusing on hiring and retaining experienced bankers focused on owner occupied commercial real estate and commercial lending, and the deposit balances that accompany these relationships. The Company emphasizes to its employees the importance of delivering exemplary customer service and seeking opportunities to build further relationships with its customers. The goal is to compete with other financial service providers by relying on the strength of the Company's customer service and relationship banking approach. The Company believes that one of its strengths is that its employees are also significant shareholders through the Company's employee stock ownership ("ESOP") and 401(k) plans.

Disciplined Franchise Expansion. The Company believes opportunities currently exist within its market area to grow its franchise. The Company anticipates organic growth as the local economy and loan demand strengthens, through its marketing efforts and as a result of the opportunities being created as a result of the consolidation of financial institutions occurring in its market area. The Company may also seek to expand its franchise through the selective acquisition of individual branches, loan purchases and whole bank transactions that meet its investment and market objectives. The Company expects to gradually expand its operations further in the Portland, Oregon metropolitan area which has a population of approximately two million people. The Company will continue to be disciplined as it pertains to future expansion focusing on the Pacific Northwest markets it knows and understands.

Loan Composition

The following table sets forth the composition of the Company's commercial and construction loan portfolios based on loan purpose at the dates indicated (in thousands):

	Commercial Business	Other Real Estate	Real Estate Construction	Commercial &

September 30, 2015		Mortgage		Construction Total
Commercial business	$78,138	$-	$ -	$ 78,138
Commercial construction	-	-	10,167	10,167
Office buildings	-	114,904	-	114,904
Warehouse/industrial	-	44,607	-	44,607
Retail/shopping centers/strip malls	-	57,745	-	57,745
Assisted living facilities	-	1,828	-	1,828
Single purpose facilities	-	112,354	-	112,354
Land	-	14,102	-	14,102
Multi-family	-	34,989	-	34,989
One-to-four family construction	-	-	7,137	7,137
Total	$78,138	$380,529	$ 17,304	$ 475,971

March 31, 2015	Commercial Business	Other Real Estate Mortgage	Real Estate Construction	Commercial & Construction Total
Commercial business	$77,186	$-	$ -	$ 77,186
Commercial construction	-	-	27,967	27,967
Office buildings	-	86,813	-	86,813
Warehouse/industrial	-	42,173	-	42,173
Retail/shopping centers/strip malls	-	60,736	-	60,736
Assisted living facilities	-	1,846	-	1,846
Single purpose facilities	-	108,123	-	108,123
Land	-	15,358	-	15,358
Multi-family	-	30,457	-	30,457
One-to-four family construction	-	-	2,531	2,531
Total	$77,186	$345,506	$ 30,498	$ 453,190

Comparison of Financial Condition at September 30, 2015 and March 31, 2015

Cash and cash equivalents, including interest-earning accounts, totaled $68.9 million at September 30, 2015 compared to $58.7 million at March 31, 2015. The Company has deployed a portion of its excess cash balances into mortgage-backed securities to earn higher yields than cash held in interest-earning accounts based on its asset/liability program and liquidity objectives in order to maximize earnings. As a part of this strategy, the Company also invests a portion of its excess cash in short-term certificates of deposit. All of the certificates of deposit held for investment are fully insured by the FDIC. At September 30, 2015, certificates of deposits held for investment totaled $21.2 million compared to $26.0 million at March 31, 2015.

Investment securities available for sale totaled $15.8 million at September 30, 2015 and March 31, 2015. The Company primarily purchases agency securities with maturities of five years or less. For the quarter ended September 30, 2015, the Company determined that none of its investment securities required an OTTI charge. For additional information, see Note 11 of the Notes to Consolidated Financial Statements contained in Item 1 of this Form 10-Q.

Mortgage-backed securities available for sale totaled $118.8 million at September 30, 2015 compared to $96.7 million at March 31, 2015. The increase was due to a decision by the Company to invest additional excess cash into higher yielding mortgage-backed securities. During the six month period ended September 30, 2015, the Company purchased $34.0 million of mortgage-backed securities. The Company primarily purchases a combination of mortgage-backed securities backed by government agencies (FHLMC, FNMA, SBA or GNMA).

Loans receivable, net, totaled $585.8 million at September 30, 2015 compared to $569.0 million at March 31, 2015. The Company has seen steady loan demand in its market areas and anticipates organic loan growth. However, the Company has continued to experience an elevated level of payoffs on existing loans outpacing loan originations in some recent quarters. A substantial portion of the loan portfolio is secured by real estate, either as primary or secondary collateral, located in the Company's primary market areas. Risks associated with loans secured by real estate include decreasing land and property values, increases in interest rates, deterioration in local economic conditions, tightening credit or refinancing markets, and a concentration of loans within any one area. The Company has no option adjustable-rate mortgage (ARM), or teaser residential real estate loans in its portfolio.

Deposits increased $36.1 million to $757.0 million at September 30, 2015 compared to $720.9 million at March 31, 2015. The Company had no wholesale-brokered deposits as of September 30, 2015 or March 31, 2015. Core branch deposits accounted for 95.3% of total deposits at September 30, 2015 compared to 96.2% at March 31, 2015. The Company plans to continue its focus on core deposits and on building customer relationships as opposed to obtaining deposits through the wholesale markets.

Shareholders' Equity and Capital Resources

Shareholders' equity increased $2.6 million to $106.4 million at September 30, 2015 from $103.8 million at March 31, 2015. The increase was mainly attributable to net income of $3.2 million. Partially offsetting this increase were cash dividends declared of $617,000 for the six months ended September 30, 2015.

The Bank is subject to various regulatory capital requirements administered by the Office of the Comptroller of the Currency ("OCC"). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. As of September 30, 2015, the Bank was "well capitalized" as defined under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain the minimum capital ratios set forth in the table below.

The Bank's actual and required minimum capital amounts and ratios are as follows at the dates indicated (dollars in thousands):

	Actual		For Capital Adequacy Purposes		"Well Capitalized" Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2015						
Total Capital:						
(To Risk-Weighted Assets)	$ 102,409	16.45%	$ 49,792	8.0%	$ 74,689	12.0%(1)
Tier 1 Capital:						
(To Risk-Weighted Assets)	94,565	15.19	37,344	6.0	49,793	8.0
Common equity tier 1 capital:						
(To Risk-Weighted Assets)	94,565	15.19	28,008	4.5	40,457	6.5
Tier 1 Capital (Leverage):						
(To Adjusted Tangible Assets)	94,565	11.22	33,725	4.0	75,882	9.0 (1)
Tangible Capital:						
(To Tangible Assets)	94,565	11.22	12,647	1.5	N/A	N/A

	Actual		For Capital Adequacy Purposes		"Well Capitalized" Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2015						
Total Capital:						
(To Risk-Weighted Assets)	$ 95,713	15.89%	$ 48,188	8.0%	$ 72,282	% 12.0(1)
Tier 1 Capital:						
(To Risk-Weighted Assets)	88,122	14.63	36,141	6.0	48,188	8.0
Common equity tier 1 capital:						
(To Risk-Weighted Assets)	88,122	14.63	27,106	4.5	39,152	6.5
Tier 1 Capital (Leverage):						
(To Adjusted Tangible Assets)	88,122	10.89	32,355	4.0	72,799	9.0 (1)
Tangible Capital:						
(To Tangible Assets)	88,122	10.89	12,133	1.5	N/A	N/A

(1) The Bank agreed with the OCC to establish higher minimum capital ratios and to maintain a Tier 1 capital (leverage) ratio of not less than 9.0% and a total risked-based capital ratio of not less than 12.0% in order to be deemed "well capitalized".

For a savings and loan holding company with less than $1.0 billion in assets, the capital guidelines apply on a bank only basis and the Federal Reserve expects the holding company's subsidiary banks to be well capitalized under the prompt corrective action regulations. If the Company was subject to regulatory guidelines for bank holding companies with $1.0 billion or more in assets, at September 30, 2015 the Company would have exceeded all regulatory capital requirements.

Liquidity

Liquidity is essential to our business. The objective of the Bank's liquidity management is to maintain ample cash flows to meet obligations for depositor withdrawals, to fund the borrowing needs of loan customers, and to fund ongoing operations. Core relationship deposits are the primary source of the Bank's liquidity. As such, the Bank focuses on deposit relationships with local consumer and business clients who maintain multiple accounts and services

at the Bank.

Liquidity management is both a short- and long-term responsibility of the Company's management. The Company adjusts its investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) projected loan sales, (iii) expected deposit flows, (iv) yields available on interest-bearing deposits and (v) its asset/liability management program objectives. Excess liquidity is invested generally in interest-bearing overnight deposits and other short-term government and agency obligations. If the Company requires funds beyond its ability to generate them internally, it has additional diversified and reliable sources of funds with the FHLB, the FRB and other wholesale facilities. These sources of funds may be used on a long or short-term basis to compensate for reduction in other sources of funds or on a long-term basis to support lending activities.

The Company's primary sources of funds are customer deposits, proceeds from principal and interest payments on loans, proceeds from the sale of loans, maturing securities, FHLB advances and FRB borrowings. While maturities and scheduled amortization of loans and securities are a predictable source of funds, deposit flows and prepayment of mortgage loans and mortgage-backed securities are greatly influenced by general interest rates, economic conditions and competition. Management believes that its focus on core relationship deposits coupled with access to borrowing through reliable counterparties provides reasonable and prudent assurance that ample liquidity is available. However, depositor or counterparty behavior could change in response to competition, economic or market situations or other unforeseen circumstances, which could have liquidity implications that may require different strategic or operational actions.

The Company must maintain an adequate level of liquidity to ensure the availability of sufficient funds for loan originations, deposit withdrawals and continuing operations, satisfy other financial commitments and take advantage of investment opportunities. During the six months ended September 30, 2015, the Company used its sources of funds primarily to fund loan commitments, purchase investment securities and to fund deposit withdrawals. At September 30, 2015, cash and available for sale investments totaled $224.7 million, or 25.1% of total assets. The Bank generally maintains sufficient cash and short-term investments to meet short-term liquidity needs; however, its primary liquidity management practice is to increase or decrease short-term borrowings, including FRB borrowings and FHLB advances. At September 30, 2015, the Company had no advances from the FRB and a borrowing capacity of $45.3 million from the FRB. At September 30, 2015, there were no borrowings from the FHLB and the Company had an available credit facility of $205.3 million. At September 30, 2015, the Company had sufficient unpledged collateral to allow it to utilize its available borrowing capacity from the FRB and the FHLB. Borrowing capacity may, however, fluctuate based on acceptability and risk rating of loan collateral and counterparties could adjust discount rates applied to such collateral at their discretion.

An additional source of wholesale funding includes brokered certificate of deposits. While the Bank has utilized brokered deposits from time to time, the Bank historically has not extensively relied on brokered deposits to fund its operations. At September 30, 2015, the Bank had no wholesale-brokered deposits. The Bank also participates in the CDARS and ICS deposit products, which allows the Bank to accept deposits in excess of the FDIC insurance limit for that depositor and obtain "pass-through" insurance for the total deposit. The Bank's aggregate CDARS and ICS balances were $28.4 million, or 3.7% of total deposits, and $37.4 million, or 5.2% of total deposits, at September 30, 2015 and March 31, 2015, respectively. Although the FDIC permanently raised the insurance limit to $250,000, demand for CDARS deposits remains strong with continued renewals of existing CDARS deposits and the opening of new accounts. In addition, the Bank is enrolled in an internet deposit listing service. Under this listing service, the Bank may post time deposit rates on an internet site where institutional investors have the ability to deposit funds with the Bank. The Company does not currently have any internet based deposits; however, the Company will continue to have accessibility to these funds in the future. The combination of all the Bank's funding sources gives the Bank available liquidity of liquidity of $583.7 million, or 65.1% of total assets at September 30, 2015.

At September 30, 2015, the Company had total commitments of $126.5 million, which includes commitments to extend credit of $49.4 million, unused lines of credit and undisbursed balances of $75.9 million and standby letters of credit totaling $1.2 million. The Company anticipates that it will have sufficient funds available to meet current loan commitments. Certificates of deposit that are scheduled to mature in less than one year totaled $86.0 million. Historically, the Company has been able to retain a significant amount of its deposits as they mature. Partially offsetting these cash outflows are scheduled loan maturities of less than one year totaling $52.3 million.

As a separate legal entity from the Bank, Riverview Bancorp, Inc. must provide for its own liquidity. Sources of capital and liquidity for Riverview Bancorp, Inc. include distributions from the Bank and the issuance of debt or equity securities. Dividends and other capital distributions from the Bank are subject to regulatory notice. At September 30, 2015, Riverview Bancorp, Inc. had $2.4 million in cash to meet liquidity needs.

Asset Quality

Nonperforming assets, consisting of nonperforming loans and REO, totaled $4.7 million or 0.52% of total assets at September 30, 2015 compared to $6.9 million or 0.81% of total assets at March 31, 2015.

The following table sets forth information regarding the Company's nonperforming loans at the dates indicated (dollars in thousands):

	September 30, 2015		March 31, 2015	
		Balance		Balance

	Number of Loans			Number of Loans		
Commercial real estate	3	$	2,525	4	$	3,291
Land	1		801	1		801
Consumer	17		445	8		1,226
Total	21	$	3,771	13	$	5,318

The Company has continued to focus on managing the residential construction and land acquisition and development portfolios. At September 30, 2015, the Company's residential construction and land acquisition and development loan portfolios were $7.1 million and $14.1 million, respectively, as compared to $2.8 million and $14.7 million at September 30, 2014. At September 30, 2015 and 2014, there were no nonperforming loans in the residential construction loan portfolio. The percentage of nonperforming loans in the land acquisition and development portfolio at September 30, 2015 was 5.68% compared to 5.43% a year ago. For the six months ended September 30, 2015, there were no charge-offs in the residential construction portfolio or the land development portfolio. Recoveries in the residential construction portfolio and land development portfolio totaled $6,000 and $123,000, respectively, for the six months ended September 30, 2015.

REO totaled $909,000 at September 30, 2015 compared to $1.6 million at March 31, 2015. During the six months ended September 30, 2015, REO sales totaled $432,000 and valuation write-downs totaled $262,000. During the six months ended September 30, 2015, there were no transfers to REO. The $909,000 balance of REO is comprised of residential building lots totaling $490,000 and land development property totaling $419,000. All of these properties are located in Washington and Oregon.

The allowance for loan losses was $10.1 million or 1.70% of total loans at September 30, 2015 compared to $10.8 million or 1.86% of total loans at March 31, 2015. The decrease in the balance of the allowance for loan losses at September 30, 2015 reflects the continuing trend of lower levels of delinquent and classified loans, decreased charge-offs and increased recoveries, as well as increasing real estate values, which resulted in the Company recording a recapture of loan losses of $800,000 for the six months ended September 30, 2015.

The coverage ratio of allowance for loan losses to nonperforming loans was 268.18% at September 30, 2015 compared to 202.37% at March 31, 2015. At September 30, 2015, the Company identified $3.3 million or 88.18% of its nonperforming loans as impaired and performed a specific valuation analysis on each loan resulting in no specific reserves being required for these impaired loans. Management considers the allowance for loan losses to be adequate at September 30, 2015 to cover probable losses inherent in the loan portfolio based on the assessment of various factors affecting the loan portfolio and the Company believes it has established its existing allowance for loan losses in accordance with GAAP. However, a decline in local economic conditions, results of examinations by the Company's regulators, or other factors could result in a material increase in the allowance for loan losses and may adversely affect the Company's financial condition and results of operations. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses will be adequate or that substantial increases will not be necessary should the quality of any loans deteriorate or should collateral values decline as a result of the factors discussed elsewhere in this document. For further information regarding the Company's impaired loans and allowance for loan losses, see Note 8 of the Notes to Consolidated Financial Statements contained in Item 1 of this Form 10-Q.

Troubled debt restructurings ("TDRs") are loans where the Company, for economic or legal reasons related to the borrower's financial condition, has granted a concession to the borrower that it would otherwise not consider. A TDR typically involves a modification of terms such as a reduction of the stated interest rate or face amount of the loan, a reduction of accrued interest, or an extension of the maturity date(s) at a stated interest rate lower than the current market rate for a new loan with similar risk.

TDRs are considered impaired loans and as such, when a loan is deemed to be impaired, the amount of the impairment is measured using discounted cash flows using the original note rate, except when the loan is collateral dependent. In these cases, the estimated fair value of the collateral and when applicable, less selling costs, are used. Impairment is recognized as a specific component within the allowance for loan losses if the value of the impaired loan is less than the recorded investment in the loan. When the amount of the impairment represents a confirmed loss, it is charged off against the allowance for loan losses. At September 30, 2015, the Company had TDRs totaling $19.2 million of which $16.1 million were on accrual status. However, all of the Company's TDRs are paying as agreed except for one commercial real estate loan totaling $1.3 million that defaulted since the loan was modified. The related amount of interest income recognized on TDRs was $367,000 and $285,000 for the six months ended September 30, 2015 and 2014, respectively.

The Company has determined that, in certain circumstances, it is appropriate to split a loan into multiple notes. This typically includes a nonperforming charged-off loan that is not supported by the cash flow of the relationship and a performing loan that is supported by the cash flow. These may also be split into multiple notes to align portions of the loan balance with the various sources of repayment when more than one exists. Generally the new loans are restructured based on customary underwriting standards. In situations where they were not, the policy exception qualifies as a concession, and if the borrower is experiencing financial difficulties, the loans are accounted for as

TDRs.

The accrual status of a loan may change after it has been classified as a TDR. The Company's general policy related to TDRs is to perform a credit evaluation of the borrower's financial condition and prospects for repayment under the revised terms. This evaluation includes consideration of the borrower's sustained historical repayment performance for a reasonable period of time. A sustained period of repayment performance generally would be a minimum of six months, and may include repayments made prior to the restructuring date. If repayment of principal and interest appears doubtful, it is placed on non-accrual status.

The following table sets forth information regarding the Company's nonperforming assets at the dates indicated:

	September 30, 2015		March 31, 2015	
	(Dollars in thousands)			
Loans accounted for on a non-accrual basis:				
Other real estate mortgage	$ 3,326		$ 4,092	
Consumer	431		1,226	
Total	3,757		5,318	
Accruing loans which are contractually past due 90 days or more	14		-	
Total nonperforming loans	3,771		5,318	
REO	909		1,603	
Total nonperforming assets	$ 4,680		$ 6,921	
Foregone interest on non-accrual loans (1)	$ 56		$ 433	
Total nonperforming loans to total loans	0.63	%	0.92	%
Total nonperforming loans to total assets	0.42		0.62	
Total nonperforming assets to total assets	0.52		0.81	

(1) Six months ended September 30, 2015 and year ended March 31, 2015.

The composition of the Company's nonperforming assets by loan type and geographical area is as follows at the dates indicated:

	Northwest Oregon	Other Oregon	Southwest Washington	Other Washington	Other	Total
September 30, 2015			(In thousands)			
Commercial real estate	$ 277	$ 1,325	$ 923	$ -	$ -	$ 2,525
Land	-	801	-	-	-	801
Consumer	-	-	26	233	186	445
Total nonperforming loans	277	2,126	949	233	186	3,771
REO	374	-	490	45	-	909
Total nonperforming assets	$ 651	$ 2,126	$ 1,439	$ 278	$ 186	$ 4,680
March 31, 2015						
Commercial real estate	$ 993	$ 1,372	$ 926	$ -	$ -	$ 3,291
Land	-	801	-	-	-	801
Consumer	440	14	489	265	18	1,226
Total nonperforming loans	1,433	2,187	1,415	265	18	5,318
REO	706	-	852	45	-	1,603
Total nonperforming assets	$ 2,139	$ 2,187	$ 2,267	$ 310	$ 18	$ 6,921

The composition of the land development and speculative construction loan portfolios by geographical area is as follows at the dates indicated:

September 30, 2015	Northwest Oregon	Other Oregon	Southwest Washington	Total
	(In thousands)			
Land development	$ 103	$ 2,835	$ 11,164	$ 14,102
Speculative construction	-	126	5,908	6,034
Total land development and speculative construction	$ 103	$ 2,961	$ 17,072	$ 20,136
March 31, 2015				
Land development	$ 108	$ 2,895	$ 12,355	$ 15,358
Speculative construction	-	108	1,578	1,686
Total land development and speculative construction	$ 108	$ 3,003	$ 13,933	$ 17,044

Other loans of concern, which are classified as substandard loans, consist of loans where the borrowers have cash flow problems, or the collateral securing the respective loans may be inadequate. In either or both of these situations, the borrowers may be unable to comply with the present loan repayment terms, and the loans may subsequently be included in the non-accrual category. Management considers the allowance for loan losses to be adequate to cover the probable losses inherent in these and other loans.

The following table sets forth information regarding the Company's other loans of concern at the dates indicated (dollars in thousands):

	September 30, 2015		March 31, 2015	
	Number of Loans	Balance	Number of Loans	Balance
Commercial business	5	$ 272	7	$ 566
Commercial real estate	4	633	8	3,674
Multi-family	1	12	2	1,935
Commercial construction	-	-	1	1,828
Total	10	$ 917	18	$ 8,003

At September 30, 2015 and March 31, 2015, loans delinquent 30 - 89 days were 0.14% and 0.26%, respectively, of total loans. At September 30, 2015, the 30 - 89 days delinquency rate in the commercial business portfolio was 0.25% while the delinquency rate in the commercial real estate loan portfolio was 0.07%. At that date, commercial real estate loans represented the largest portion of the loan portfolio at 55.62% of total loans and commercial business loans represented 13.11% of total loans. At September 30, 2015, the 30-89 days delinquency rate in the real estate one-to-four family loan portfolio was 0.34%.

Off-Balance Sheet Arrangements and Other Contractual Obligations

Through the normal course of operations, the Company enters into certain contractual obligations and other commitments. Obligations generally relate to funding of operations through deposits and borrowings as well as leases for premises. Commitments generally relate to lending operations.

The Company has obligations under long-term operating and capital leases, principally for building space and land. Lease terms generally cover a five-year period, with options to extend, and are not subject to cancellation. During the second quarter of fiscal 2016, the Company modified its lease agreement on its operations center reducing the Company's square footage leased and extending the lease agreement to November 2039.

The Company has commitments to originate fixed and variable rate mortgage loans to customers. Because some commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Undisbursed loan funds and unused lines of credit include funds not disbursed, but committed to construction projects and home equity and commercial lines of credit. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party.

For further information regarding the Company's off-balance sheet arrangements and other contractual obligations, see Note 14 of the Notes to Consolidated Financial Statements contained in Item 1 of this Form 10-Q.

Goodwill Valuation

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Goodwill is presumed to have an indefinite useful life and is tested, at least annually, for impairment at the reporting unit level. The Company has one reporting unit, the Bank, for purposes of computing goodwill. All of the Company's goodwill has been allocated to this single reporting unit. The Company performs an annual review in the third quarter of each fiscal year, or more frequently if indications of potential impairment exist, to determine if the recorded goodwill is impaired. If the fair value exceeds the carrying value, goodwill at the reporting unit level is not considered impaired and no additional analysis is necessary. If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and

additional analysis must be performed to measure the amount of impairment loss, if any. The amount of impairment is determined by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, the Company would allocate the fair value to all of the assets and liabilities of the reporting unit, including unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; adverse action or assessment by a regulator; and unanticipated competition. Any adverse change in these factors could have a significant impact on the recoverability of these assets and could have a material impact on the Company's consolidated financial statements.

The Company performed its annual goodwill impairment test during the quarter-ended December 31, 2014. The goodwill impairment test involves a two-step process. Step one of the goodwill impairment test estimates the fair value of the reporting unit utilizing the allocation of corporate value approach, the income approach and the market approach in order to derive an enterprise value of the Company. The allocation of corporate value approach applies the aggregate market value of the Company and divides it among the reporting units. A key assumption in this approach is the control premium applied to the aggregate market value. A control premium is utilized as the value of a company from the perspective of a controlling interest is generally higher than the widely quoted market price per share. The Company used an expected control premium of 30%, which was based on comparable transactional history. The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a rate that reflects current market conditions. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in loans and deposits, estimates of future expected changes in net interest margins and cash expenditures. Assumptions used by the Company in its discounted cash flow model (income approach) included an annual revenue growth rate that approximated 8.5%, a net interest margin that approximated 4.1% and a return on assets that ranged from 0.60% to 1.11% (average of 0.86%). In addition to utilizing the above projections of estimated operating results, key assumptions used to determine the fair value estimate under the income approach was the discount rate of 15.2% utilized for our cash flow estimates and a terminal value estimated at 2.1 times the ending book value of the reporting unit. The Company used a build-up approach in developing the discount rate that included: an assessment of the risk free interest rate, the rate of return expected from publicly traded stocks, the industry the Company operates in and the size of the Company. The market approach estimates fair value by applying tangible book value multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics as those of the reporting unit. In applying the market approach method, the Company selected eight publicly traded comparable institutions based on a variety of financial metrics (tangible equity, leverage ratio, return on assets, return on equity, net interest margin, nonperforming assets, net charge-offs, and reserves for loan losses) and other relevant qualitative factors (geographical location, lines of business, business model, risk profile, availability of financial information, etc.). After selecting comparable institutions, the Company derived the fair value of the reporting unit by completing a comparative analysis of the relationship between their financial metrics listed above and their market values utilizing a market multiple of 1.3 times tangible book value. The Company calculated a fair value of its reporting unit of $130.5 million using the corporate value approach, $135.5 million using the income approach and $134.7 million using the market approach, with a final concluded value of $135.0 million, with primary weight given to the market approach. The results of the Company's step one test indicated that the reporting unit's fair value was greater than its carrying value and therefore no impairment of goodwill exists.

Even though the Company determined that there was no goodwill impairment, a decline in the value of its stock price as well as values of other financial institutions, declines in revenue for the Company beyond our current forecasts, significant adverse changes in the operating environment for the financial industry or an increase in the value of our assets without an increase in the value of the reporting unit may result in a future impairment charge.

It is possible that changes in circumstances existing at the measurement date or at other times in the future, or in the numerous estimates associated with management's judgments, assumptions and estimates made in assessing the fair value of our goodwill, could result in an impairment charge of a portion or all of our goodwill. If the Company recorded an impairment charge, its financial position and results of operations would be adversely affected; however, such an impairment charge would have no impact on our liquidity, operations or regulatory capital.

Comparison of Operating Results for the Three and Six Months Ended September 30, 2015 and 2014

Net Income. Net income for the three months ended September 30, 2015 and 2014 was $1.7 million, or $0.07 per diluted share, and $1.1 million, or $0.05 per diluted share, respectively. Net income for the six months ended September 30, 2015 and 2014 was $3.2 million, or $0.14 per diluted share, and $1.8 million, or $0.08 per diluted share, respectively. The earnings for the three and six month ended September 30, 2015 compared to the same prior

year periods reflect the improvement in net interest income. Further, earnings improved for the six months ended September 30, 2015 due to the decrease in non-interest expense, primarily due to the ––––––decrease in REO expenses. In addition, net income for the six months ended September 30, 2014 included a recapture of loan losses of $800,000 compared to a recapture of loan losses of $650,000 for the six months ended September 30, 2014.

Net Interest Income. The Company's profitability depends primarily on its net interest income, which is the difference between the income it receives on interest-earning assets and the interest paid on deposits and borrowings. When the rate earned on interest-earning assets equals or exceeds the rate paid on interest-bearing liabilities, this positive interest rate spread will generate net interest income. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government legislation and regulation, and monetary and fiscal policies.

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Net interest income for the three and six months ended September 30, 2015 was $7.2 million and $14.3 million, respectively, representing a $443,000 and $1.2 million increase, respectively, compared to the three and six months ended September 30, 2014. The net interest margin for the three and six months ended September 30, 2015 was 3.64% and 3.67%, respectively compared to 3.61% and 3.54% for the three and six months ended September 30, 2014, respectively. This increase in the net interest margin was primarily the result of the increase in the average balance and the average yield on loans receivable.

The Company achieves better net interest margins in a stable or increasing interest rate environment as a result of the balance sheet being slightly asset interest rate sensitive. At September 30, 2015, 6.03% of our loan portfolio had adjustable (floating) interest rates. At September 30, 2015, $22.8 million, or 63.44% of our adjustable (floating) loan portfolio contained interest rate floors, below which the loans' contractual interest rate may not adjust. The inability of these loans to adjust downward has contributed to increased income in the currently low interest rate environment; however, net interest income will be reduced in a rising interest rate environment until such time as the current rate exceeds these interest rate floors. At September 30, 2015, $22.8 million or 3.82% of the loans in the Company's loan portfolio were at the floor interest rate of which $19.4 million or 85.09% had yields that would begin floating again once the Wall Street Journal Prime Rate increases at least 150 basis points. While the Company does not anticipate further significant reductions in market interest rates, further modest reductions in its deposit costs are expected due to decreases in its deposit rate offerings and as existing long-term deposits renew upon maturity and reprice at a lower rate. The amount and timing of these reductions is dependent on competitive pricing pressures, yield curve shape and changes in interest rate spread.

Interest Income. Interest income for the three and six months ended September 30, 2015 was $7.6 million and $15.2 million, respectively, compared to $7.2 million and $14.1 million, respectively, for the same periods in the prior year. The increase was due primarily to the increase in the average balance and yield of loans and mortgage-backed securities which resulted in an increase in interest income of $992,000 and $170,000, respectively for the six months ended September 30, 2015 compared to the same prior year period.

The average balance of net loans increased $24.7 million and $30.6 million to $576.2 million and $575.5 million for the three and six months ended September 30, 2015, respectively, from $551.5 million and $544.9 million for the same prior year periods, respectively. The average yield on net loans was 4.69% and 4.74% for the three and six months ended September 30, 2015, respectively, compared to 4.67% and 4.63% for the same three and six months in the prior year, respectively. During the three and six months ended September 30, 2015, the Company also reversed an insignificant dollar amount and $5,000, respectively, of interest income on nonperforming loans compared to $6,000 and $13,000 for the same three and six month periods in the prior year, respectively.

Interest Expense. Interest expense decreased $51,000 and $121,000 to $439,000 and $876,000 for the three and six months ended September 30, 2015, respectively, compared to $490,000 and $997,000 for the three and six months ended September 30, 2014, respectively. The decrease in interest expense was primarily the result of declining deposit costs, due to the Company's decision to maintain low interest offerings on its deposit products in addition to the downward shift in the percentage of deposits representing certificates of deposit that yield a higher interest rate compared to savings and demand deposit accounts that yield a lower interest rate. The weighted average interest rate on interest-bearing deposits decreased to 0.21% for the three and six months ended September 30, 2015 from 0.25% for the same periods in the prior year.

The following tables set forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest earned on average interest-earning assets and interest paid on average interest-bearing liabilities, resultant yields, interest rate spread, ratio of interest-earning assets to interest-bearing liabilities and net interest margin:

	Three Months Ended September 30,							
	2015				2014			
	Average Balance	Interest and Dividends	Yield/Cost		Average Balance	Interest and Dividends	Yield/Cost	
	(Dollars in thousands)							
Interest-earning assets:								
Mortgage loans	$449,779	$5,378	4.76	%	$424,904	$5,035	4.70	%
Non-mortgage loans	126,439	1,411	4.44		126,639	1,451	4.55	
Total net loans (1)	576,218	6,789	4.69		551,543	6,486	4.67	
Mortgage-backed securities (2)	121,313	640	2.10		101,341	508	1.99	
Investment securities (2)	15,926	62	1.55		20,479	98	1.90	
Daily interest-bearing assets	21	-	-		1,265	-	-	
Other earning assets	69,893	111	0.63		63,131	118	0.74	
Total interest-earning assets	783,371	7,602	3.86		737,759	7,210	3.88	
Non-interest-earning assets:								
Office properties and equipment, net	15,056				16,182			
Other non-interest-earning assets	77,404				76,309			
Total assets	$875,831				$830,250			
Interest-bearing liabilities:								
Regular savings accounts	$81,195	20	0.10		$69,553	18	0.10	
Interest checking accounts	125,676	25	0.08		101,941	19	0.07	
Money market deposit accounts	230,709	68	0.12		229,188	71	0.12	
Certificates of deposit	132,136	187	0.56		151,930	234	0.61	
Total interest-bearing deposits	569,716	300	0.21		552,612	342	0.25	
Other interest-bearing liabilities	24,951	139	2.22		25,046	148	2.34	
Total interest-bearing liabilities	594,667	439	0.29		577,658	490	0.34	
Non-interest-bearing liabilities:								
Non-interest-bearing deposits	168,135				141,386			
Other liabilities	6,258				10,180			
Total liabilities	769,060				729,224			
Shareholders' equity	106,771				101,026			
Total liabilities and shareholders' equity	$875,831				$830,250			
Net interest income		$7,163				$6,720		
Interest rate spread			3.57	%			3.54	%
Net interest margin			3.64	%			3.61	%
Ratio of average interest-earning assets to average interest-bearing liabilities			131.73	%			127.72	%

(1) Includes non-accrual
loans.

(2) For purposes of the computation of average yield on investments available for sale, historical cost balances were utilized;
therefore, the yield information does not give effect to changes in fair value that are reflected as a component of shareholders' equity.

	Six Months Ended September 30,					
	2015			2014		
	Average Balance	Interest and Dividends	Yield/Cost	Average Balance	Interest and Dividends	Yield/Cost
	(Dollars in thousands)					
Interest-earning assets:						
Mortgage loans	$445,760	$10,742	4.82 %	$421,641	$9,823	4.65 %
Non-mortgage loans	129,708	2,907	4.48	123,215	2,834	4.59
Total net loans (1)	575,468	13,649	4.74	544,856	12,657	4.63
Mortgage-backed securities (2)	110,142	1,158	2.10	98,009	988	2.01
Investment securities (2)	15,927	126	1.58	21,344	182	1.70
Daily interest-bearing assets	1,088	-	-	1,189	-	-
Other earning assets	76,861	230	0.60	72,338	249	0.69
Total interest-earning assets	779,486	15,163	3.89	737,736	14,076	3.81
Non-interest-earning assets:						
Office properties and equipment, net	15,192			16,253		
Other non-interest-earning assets	73,533			69,455		
Total assets	$868,211			$823,444		
Interest-bearing liabilities:						
Regular savings accounts	$79,644	40	0.10	$68,300	34	0.10
Interest checking accounts	123,008	48	0.08	101,331	39	0.08
Money market deposit accounts	229,927	134	0.12	228,606	140	0.12
Certificates of deposit	134,241	381	0.57	155,028	489	0.63
Total interest-bearing deposits	566,820	603	0.21	553,265	702	0.25
Other interest-bearing liabilities	24,950	273	2.19	25,040	295	2.35
Total interest-bearing liabilities	591,770	876	0.30	578,305	997	0.34
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	163,693			134,823		
Other liabilities	6,552			9,952		
Total liabilities	762,015			723,080		
Shareholders’ equity	106,196			100,364		
Total liabilities and shareholders’ equity	$868,211			$823,444		
Net interest income		$14,287			$13,079	
Interest rate spread			3.59 %			3.47 %
Net interest margin			3.67 %			3.54 %
Ratio of average interest-earning assets to average interest-bearing liabilities			131.72 %			127.57 %

(1) Includes non-accrual loans.

(2) For purposes of the computation of average yield on investments available for sale, historical cost balances were utilized;

therefore, the yield information does not give effect to changes in fair value that are reflected as a component of shareholders' equity.

The following table sets forth the effects of changing rates and volumes on net interest income of the Company for the periods ended September 30, 2015 compared to September 30, 2014. Variances that were insignificant have been allocated based upon the percentage relationship of changes in volume and changes in rate to the total net change.

	Three Months Ended September 30, 2015 vs. 2014			Six Months Ended September 30, 2015 vs. 2014		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
(In thousands)	Volume	Rate	Total Increase (Decrease)	Volume	Rate	Total Increase (Decrease)
Interest Income:						
Mortgage loans	$282	$61	$343	$561	$358	$919
Non-mortgage loans	(2)	(38)	(40)	144	(71)	73
Mortgage-backed securities	103	29	132	125	45	170
Investment securities (1)	(20)	(16)	(36)	(44)	(12)	(56)
Daily interest-bearing	-	-	-	-	-	-
Other earning assets	12	(19)	(7)	15	(34)	(19)
Total interest income	375	17	392	801	286	1,087
Interest Expense:						
Regular savings accounts	2	-	2	6	-	6
Interest checking accounts	3	3	6	9	-	9
Money market deposit accounts	(3)	-	(3)	(6)	-	(6)
Certificates of deposit	(29)	(18)	(47)	(63)	(45)	(108)
Other interest-bearing liabilities	(1)	(8)	(9)	(1)	(21)	(22)
Total interest expense	(28)	(23)	(51)	(55)	(66)	(121)
Net interest income	$403	$40	$443	$856	$352	$1,208

(1) Interest is presented on a fully tax-equivalent basis using a tax rate of 34%.

Provision for Loan Losses. The recapture of loan losses for the three and six months ended September 30, 2015 was $300,000 and $800,000, respectively. This compares to the recaptures of loan losses for the three and six months ended September 30, 2014 of $350,000 and $650,000, respectively. The recapture of loan losses were primarily a result of a decrease in net charge-offs and the decline in the level of delinquent, nonperforming and classified loans, as well as the stabilization of real estate values in our market areas.

Net recoveries for the three and six months ended September 30, 2015 were $76,000 and $151,000, respectively compared to net recoveries for the three months and six months ended September 30, 2014 totaling $70,000 and $100,000, respectively. Annualized net recoveries to average net loans for the six-month period ended September 30, 2015 was 0.05% compared to 0.04% for the same period in the prior year. The net recoveries occurred primarily as a result of the decrease in nonperforming loans and stabilization of real estate values as well as an increase in recoveries on previously charged off loans. Nonperforming loans were $3.8 million at September 30, 2015 compared to $11.7 million at September 30, 2014. The ratio of allowance for loan losses to nonperforming loans was 268.18% at September 30, 2015 compared to 102.21% at September 30, 2014. See “Asset Quality” above for additional information related to asset quality that management considers in determining the provision for loan losses.

Impaired loans are subjected to an impairment analysis to determine an appropriate reserve amount to be held against each loan. As of September 30, 2015, the Company had identified $19.5 million of impaired loans. Because the significant majority of the impaired loans are collateral dependent, nearly all of the specific allowances are calculated based on the fair value of the collateral. Of those impaired loans, $18.3 million have no specific valuation allowance as their estimated collateral value is equal to or exceeds the carrying amount of the loan, which in some cases is the result of previous loan charge-offs. Charge-offs on these impaired loans totaled $378,000 from their original loan balance. The remaining $1.2 million have specific valuation allowances totaling $121,000.

Non-Interest Income. Non-interest income remained constant at $2.2 million for the three months ended September 30, 2015 and 2014. Non-interest income increased $332,000 to $4.8 million for the six months ended September 30, 2015 compared to $4.4 million for the six months ended September 30, 2014. The $332,000 increase between the six months ended September 30, 2015 compared to the same period in 2014 was due to an increase in fees and services charges of $200,000 as a result of an increase in prepayment penalties on loan payoffs and an increase in asset management fees of $95,000 due to an increase in assets under management. Bank owned life insurance income increased for the six months ended September 30, 2015 due to an increase in the balance of bank owned life insurance.

Non-Interest Expense. Non-interest expense decreased for the three and six months ended September 30, 2015 as compared to the same prior year period. Non-interest expense decreased $390,000 to $7.3 million for three months ended September 30, 2015 compared to $7.7 million for same prior year period. The decrease for the three months ended September 30, 2015 was due to a decrease of $105,000 in salaries and employee benefits and a decrease of $168,000 in occupancy and depreciation expense.

Non-interest expense decreased $380,000 to $15.0 million for six months ended September 30, 2015 compared to $15.4 million for same prior year period. REO expenses (which include operating costs and write-downs on REO property) decreased $356,000 for the six months ended September 30, 2015 primarily due to the overall decrease in REO balances at September 30, 2015 compared to September 30, 2014. Further, FDIC insurance premiums and professional fees decreased $107,000 and $95,000, respectively for the six months ended September 30, 2015 compared to the same prior year period. Partially offsetting these decreases was an increase in salaries and employee benefits of $135,000 for the six months ended September 30, 2015 compared to the same prior year period. The increase in salaries and employee benefits was due to the reinstatement of incentive plans for the Company and the associated increase in payroll tax and benefit expenses.

Income Taxes. The provision for income taxes was $743,000 and $1.6 million for the three and six months ended September 30, 2015 compared to a provision for income taxes of $535,000 and $929,000 for the three and six months ended September 30, 2014. The effective tax rate was 31.0% and 32.7% for the three and six months ended September 30, 2015 compared to 33.0% and 33.7% for the three and six months ended September 30, 2014. As of September 30, 2015, management deemed that a deferred tax asset valuation allowance related to the Company's deferred tax asset was not necessary. At September 30, 2015, the Company had a deferred tax asset of $11.2 million compared to $12.6 million at March 31, 2015.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has not been any material change in the market risk disclosures contained in the 2015 Form 10-K.

Item 4. Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13(a) - 15(e) of the Securities Exchange Act of 1934) as of September 30, 2015 was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as in effect on September 30, 2015 were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Securities and Exchange Act of 1934 is (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In the quarter-ended September 30, 2015, the Company did not make any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect these controls.

While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures. The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all error and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements attributable to

error or fraud may occur and not be detected.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to litigation arising in the ordinary course of business. In the opinion of management, these actions will not have a material effect, on the Company's financial position, results of operations, or liquidity.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I. Item 1A of the Company's Form 10-K for the year ended March 31, 2015.

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

None

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

(a) Exhibits

- 3.1 Articles of Incorporation of the Registrant (1)
- 3.2 Bylaws of the Registrant (1)
- 4 Form of Certificate of Common Stock of the Registrant (1)
- 10.1 Form of Employment Agreement between the Bank and each Patrick Sheaffer, Ronald A. Wysaske, and Kevin J. Lycklama (2)
- 10.2 Form of Change in Control Agreement between the Bank and each of Patrick Sheaffer, Ronald A. Wysaske and Kevin J. Lycklama (2)
- 10.3 Employee Severance Compensation Plan (4)
- 10.4 Form of Employment Agreement between the Bank and John A. Karas (3)
- 10.5 Employee Stock Ownership Plan (5)
- 10.6 1998 Stock Option Plan (6)
- 10.7 2003 Stock Option Plan (7)
- 10.8 Form of Incentive Stock Option Award Pursuant to 2003 Stock Option Plan (8)
- 10.9 Form of Non-qualified Stock Option Award Pursuant to 2003 Stock Option Plan (8)
- 10.10 Deferred Compensation Plan (9)
- 10.11 Standstill Agreement, dated August 26, 2015, by and among, Riverview Bancorp, Inc. and Ancora Advisors, LLC, Merlin Partners LP, Ancora Catalyst Fund, Frederick DiSanto, Brian Hopkins, Patrick Sweeney and James M. Chadwick (10)
- 11 Statement recomputation of per share earnings (See Note 4 of Notes to Consolidated Financial Statements contained herein.)
- 31.1 Certifications of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
- 31.2 Certifications of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
- 32 Certifications of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act
- 101 The following materials from Riverview Bancorp Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, formatted on Extensible Business Reporting Language (XBRL) (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income; (d) Consolidated Statements of Equity (e) Consolidated Statements of Cash Flows; and (f) Notes to Consolidated Financial Statements

(1) Filed as an exhibit to the Registrant's Registration Statement on Form S-1 (Registration No. 333-30203), and incorporated herein by reference.

(2) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter-ended December 31, 2014, and incorporated herein by reference.

(3) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the SEC on September 18, 2007 and incorporated herein by reference.

(4) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter-ended September 30, 1997, and incorporated herein by reference.

(5) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended March 31, 1998, and incorporated herein by reference.

(6) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 (Registration No. 333-66049), and incorporated herein by reference.

(7) Filed as an exhibit to the Registrant's Definitive Annual Meeting Proxy Statement (000-22957), filed with the Commission on June 5, 2003, and incorporated herein by reference.

(8) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter-ended December 31, 2005, and incorporated herein by reference.

(9)

Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended March 31, 2009 and incorporated herein by reference.

(10) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the SEC on August 31, 2015, and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RIVERVIEW BANCORP, INC.

By: /S/ Patrick Sheaffer
Patrick Sheaffer
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2015

By: /S/ Kevin J. Lycklama
Kevin J. Lycklama
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: November 6, 2015

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