RIVERVIEW BANCORP INC
Form 10-K
June 13, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended March 31, 2007 OR

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

Commission File Number: 0-22957

RIVERVIEW BANCORP, INC.

(Exact name of registrant as specified in its charter)

Washington	91-1838969
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. Number)
900 Washington St., Ste. 900,Vancouver, Washington	98660
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value $.01 per Share the Nasdaq Stock Market LLC
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes _____ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes _____ No X

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and disclosure will not be contained, to the best of the registrant's knowledge, in any definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer ___ Accelerated filer X Non-accelerated filer ___

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing sales price of the registrant's Common Stock as quoted on the Nasdaq Global Market System under the symbol "RVSB" on September 30, 2006 was approximately $156,268,872 (11,575,472 shares at $13.50 per share). It is assumed for purposes of this calculation that none of the registrant's officers, directors and 5% stockholders (including the Riverview Bancorp, Inc. Employee Stock Ownership Plan) are affiliates. As of June 8, 2007, there were issued and outstanding 11,627,980 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of registrant's Definitive Proxy Statement for the 2007 Annual Meeting of Shareholders (Part III).

PART I

Item 1. Business

General

Riverview Bancorp, Inc. ("the Company"), a Washington corporation, is the savings and loan holding company of Riverview Community Bank (the "Bank"). On July 18, 2003, the Company completed the acquisition of Today's Bancorp, Inc. ("Today's Bancorp"). The acquisition of Today's Bancorp's $122.3 million of assets and $105.1 million of deposits were accounted for using the purchase method of accounting. On April 22, 2005, the Company completed the acquisition of American Pacific Bank ("APB"). The acquisition of APB's $128.5 million of assets and $80.0 million of deposits were accounted for using the purchase method of accounting. At March 31, 2007, the Company had total assets of $820.3 million, total deposit accounts of $665.4 million and shareholders' equity of $100.2 million. The Company's executive offices are located at 900 Washington Street. All references to the Company herein include the Bank where applicable.

Substantially all of the Company's business is conducted through the Bank which is regulated by the Office of Thrift Supervision ("OTS"), its primary regulator, and by the Federal Deposit Insurance Corporation ("FDIC"), the insurer of its deposits. The Bank's deposits are insured by the FDIC up to

applicable legal limits under the Savings Association Insurance Fund ("SAIF"). The Bank has been a member of the Federal Home Loan Bank ("FHLB") of Seattle since 1937.

The Company is a progressive, community-oriented financial services company, which emphasizes local, personal service to residents of its primary market area. The Company considers Clark, Cowlitz, Klickitat and Skamania counties of Washington and Multnomah, Clackamas and Marion counties of Oregon as its primary market area. The Company is engaged primarily in the business of attracting deposits from the general public and using such funds in its primary market area to originate commercial real estate, one-to-four family residential real estate, construction, and commercial and consumer loans. Commercial and construction loans have grown from 72.42% of the loan portfolio at March 31, 2003 to 89.38% at March 31, 2007. The Company's strategic plan includes targeting the commercial banking customer base in its primary market area, specifically small and medium size businesses, professionals and wealth building individuals. In pursuit of these goals, the Company emphasizes controlled growth and the diversification of its loan portfolio to include a higher portion of commercial and commercial real estate loans. A related goal is to increase the proportion of personal and business checking account deposits used to fund these new loans. Significant portions of these new loan products carry adjustable rates, higher yields or shorter terms and higher credit risk than traditional fixed-rate mortgages. The strategic plan stresses increased emphasis on non-interest income, including increased fees for asset management 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. The Company is well positioned to attract new customers and to increase its market share with 18 branches including ten in fast growing Clark county, three in the Portland metropolitan area and three lending centers.

In order to support its strategy of growth without compromising its local, personal service to its customers and a commitment to asset quality, the Company has made significant investments in experienced branch, lending, asset management and support personnel and has incurred significant costs in facility expansion. The Company's efficiency ratios reflect this investment and will likely remain relatively high by industry standards for the foreseeable future because of the emphasis on growth and local, personal service. Control of non-interest expenses remains a high priority for the Company's management.

The Company continuously reviews new products and services to give its customers more financial options. With an emphasis on growth of non-interest income and control of non-interest expense, all new technology and services are reviewed for business development and cost saving purposes. The in-house processing of checks and production of images has supported the Bank's increased service to customers and at the same time has increased efficiency. The Company continues to experience growth in customer use of its online banking services. Customers are able to

conduct a full range of services on a real-time basis, including balance inquiries, transfers and electronic bill paying. This online service has also enhanced the delivery of cash management services to commercial customers. The internet banking branch web site is www.riverviewbank.com.

Special Note Regarding Forward-Looking Statements

Management's Discussion and Analysis and other portions of this Form 10-K

contain certain "forward-looking statements" concerning the future operations of the Company. Management desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing the Company of the protections of such safe harbor with respect to all "forward-looking statements" contained in the Company's Annual Report. The Company has used "forward-looking statements' to describe future plans and strategies, including its expectations of the Company's future financial results. Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could affect actual results include interest rate trends, the general economic climate in the Company's market area and the country as a whole, the ability of the Company to control costs and expenses, deposit flows, demand for mortgages and other loans, real estate value and vacancy rates, the ability of the Company to efficiently incorporate acquisitions into its operations, competition, loan delinquency rates, and changes in federal and state regulation. These factors should be considered in evaluating the "forward-looking statements," and undue reliance should not be placed on such statements. The Company does not undertake to update any forward-looking statement that may be made on behalf of the Company.

Market Area

The Company conducts operations from its home office in Vancouver and 18 branch offices in Camas, Washougal, Stevenson, White Salmon, Battle Ground, Goldendale, Vancouver (seven branch offices) and Longview, Washington and Portland, Wood Village and Aumsville, Oregon. The Company's market area for lending and deposit taking activities encompasses Clark, Cowlitz, Skamania and Klickitat counties in Washington, as well as Multnomah, Clackamas and Marion counties in Oregon, and throughout the Columbia River Gorge area. The Company operates a trust and financial services company, Riverview Asset Management Corp., located in downtown Vancouver, Washington. Riverview Mortgage, a mortgage broker division of the Company, originates mortgage loans for various mortgage companies predominantly in the Vancouver/Portland metropolitan areas, as well as for the Company. The Business and Professional Banking Division located at the downtown Vancouver headquarters and the Portland lending office 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. Washington has no state income tax and Clark County operates a public electric utility that provides relatively lower cost electricity. Companies located in the Vancouver area included Sharp Microelectronics, Hewlett Packard, Georgia Pacific, Underwriters Laboratory and Wafer Tech, as well as several support industries. In addition to this industrial base, the Columbia River Gorge Scenic Area has been a source of tourism, which has helped to transform the area from its past dependence on the timber industry.

Lending Activities

General. At March 31, 2007, the Company's total net loans receivable, including loans held for sale, amounted to $683.0 million, or 83.3% of total assets at that date. The principal lending activity of the Company is the origination of mortgage loans through its mortgage banking activities, including loans collateralized by commercial properties, land for development, and residential construction loans. A substantial portion of the Company's loan portfolio is secured by real estate, either as primary or secondary collateral, located in its primary market area.

In prior years Riverview reported and disclosed the composition of its loan

portfolio based on collateral with a focus upon residential construction and permanent financing activities a view that was consistent with Riverview's background as a thrift organization. However, since 1998 and more pronounced in recent years, Riverview has strategically migrated its lending focus to one similar to a commercial bank. This intended strategy is evident not

only in the changing mix of the loan portfolio that has occurred organically but also has been accomplished through the Company's recent acquisitions of community banks that emphasized commercial lending activities. To align with the strategic direction of the Company, and to better conform to established industry practices, we have modified certain loan disclosures to reflect the increasingly commercial nature of our loan portfolio, and to classify loan types based on loan purpose, rather than collateral. All impacted tables and loan disclosures in this Form 10-K reflect these new disclosure and the related reclassifications.

Loan Portfolio Analysis. The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated.

	At March 31,							
	2007		2006		2005		2004	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Per
	(Dollars in thousands)							
Commercial and construction:								
Commercial	$ 91,174	13.18%	$ 90,083	14.29%	$ 78,280	18.02%	$ 57,578	14
Other real estate mortgage	360,930	52.19	329,631	52.30	220,813	50.84	206,850	53
Real estate construction	166,073	24.01	137,598	21.83	58,699	13.51	49,042	12
Total commercial and construction	618,177	89.38	557,312	88.42	357,792	82.37	313,470	81
Consumer:								
Real estate one-to-four family	69,808	10.10	64,091	10.17	69,455	15.99	67,699	17
Other installment	3,619	0.52	8,899	1.41	7,107	1.64	4,846	1
Total consumer loans	73,427	10.62	72,990	11.58	76,562	17.63	72,545	18
Total loans and loans held for sale	691,604	100.00%	630,302	100.00%	434,354	100.00%	386,015	100
Less:								
Allowance for loan losses	8,653		7,221		4,395		4,481	
Total loans receivable, net (1)	$682,951		$623,081		$429,959		$381,534	

(1) Includes loans held for sale of none, $65,000, $510,000, $407,000 and $1.5 million at March 31, 2007, 2006, 2005, 2004 and 2003, respectively.

Loan Portfolio Composition. The following table sets forth the composition of the Company's commercial and construction loan portfolio based on loan purpose at the dates indicated.

COMPOSITION OF COMMERCIAL AND CONSTRUCTION LOAN TYPES BASED ON LOAN PURPOSE

	Commercial & Construction Total	Commercial	Other Real Estate Mortgage	Real Estate Construction
	(Dollars in thousands)			
March 31, 2007				
Commercial	$91,174	$91,174	$ -	$ -
Commercial construction	56,226	-	-	56,226
Office buildings	62,310	-	62,310	-
Warehouse/industrial	40,238	-	40,238	-
Retail/shopping centers/ strip malls	70,219	-	70,219	-
Assisted living facilities	11,381	-	11,381	-
Single purpose facilities	41,501	-	41,501	-
Land	103,240	-	103,240	-
Multi-family	32,041	-	32,041	-
One-to-four family	109,847	-	-	109,847
Total	$618,177	$91,174	$360,930	$166,073
March 31, 2006				
Commercial	$90,083	$90,083	$ -	$ -
Commercial construction	43,715	-	-	43,715
Office buildings	44,538	-	44,538	-
Warehouse/industrial	47,945	-	47,945	-
Retail/shopping centers/ strip malls	75,877	-	75,877	-
Assisted living facilities	11,576	-	11,576	-
Single purpose facilities	41,506	-	41,506	-
Land	77,084	-	77,084	-
Multi-family	31,105	-	31,105	-
One-to-four family	93,883	-	-	93,883
Total	$557,312	$90,083	$329,631	$137,598

Commercial Lending. Commercial loans are generally made to customers who are well known to the Company and are typically secured by all business assets or other property. The Company's commercial loans may be structured as term loans or as lines of credit. Commercial term loans are generally made to finance the purchase of assets and have maturities of five years or less. Commercial lines of credit are typically made for the purpose of providing working capital and usually have a term of one year or less. Lines of credit are made at variable rates of interest equal to a negotiated margin above an index rate and term loans are at either a variable or fixed rate. The Company also generally obtains personal guarantees from financially capable parties based on a review of personal financial statements.

Commercial lending involves greater risk than residential mortgage lending and involves risks that are different from those associated with residential and commercial real estate lending. Real estate lending is generally considered

to be collateral based lending with loan amounts based on predetermined loan to collateral values and liquidation of the underlying real estate collateral being viewed as the primary source of repayment in the event of borrower default. Repayment of commercial business loans is often dependent on cash flow of the borrower, which may be unpredictable, and collateral securing these loans may fluctuate in value. Commercial business loans are primarily made based on the cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral is accounts receivable, inventory, equipment or real estate. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from

its customers. Other collateral securing loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Other Real Estate Mortgage Lending. At March 31, 2007, the other real estate lending portfolio balance totaled $360.9 million, or 52.19% of total loans. The Company originates other real estate loans including office buildings, warehouse/industrial, retail, assisted living facilities, land and multi-family primarily located in our market area.

The Company actively pursues other real estate loans. Typically, these loans have higher loan balances, are more difficult to evaluate and monitor, and involve a higher degree of risk than one-to-four family residential loans. Often payments on loans secured by commercial properties are dependent on the successful operation and management of the property securing the loan or business conducted on the property securing the loan; therefore, repayment of these loans may be affected by adverse conditions in the real estate market or the economy. Because our loan portfolio contains a significant number of commercial and multifamily real estate loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in nonperforming loans. An increase in nonperforming loans could cause an increase in the provision for loan losses and an increase in loan charge-offs which could adversely impact our results of operations and financial condition. Compared to one-to-four family first mortgage loans, land loans may involve larger loan balances to single borrowers, and the payment experience may be dependent on the successful development of the land and the sale of the lots. These risks can be significantly impacted by supply and demand conditions. If the borrower is a corporation, personal guarantees are generally required and obtained from the corporate principals based upon a review of their personal financial statements and individual credit reports. A portion of the commercial real estate loan portfolio is relatively unseasoned and contains a higher risk of default and loss than one-to-four family residential loans.

Both fixed and adjustable-rate loans are offered on other real estate loans. Adjustable-rate other real estate loans are originated with rates that generally adjust after an initial period ranging from one to five years. Adjustable-rate other real estate loans are generally priced utilizing the Federal Home Loan Bank of Seattle's fixed advance rate for an equivalent period plus a margin ranging from 2.5% to 3.5%, with principal and interest payments fully amortizing over terms up to 25 years. These loans generally have a prepayment penalty. Both adjustable-rate mortgages and fixed-rate mortgages generally allow provisions for assumption of a loan by another borrower subject to lender approval and a 1% assumption fee.

The maximum loan-to-value ratio for other real estate loans is generally 75%

for both purchases and refinances. Appraisals are required on all properties securing other real estate loans. Independent appraisers designated by us perform appraisals. Other real estate loan borrowers with outstanding balances in excess of $500,000 are required to submit annual financial statements and tax returns. The subject property is inspected at least every two years if the loan balance exceeds $500,000. The Company attempts to minimize this risk by limiting the maximum loan-to-value ratio on land loans to 65% of the estimated developed value of the secured property. Loans on raw land may run the risk of adverse zoning changes, environmental or other restrictions on future use.

Loans originated on a fixed-rate basis generally are originated at fixed terms up to five years, with amortization terms up to 25 years. Interest rates on fixed-rate loans are generally established utilizing the Federal Home Loan Bank of Seattle's fixed advance rate for an equivalent period plus a margin. Depending on the market conditions at the time the loan was originated, certain loan agreements may include prepayment penalties.

The average size loan in the other real estate loan portfolios was approximately $694,000 as of March 31, 2007. The Company targets individual other real estate loans between $500,000 and $5.0 million; however, the loan policy allows origination of loans to one borrower up to 15% of the Bank's capital. The largest other real estate loan as of March 31, 2007 was an office building with an outstanding principal balance of $8.8 million located in Vancouver, Washington. This loan is performing according to the loan payment terms, as were all other real estate loans as of March 31, 2007, except for two non-accrual loans with a balance of $226,000.

Real Estate Construction. The real estate construction loan portfolio, not including loan commitments, totaled $166.1 million at March 31, 2007. The Company actively originates three types of residential construction loans: (i) speculative construction loans, (ii) custom/presold construction loans and (iii) construction/permanent loans. Subject to market conditions, the

Company intends to increase its residential construction lending activities. The Company also originates construction loans for the development of multi-family and commercial properties.

The composition of the Company's construction loan portfolio including loan commitments at March 31, 2007 and 2006 was as follows:

	At March 31,			
	2007		2006	
	Amount(1)	Percent	Amount(1)	Percent
	(Dollars in thousands)			
Speculative construction	$119,944	50.59%	$111,699	53.06%
Commercial/multi-family construction	82,248	34.69	73,436	34.88
Custom/presold construction	18,818	7.93	3,752	1.78
Construction/permanent	16,096	6.79	21,631	10.28
Total	$237,106	100.00%	$210,518	100.00%

(1) Includes loans in process.

Speculative construction loans are made to home builders and are termed "speculative" because the home builder does not have, at the time of loan

origination, a signed contract with a home buyer who has a commitment for permanent financing with either the Company or another lender for the finished home. The home buyer may be identified either during or after the construction period, with the risk that the builder will have to debt service the speculative construction loan and finance real estate taxes and other carrying costs of the completed home for a significant time after the completion of construction until the home buyer is identified. At March 31, 2007, the Company had 34 borrowers with aggregate outstanding speculative loan balances of more than $1.0 million, which totaled $73.5 million and were performing according to original terms.

Unlike speculative construction loans, presold construction loans are made for homes that have buyers. Presold construction loans are made to homebuilders who, at the time of construction, have a signed contract with a home buyer who has a commitment for permanent financing for the finished home from the Company or another lender. Custom construction loans are made to the homeowner. Custom/presold construction loans are generally originated for a term of 12 months. At March 31, 2007, the largest custom construction loan and presold construction loan had outstanding balances of $315,000 and $964,000, respectively, and were performing according to original terms.

Construction/permanent loans are originated to the homeowner rather than the homebuilder along with a commitment by the Company to originate a permanent loan to the homeowner to repay the construction loan at the completion of construction. The construction phase of a construction/permanent loan generally lasts six to nine months. At the completion of construction, the Company may either originate a fixed rate mortgage loan or an ARM loan or use its mortgage brokerage capabilities to obtain permanent financing for the customer with another lender. At completion of construction, the Company-originated fixed rate permanent loan's interest rate is set at a market rate and for adjustable rate loans, the interest rates adjust on their first adjustment date. See " Mortgage Brokerage," " Loan Originations, Sales and Purchases" and " Mortgage Loan Servicing." At March 31, 2007, the largest outstanding construction/permanent loan had an outstanding balance of $510,000 and was performing according to its original terms.

The Company also provides construction financing for non-residential properties such as multi-family and commercial properties. The Company has increased its commercial lending resources with the intent of increasing the amount of other real estate loan balances such as construction commercial and construction multi-family loans. The commercial construction loans outstanding at March 31, 2007 were $56.2 million and the loan commitment amount was $86.3 million. At March 31, 2007, the largest construction commercial loan had an outstanding balance of $6.2 million and was performing according to its original repayment terms.

The loan-to-value ratio, maturity and other provisions of the loans generally have reflected the Bank's policy of making less than the maximum loan permissible under applicable regulations, in accordance with sound lending practices, market conditions and the Bank's underwriting standards. The Bank's current lending policy on residential real estate construction loans generally limits the maximum loan-to-value ratio to 80% of the appraised value of the property for loans to

individuals and 75% of the appraised market value of the project for loans to developers, provided that the loan does not exceed 85% of total costs to complete the project. The minimum cash equity required for an individual construction loan is 15%. The minimum cash equity required for a developer loan is 15% of total costs, with up to 50% of appreciated land equity being

considered as cash equity provided certain conditions are met. In addition, for loans to tract developers, the loan to discounted cash flow or bulk sale value generally may not exceed 85%. Development plans are required from both individuals and developers prior to making the loan. The Bank's loan officers are required to personally visit the proposed site of the development and the sites of competing developments. The Bank requires that developers maintain adequate insurance coverage. While maturity dates for residential construction loans are largely a function of the estimated construction period of the project, loans to an individual generally do not exceed one year while loans to developers generally do not exceed 18 months. Substantially all of the Bank's residential construction loans have adjustable rates of interest based on the Wall Street Journal Prime Rate and, during the term of construction, the accumulated interest is added to the principal of the loan through an interest reserve.

Construction lending affords the Company the opportunity to achieve higher interest rates and fees with shorter terms to maturity than does its single-family permanent mortgage lending. Construction lending, however, generally involves a higher degree of risk than single-family permanent mortgage lending because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost of the project. The nature of these loans is such that they are generally more difficult to evaluate and monitor. If the estimate of construction cost proves to be inaccurate, the Company may be required to advance funds beyond the amount originally committed to permit completion of the project. Projects may also be jeopardized by disagreements between borrowers and builders and by the failure of builders to pay subcontractors. The Company addresses these risks by adhering to strict underwriting policies, disbursement procedures and monitoring practices. In addition, because the Company's construction lending is in its primary market area, changes in the local economy and real estate market could adversely affect the Company's construction loan portfolio and the Company's ability to continue to originate a significant amount of construction loans. At March 31, 2007, the Company had no construction loans on non-accrual status.

Consumer Lending. Consumer loans totaled $73.4 million at March 31, 2007, or 10.62% of total loans. Consumer lending is comprised of one-to-four family mortgage loans, home equity lines of credit, land loans for the future construction of one-to-four family homes, totaling $69.8 million, and other secured and unsecured consumer loans, totaling $3.6 million at March 31, 2007.

One-to-four family residences located in the Company's primary market area secure the majority of the residential loans. Underwriting standards require that one-to-four family portfolio loans generally be owner occupied and that loan amounts not exceed 80% or (95% with private mortgage insurance) of the lesser of current appraised value or cost of the underlying collateral. Terms typically range from 15 to 30 years, and the Company also offers balloon mortgage loans with terms of either five or seven years. The Company originates both fixed rate mortgages and adjustable rate mortgages ("ARMs") with repricing based on one-year constant maturity U.S. Treasury index or other index. The ability to generate volume in ARMs, however, is largely a function of consumer preference and the interest rate environment. At March 31, 2007, the Company had no one-to-four family residential real estate loans on non-accrual status.

In addition to originating one-to-four family loans for its portfolio, the Company is an active mortgage broker for several third party mortgage lenders. In recent periods, these mortgage brokerage activities have reduced the volume of fixed rate one-to-four family loans that are originated and sold by the Company. See " Loan Originations, Sales and Purchases" and " Mortgage Brokerage."

The Company generally sells fixed-rate mortgage loans with maturities of 15 years or more and balloon mortgages to the Federal Home Loan Mortgage Corporation ("FHLMC"), servicing retained. See "-Loan Originations, Sales and Purchases" and "-Mortgage Loan Servicing."

The Company originates a variety of consumer loans, including home equity lines of credit, home equity term loans, home improvement loans, loans for debt consolidation and other purposes, automobile loans, boat loans and savings account loans.

Consumer loans generally entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly, such as mobile homes, automobiles, boats and recreational vehicles. At March 31, 2007, the Company had no consumer loans non-accrual status.

Loan Maturity. The following table sets forth certain information at March 31, 2007 regarding the dollar amount of loans maturing in the Company's portfolio based on their contractual terms to maturity, but does not include potential prepayments. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdrafts are reported as due in one year or less. Loan balances are reported net of deferred fees.

	Within 1 Year	1-3 Years	After 3-5 Years	After 5-10 Years	Beyond 10 Years	Total
	(Dollars in thousands)					
Commercial and construction						
Commercial						
Adjustable rate	$53,823	$ 7,975	$ 7,242	$ 4,819	$ 61	$73,920
Fixed rate	2,541	6,053	7,557	958	145	17,254
Other real estate mortgage						
Adjustable rate	73,680	30,142	13,344	162,215	14,391	293,772
Fixed rate	10,919	21,412	18,151	15,770	906	67,158
Real estate construction						
Adjustable rate	115,553	16,831	-	9,521	1,372	143,277
Fixed rate	16,316	325	-	5,803	352	22,796
Total commercial & construction	272,832	82,738	46,294	199,086	17,227	618,177
Consumer						
Real estate one-to-four family						
Adjustable rate	37	1,095	513	513	36,331	38,489
Fixed rate	3,432	5,511	9,975	1,180	11,221	31,319
Other installment						
Adjustable rate	303	48	-	375	72	798
Fixed rate	477	724	890	463	267	2,821
Total consumer	4,249	7,378	11,378	2,531	47,891	73,427
Total net loans	$277,081	$90,116	$57,672	$201,617	$65,118	$691,604

The following table sets forth the dollar amount of all loans due one year after March 31, 2007, which have fixed interest rates or have floating or adjustable interest rates.

	Fixed-Rates	Floating or Adjustable Rates
	(In thousands)	
Commercial	$ 14,713	$ 20,097
Other real estate mortgage	56,239	220,092
Real estate construction	6,480	27,724
Real estate one-to-four family	27,887	38,452
Other installment	2,344	495
Total	$107,663	$306,860

Scheduled contractual principal repayments of loans do not reflect the actual life of such assets. The average life of a loan is substantially less than its contractual terms because of prepayments. In addition, due-on-sale clauses on loans generally give the Company the right to declare loans immediately due and payable in the event, among other things, that the borrower sells the real property. The average life of mortgage loans tends to increase, however, when current mortgage loan market rates are substantially higher than rates on existing mortgage loans and, conversely, decrease when rates on existing mortgage loans are substantially higher than current mortgage loan market rates. Furthermore, management believes that a significant number of the Company's residential mortgage loans are outstanding for a period less than their contractual terms because of the transitory nature of many of the borrowers who reside in its primary market area.

Loan Solicitation and Processing. The Company's lending activities are subject to the written, non-discriminatory, underwriting standards and loan origination procedures established by the Board of Directors and management. The customary sources of loan originations are realtors, walk-in customers, referrals and existing customers. The Company also uses commissioned loan brokers and print advertising to market its products and services.

The Company's loan approval process is intended to assess the borrower's ability to repay the loan, the viability of the loan, the adequacy of the value of the property that will secure the loan, if any, and in the case of commercial and multi-family real estate loans, the cash flow of the project and the quality of management involved with the project. The Company's lending policy requires borrowers to obtain certain types of insurance to protect the Company's interest in any collateral securing the loan. Loans are approved at various levels of management, depending upon the amount of the loan.

The Company's general permissible lending limit for loans-to-one-borrower is equal to the greater of $500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus). At March 31, 2007 the Company's lending limit under this restriction was $12.7 million and, at that date, the Company's largest single loan to one borrower was $11.4 million, which was performing according to its original terms.

Loan Commitments. The Company issues commitments to originate commercial

loans, commercial real estate mortgage loans, commercial construction loans, residential mortgage loans and consumer loans conditioned upon the occurrence of certain events. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Commitments to extend credit 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. At March 31, 2007, the Company had outstanding commitments to originate loans of $14.9 million.

Loan Originations, Sales and Purchases. While the Company originates adjustable-rate and fixed-rate loans, its ability to generate each type of loan depends upon relative customer demand for loans in its primary market area. During the years ended March 31, 2007 and 2006, the Company's total loan originations, including mortgage loans originated for sale and participations purchased, were $611.9 million and $677.8 million, respectively, of which 80.26% and 82.84%, respectively, were subject to periodic interest rate adjustment and 19.74% and 17.16%, respectively, were fixed-rate loans.

The Company customarily sells the fixed-rate residential one-to-four family mortgage loans that it originates with maturities of 15 years or more to Federal Home Loan Mortgage Corporation ("FHLMC") as part of its asset liability

strategy. Mortgage loans are sold to FHLMC on a non-recourse basis where-by foreclosure losses are generally the responsibility of FHLMC and not the Company. Servicing is retained on loans sold to FHLMC. The sale of these loans allows the Company to continue to make loans during periods when savings flow declines or funds are not otherwise available for lending purposes; however, the Company assumes an increased risk if these loans cannot be sold in a rising interest rate environment. Changes in the level of interest rates and the condition of the local and national economies affect the amount of loans originated by the Company and demanded by investors to whom the loans are sold. Generally, the Company's residential one-to-four family mortgage loan origination, and sale and mortgage brokerage activity (described below) and, therefore, its results of operations, may be adversely affected by an increasing interest rate environment to the extent such environment results in decreased loan demand by borrowers and/or investors. Accordingly, the volume of loan originations and the profitability related to the sale or brokerage of one-to-four family mortgage loans can vary significantly from period to period. During periods of reduced loan demand, the Company's profitability may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations.

Interest rates on residential one-to-four family mortgage loan applications are typically locked with customers and FHLMC during the application stage for periods ranging from 30 to 90 days, the most typical period being 45 days. These loans are locked with FHLMC under a best-efforts delivery program. The Company makes every effort to deliver these loans before their rate locks expire. This arrangement requires the Company to deliver the loans to FHLMC within ten days of funding. Delays in funding the loans can require a lock extension. The cost of a lock extension at times is borne by the borrower and at times by the Company. These lock extension costs paid by the Company are not expected to have a material impact to operations. This activity is managed daily.

There can be no assurance that the Company will be successful in its efforts

to reduce the risk of interest rate fluctuation between the time of mortgage loan origination and the time of the ultimate sale of the loan. To the extent that the Company does not adequately manage its interest rate risk, the Company may incur significant mark-to-market losses or losses relating to the sale of such loans, adversely affecting its financial condition and results of operations.

The following table shows total loans originated, sold and repaid during the periods indicated.

	For the Years Ended March 31,		
	2007	2006	2005
	(In thousands)		
Total net loans receivable and loans held for sale at beginning of period	$623,081	$429,959	$381,534
Loans originated:			
Other real estate mortgage	122,365	191,601	98,590
Real estate construction	190,594	153,409	101,801
Commercial	210,753	258,056	163,884
Consumer	54,817	62,219	64,480
Total loans originated	578,529	665,285	428,755
Loans purchased:			
Other real estate mortgage	5,915	12,526	5,664
Real estate construction	27,311	-	-
Commercial	145	-	-
Total loans purchased	33,371	12,526	5,664
Loans sold:			
Other real estate mortgage	(11,941)	(4,931)	-
Real estate construction	(5,940)	-	-
Consumer (one-to-four family)	(17,031)	(23,402)	(22,840)
Total loans sold	(34,912)	(28,333)	(22,840)
Repayment of principal	(516,347)	(573,707)	(363,607)
American Pacific Bank acquisition	-	120,077	-
Increase (decrease) in other items, net	(771)	(2,726)	453
Net increase in loans	59,870	193,122	48,425
Total net loans receivable and loans held for sale at end of period	$682,951	$623,081	$429,959

Mortgage Brokerage. In addition to originating mortgage loans for retention in its portfolio, the Company employs ten commissioned brokers who originate mortgage loans (including construction loans) for various mortgage companies predominately in the Portland metropolitan area, as well as for the Company. The loans brokered to mortgage companies are closed in the name of and funded by the purchasing mortgage company and are not originated as an asset of the Company. In return, the Company receives a fee ranging from 1% to 1.5% of the loan amount that it shares with the commissioned broker. Loans brokered to

the Company are closed on the Company's books as if the Company had originated them and the commissioned broker receives a fee of approximately 0.55% of the loan amount. During the year ended March 31, 2007, brokered loans totaled $250.7 million (including $48.0 million brokered to the Company). Gross fees of $2.2 million (excluding the portion of fees shared with the commissioned brokers) were recognized for the year ended March 31, 2007. The interest rate environment has a strong influence on the loan volume and amount of fees generated from the mortgage broker activity. In general, during periods of rising interest rates the volume of loans and the amount of loan fees generally decrease as a result of slower mortgage loan demand. Conversely, during periods of falling interest rates, the volume of loans and the amount of loan fees generally increase as a result of the increased mortgage loan demand.

Mortgage Loan Servicing. The Company is a qualified servicer for FHLMC. The Company's general policy is to close its residential loans on the FHLMC modified loan documents to facilitate future sales to FHLMC. Upon sale, the Company continues to collect payments on the loans, to supervise foreclosure proceedings, if necessary, and to otherwise service the loans.

The Company generally retains the servicing rights on the fixed-rate mortgage loans that it sells to FHLMC. At March 31, 2007, total loans serviced for others was $130.6 million, of which $110.8 million was sold to FHLMC.

The value of mortgage servicing rights is significantly affected by interest rates. In general, during periods of falling interest rates, mortgage loans repay at faster rates and the value of the mortgage servicing declines. Conversely, during periods of rising interest rates, the value of the mortgage servicing rights generally increases as a result of slower rates of prepayments. The Company may be required to recognize this decrease in value by taking a charge against its earnings, which would cause its net income to decrease. The Company has experienced stable prepayments of mortgages even as there was a slight increase in interest rates during the past two years, which has impacted the value of the servicing asset. Accordingly, the Company recognized a decrease of $25,000 and $24,000 for fiscal years ended March 31, 2007 and 2006, respectively in its valuation allowance for mortgage servicing rights reflecting the increase in mortgage interest rates and stable prepayment speeds. The Company believes, based on historical experience that the amount of prepayments and the related impairment charges should decrease as interest rates increase.

Loan Origination and Other Fees. The Company generally receives loan origination fees and discount "points." Loan fees and points are a percentage of the principal amount of the loan that is charged to the borrower for funding the loan. The Company usually charges origination fees of 1.5% to 2.0% on one-to-four family residential real estate loans, long-term commercial real estate loans and residential construction loans. Commercial loan fees are based on terms of the individual loan. Current accounting standards require fees received for originating loans to be deferred and amortized into interest income over the contractual life of the loan. Deferred fees associated with loans that are sold are recognized as gain on sale of loans. The Company had $3.7 million of net deferred loan fees at March 31, 2007. The Company also receives loan servicing fees on the loans it sells and on which it retains the servicing rights. See Note 9 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Delinquencies. The Company's collection procedures for all loans except other

installment loans provide for a series of contacts with delinquent borrowers. A late charge delinquency notice is first sent to the borrower when the loan secured by real estate becomes 17 days past due. A follow-up telephone call, or letter if the borrower cannot be contacted by telephone, is made when the loan becomes 22 days past due. A delinquency notice is sent to the borrower when the loan becomes 30 days past due. When payment becomes 60 days past due, a notice of default letter is sent to the borrower stating that foreclosure proceedings will commence unless the delinquency is cured. If a loan continues in a delinquent status for 90 days or more, the Company generally initiates foreclosure proceedings. In certain instances, however, the Company may decide to modify the loan or grant a limited moratorium on loan payments to enable borrowers to reorganize their financial affairs.

A delinquent installment loan borrower is contacted when the loan is 15 days past due. A letter of intent to repossess collateral is mailed to the borrower after the loan becomes 45 days past due and repossession proceedings are initiated after the loan becomes 90 days delinquent.

Delinquencies in commercial loans are handled on a case-by-case basis. Generally, notices are sent and personal contact is made with the borrower when the loan is 15 days past due. Loan officers are responsible for collecting loans they originate or that are assigned to them. Depending on the nature of the loan or type of collateral securing the loan, negotiations, or other actions, are undertaken depending upon the circumstances.

Nonperforming Assets. Loans are reviewed regularly and it is the Company's general policy that when a loan is 90 days delinquent or when collection of interest appears doubtful, it is placed on non-accrual status, at which time the accrual of interest ceases and a reserve for any unrecoverable accrued interest is established and charged against operations. Typically, payments received on non-accrual loans are applied to reduce the outstanding principal balance on a cash-basis method.

The following table sets forth information with respect to the Company's nonperforming assets. At the dates indicated, the Company had no restructured loans within the meaning of Statement of Financial Accounting Standards ("SFAS") No. 15 (as amended by SFAS No. 114), Accounting by Debtors and Creditors for Troubled Debt Restructuring.

	At March 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Loans accounted for on a non-accrual basis:					
Commercial	$ -	$ -	$ 97	$ 872	$ -
Other real estate mortgage	226	415	198	340	-
Consumer	-	-	161	89	323
Total	226	415	456	1,301	323
Accruing loans which are contractually past due 90 days or more	-	-	-	-	-
Total of non-accrual and 90 days past due loans	226	415	456	1,301	323

Real estate owned	-	-	270	742	425
Total nonperforming assets	$ 226	$ 415	$ 726	$2,043	$ 748
Total loans delinquent 90 days or more to net loans	0.03%	0.07%	0.10%	0.34%	0.11%
Total loans delinquent 90 days or more to total assets	0.03	0.05	0.08	0.25	0.08
Total nonperforming assets to total assets	0.03	0.05	0.13	0.39	0.18

The gross amount of interest income on the non-accrual loans that would have been recorded during the year ended March 31, 2007 if the non-accrual loans had been current in accordance with their original terms was approximately $12,000. For the year ended March 31, 2007, $85,000 was earned on the non-accrual loans and included in interest and fees on loans receivable interest income.

Loans not included in nonperforming or past due categories, but where information about possible credit problems causes management to be uncertain about the borrower's ability to comply with existing repayment terms, totaled $3.9 million at March 31, 2007 and $3.7 million at March 31, 2006.

Asset Classification. The OTS has adopted various regulations regarding problem assets of savings institutions. The regulations require that each insured institution review and classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, OTS examiners have authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified as loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. If an asset or portion thereof is classified as loss, the insured institution establishes specific allowances for loan losses for the full amount of the portion of the asset classified as loss. All or a portion of general loan loss allowances established to cover possible losses related to assets classified substandard or doubtful can be included in determining an institution's regulatory capital, while specific valuation allowances for loan losses generally do not qualify as regulatory capital. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated "special mention" and monitored by the Company.

The aggregate amount of the Company's classified assets, general loss allowances, specific loss allowances and charge-offs were as follows at the dates indicated:

	At or For the Year Ended March 31,	
	2007	2006
	(In thousands)	
Substandard assets	$4,143	$4,066
Doubtful assets	-	-
Loss assets	-	-
General loss allowances	8,623	7,221
Specific loss allowances	30	-
Charge-offs	186	711

The loans classified as substandard assets at March 31, 2007 are made up of nine real estate secured commercial loans totaling $1.2 million, two commercial real estate construction loans totaling $2.0 million and ten commercial loans totaling $967,000.

Real Estate Owned. Real estate properties acquired through foreclosure or by deed-in-lieu of foreclosure is recorded at the lower of cost or fair value less estimated costs of disposal. Management periodically performs valuations and an allowance for loan losses is established by a charge to operations if the carrying value exceeds the estimated net realizable value. At March 31, 2007 and 2006, the Company owned no real estate properties acquired through foreclosure.

Allowance for Loan Losses. The Company maintains an allowance for loan losses to provide for losses inherent in the loan portfolio. The adequacy of the allowance is evaluated monthly to maintain the allowance at levels sufficient to provide for inherent losses. A key component to the evaluation is the Company's internal loan review and loan classification system. The internal loan review system provides for at least an annual review by the internal audit department of all loans that meet selected criteria. The Problem Loan Committee reviews and monitors the risk and quality of the Company's loan portfolio. The Problem Loan Committee members include the Executive Vice President Chief Credit Officer, Chairman and Chief Executive Officer, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, Senior Vice President of Credit Administration, and Vice President of Special Assets. Credit officers are expected to monitor their portfolios and make recommendations to change loan grades whenever changes are warranted. At least annually, loans that are delinquent 60 days or more and with specified outstanding loan balances are subject to review by the internal audit department. Credit Administration approves any changes to loan grades and monitors loan grades.

The Company uses the OTS loan classifications of special mention, substandard, doubtful and loss plus the additional loan classifications of pass and watch in order to assign a loan grade to be used in the determination of the proper amount of allowance for loan losses. The definition of a pass classification represents a level of credit quality, which contains no well-defined deficiency or weakness. The definition of watch classification is used to identify a loan that currently contains no well-defined deficiency or weakness, but management has deemed it desirable to closely monitor the loan.

The Company uses the loan classifications from the internal loan review and Credit Administration in the following manner to determine the amount of the allowance for loan losses. The calculation of the allowance for loan losses must consider loan classification in order to determine the amount of the allowance for loan losses for the required three separate elements of the allowance for losses: general allowances, allocated allowances and unallocated allowances.

The general allowance element relates to assets with no well-defined deficiency or weakness such as assets classified pass or watch, and takes into consideration loss that is embedded within the portfolio but has not been realized. Borrowers are impacted by events that may ultimately result in a loan default and eventual loss well in advance of a lender's knowledge. Examples of such loss-causing events in the case of installment or one-to-four family residential loans would be a borrower job loss, divorce or medical crisis. Examples in commercial or construction loans may be loss of customers as a result of competition or changes in the economy. General allowances for each major loan type are determined by applying loss

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factors that take into consideration past loss experience, asset duration, economic conditions and overall portfolio quality to the associated loan balance.

The allocated allowance element relates to assets with well-defined deficiencies or weaknesses such as assets classified special mention, substandard, doubtful or loss. The OTS loss factors are applied against current classified asset balances to determine the amount of allocated allowances. Included in these allowances are those amounts associated with loans where it is probable that the value of the loan has been impaired and the loss can be reasonably estimated.

The unallocated allowance element is more subjective and is reviewed quarterly to take into consideration estimation errors and economic trends that are not necessarily captured in determining the general and allocated allowance.

The change in the balance of the allowance for loan losses at March 31, 2007 reflects the proportionate increase in loan balances, the change in mix of loan balances and a change in loss rate when compared to March 31, 2006. The mix of the loan portfolio showed an increase in the loan balances of commercial, other real estate and real estate construction as well as a slight increase in consumer at March 31, 2007 as compared to balances at March 31, 2006. Substandard assets and assets classified as doubtful were unchanged at $4.1 million at March 31, 2007 and 2006.

At March 31, 2007, the Company had an allowance for loan losses of $8.7 million, or 1.25% of total outstanding net loans at that date. The allowance for loan losses, including unfunded commitments of $380,000, was $9.0 million, or 1.31% of net loans at March 31, 2007. Based on past experience and probable losses inherent in the loan portfolio, management believes that loan loss reserves are adequate.

While the Company believes it has established its existing allowance for loan losses in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP"), there can be no assurance that regulators, in reviewing the Company's loan portfolio, will not request the Company to increase significantly its allowance for loan losses, thereby negatively affecting the Company's financial condition and results of operations. The following table sets forth an analysis of the Company's allowance for loan losses for the periods indicated.

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	Year Ended March 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Balance at beginning of period	$7,221	$4,395	$4,481	$2,739	$2,537
Provision for loan losses	1,425	1,500	410	210	727
Recoveries:					
Commercial and construction					
Commercial	165	87	156	74	63
Real estate construction	-	-	-	-	-
Total commercial and construction	165	87	156	74	63
Consumer					
Residential real estate	-	48	-	7	15
Other installment	28	14	17	10	-
Total consumer	28	62	17	17	15
Total recoveries	193	149	173	91	78
Charge-offs:					
Commercial and construction					
Commercial	172	577	490	882	136
Real estate construction	-	-	-	-	-
Total commercial and construction	172	577	490	882	136
Consumer					
Residential real estate	-	41	149	85	224
Other installment	14	93	30	215	68
Total consumer	14	134	179	300	292
Total charge-offs	186	711	669	1,182	428
Net charge-offs (recoveries)	(7)	562	496	1,091	350
Allowance acquired from Today's Bank	-	-	-	2,639	-
Allowance acquired from American Pacific Bank	-	1,888	-	-	-
Net change in allowance for unfunded loan commitments	-	-	-	(16)	(175)
Balance at end of period	$8,653	$7,221	$4,395	$4,481	$2,739
Ratio of allowance to total loans outstanding at end of period	1.25%	1.15%	1.01%	1.16%	0.90%
Ratio of net charge-offs to average net loans outstanding during period	-	0.10	0.13	0.31	0.12
Ratio of allowance to total of non-					

accrual and 90 days past due loans 3,829 1,740 964 344 848

Changes in the allowance for unfunded loan commitments:

	Year Ended March 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Balance at beginning of period	$ 362	$ 253	$ 191	$ 175	$ -
Net change in allowance for unfunded loan commitments	18	109	62	16	175
Balance at end of period	$ 380	$ 362	$ 253	$ 191	$ 175

The following table sets forth the breakdown of the allowance for loan losses by loan category an
specific loan loss factor to the outstanding balances of related loan category as of the date of
for the periods indicated.

	At March 31,							
	2007		2006		2005		2004	
	Amount	Loan Category as a Percent of Total Loans	Amount	Loan Category as a Percent of Total Loans	Amount	Loan Category as a Percent of Total Loans	Amount	Loa Catego as a Perce of Tota Loan
	(Dollars in thousands)							
Commercial and construction:								
Commercial	$1,553	13.18%	$1,549	14.29%	$1,834	18.02%	$1,589	14.9
Other real estate mortgage	4,066	52.19	3,553	52.30	1,863	50.84	2,426	53.5
Real estate construction	2,060	24.01	1,365	21.83	276	13.51	155	12.7
Consumer:								
Real estate one-to-four family	333	10.10	292	10.17	278	15.99	264	17.5
Other installment	63	0.52	168	1.41	144	1.64	37	1.2
Unallocated	578	-	294	-	-	-	10	
Total allowance for loan losses	$8,653	100.00%	$7,221	100.00%	$4,395	100.00%	$4,481	100.0

Investment Activities

OTS regulated institutions have authority to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies and of state and municipal governments, deposits at the applicable FHLB, certificates of deposit of federally insured institutions, certain bankers' acceptances and federal funds. Subject to various restrictions, OTS regulated institutions may also invest a portion of their assets in commercial paper, corporate debt securities and mutual funds, the assets of which conform to the investments that federally chartered savings institutions are otherwise authorized to make directly.

Federal regulations require the Bank to maintain a minimum sufficient liquidity to ensure its safe and sound operation. Liquid assets include cash, cash equivalents consisting of short-term interest-earning deposits, certain other time deposits, and other obligations generally having remaining maturities of less than five years. It is management's intention to hold securities with short maturities in the investment portfolio in order to match more closely the interest rate sensitivities of the Company's assets and liabilities. At March 31, 2007, the Bank's liquidity ratio, the ratio of cash and eligible investments to the sum of withdrawable savings and borrowings due within one year, was 4.98%.

The Investment Committee, composed of the Company's Chairman, President, Chief Financial Officer, Controller, and one outside Director make investment decisions. The Company's investment objectives are: (i) to provide and maintain liquidity within regulatory guidelines; (ii) to maintain a balance of high quality, diversified investments to minimize risk; (iii) to provide collateral for pledging requirements; (iv) to serve as a balance to earnings; and (v) to optimize returns. At March 31, 2007, the Company's investment and mortgage-backed securities portfolio totaled $27.1 million and consisted primarily of obligations of federal agencies, and Federal National Mortgage Association ("FNMA") and FHLMC mortgage-backed securities.

At March 31, 2007, the Company's investment securities portfolio did not contain any tax-exempt securities of any issuer with an aggregate book value in excess of 10% of the Company's consolidated shareholders' equity, excluding those securities issued by the U.S. Government or its agencies.

The Board of Directors sets the investment policy of the Company which dictates that investments be made based on the safety of the principal amount, liquidity requirements of the Company and the return on the investments. At March 31, 2007, no investment securities were held for trading. The policy does not permit investment in non-investment grade bonds and permits investment in various types of liquid assets permissible under OTS regulation, which includes U.S. Treasury obligations, securities of various federal agencies, "bank qualified" municipal bonds, certain certificates of deposit of insured banks, repurchase agreements and federal funds.

The Company has adopted SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, which requires the classification of securities at acquisition into one of three categories: held to maturity, available for sale or trading. See Note 1 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K.

The following table sets forth the investment securities portfolio and carrying values at the dat
of the investment and mortgage-backed securities portfolio was $27.2 million, $34.0 million and $

2007, 2006 and 2005, respectively.

	At March 31,				
	2007		2006		
	Carrying Value	Percent of Portfolio	Carrying Value	Percent of Portfolio	Ca
	(Dollars in thousands)				
Held to maturity (at amortized cost):					
Real estate mortgage investment conduits ("REMICs")	$ 923	3.40%	$ 1,402	4.13%	$
FHLMC mortgage-backed securities	116	0.43	138	0.41	
FNMA mortgage-backed securities	193	0.71	265	0.78	
	1,232	4.54	1,805	5.32	
Available for sale (at fair value):					
Agency securities	10,740	39.57	15,028	44.25	
REMICs	1,083	4.00	1,338	3.94	
FHLMC mortgage-backed securities	5,439	20.04	6,635	19.54	
FNMA mortgage-backed securities	118	0.43	161	0.47	
Municipal securities	3,508	12.93	3,950	11.63	
Trust preferred securities	5,019	18.49	5,044	14.85	
	25,907	95.46	32,156	94.68	
Total investment securities	$27,139	100.00%	$33,961	100.00%	$

The following table sets forth the maturities and weighted average yields in the securities portf

	Less Than One Year		One to Five Years		More Than Five to Ten Years		
	Amount	Weighted Average Yield(1)	Amount	Weighted Average Yield(1)	Amount	Weighted Average Yield(1)	Am
	(Dollars in thousands)						
Municipal securities	$ 571	4.08%	$ 1,033	4.27%	$ 637	4.83%	$ 1
Agency securities	10,740	3.78	-	-	-	-	
REMICs	-	-	73	6.50	407	5.02	1
FHLMC mortgage-backed securities	-	-	-	-	5,439	4.02	
FNMA mortgage-backed securities	-	-	-	-	98	6.22	
Trust preferred securities	-	-	-	-	-	-	5
Total	$11,311	3.79%	$ 1,106	4.42%	$ 6,581	4.19%	$ 8

(1) For available for sale securities carried at fair value, the weighted average yield is computed using amortized cost without a tax equivalent adjustment for tax-exempt obligatio

In addition to U.S. Government treasury obligations, the Company invests in mortgage-backed securities and REMIC's. Mortgage-backed securities ("MBS"), which are also known as mortgage participation certificates or pass-through certificates, represent a participation interest in a pool of single-family or multi-family mortgages. Principal and interest payments on mortgage-backed securities are passed from the mortgage originators, through intermediaries such as FNMA, FHLMC, the Government National Mortgage Association ("GNMA") or private issuers that pool and repackage the participation interests in the form of securities to investors such as the Company. Mortgage-backed securities generally increase the quality of the Company's assets by virtue of the guarantees that back them, are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of the Company. See Note 5 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K for additional information.

REMICs are created by redirecting the cash flows from the pool of mortgages or mortgage-backed securities underlying these securities to create two or more classes, or tranches, with different maturity or risk characteristics designed to meet a variety of investor needs and preferences. Management believes these securities may represent attractive alternatives relative to other investments because of the wide variety of maturity, repayment and interest rate options available. Current investment practices of the Company prohibit the purchase of high risk REMICs. At March 31, 2007, the Company held REMICs with a net carrying value of $2.0 million, of which $900,000 were classified as held-to-maturity and $1.1 million of which were available-for-sale. REMICs may be sponsored by private issuers, such as mortgage bankers or money center banks, or by U.S. Government agencies and government-sponsored entities. At March 31, 2007, the Company owned no privately issued REMICs. See Note 5 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K for additional information.

Investments in mortgage-backed securities, including REMICs, involve a risk that actual prepayments will be greater than estimated prepayments over the life of the security, which may require adjustments to the amortization of any premium or accretion of any discount relating to such instruments thereby reducing the net yield on such securities. There is also reinvestment risk associated with the cash flows from such securities. In addition, the market value of such securities may be adversely affected by changes in interest rates.

The investment in municipal securities was $3.5 million at March 31, 2007 compared to $4.0 million at March 31, 2006.

Deposit Activities and Other Sources of Funds

General. Deposits, loan repayments and loan sales are the major sources of the Company's funds for lending and other investment purposes. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and money market conditions. Borrowings may be used on a short-term basis to compensate for reductions in the availability of funds from other sources. They may also be used on a longer-term basis for general business purposes.

Deposit Accounts. The Company attracts deposits from within its primary market area by offering a broad selection of deposit instruments, including demand deposits, negotiable order of withdrawal ("NOW") accounts, money market accounts, regular savings accounts, certificates of deposit and retirement savings plans. Historically, the Company has focused on retail deposits. Expansion in commercial lending has led to growth in business deposits including demand deposit accounts. Deposit account terms vary according to

the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. In determining the terms of its deposit accounts, the Company considers the rates offered by its competition, profitability to the Company, matching deposit and loan products and customer preferences and concerns. The Company generally reviews its deposit mix and pricing weekly.

Deposit Balances

The following table sets forth information concerning the Company's certificates of deposit, other interest-bearing and non-interest bearing deposits at March 31, 2007.

Interest Rate	Term	Category	Minimum Amount	Balance	Percent of Total Deposits
				(Dollars in thousands)	
3.193%	None	Interest checking	$ 100	$144,451	21.71%
0.550	None	Regular savings	500	29,472	4.43
4.615	None	Money market	2,500	205,007	30.81
None	None	Non-interest checking	100	86,601	13.01
	Total transaction accounts			465,531	69.96
		Certificates of Deposit			
4.823	91 Days	Fixed-term, Fixed-rate	2,500	22,049	3.32
4.935	182-364 Days	Fixed-term, Fixed-rate	2,500	30,825	4.63
4.800	12-17 Months	Fixed-term, Fixed-rate	2,500	55,820	8.39
4.470	18 Months	Fixed-term, Variable rate, Individual Retirement account("IRA")	100	2,410	0.36
4.067	18-23 Months	Fixed-term, Fixed-rate	2,500	1,540	0.23
4.499	24-35 Months	Fixed-term, Fixed-rate	2,500	42,848	6.44
4.626	36-59 Months	Fixed-term, Fixed-rate	2,500	24,076	3.62
4.271	60-83 Months	Fixed-term, Fixed-rate	2,500	12,855	1.93
4.680	84-120 Months	Fixed-term, Fixed-rate	2,500	7,451	1.12
	Total certificates of deposit			199,874	30.04
	Total deposits			$665,405	100.00%

Deposit Flow

The following table sets forth the balances of deposit accounts in the various types offered by t indicated.

	At March 31,	
	2007	2006

	Balance	Percent	Increase/ (Decrease)	Balance	Percent	Increase/ (Decrease)	Ba
			(Dollars in thousands)				
Non-interest-bearing demand	$ 86,601	13.01%	$ (7,991)	$ 94,592	15.58%	$ 15,093	$ 7
Interest checking	144,451	21.71	14,994	129,457	21.33	13,228	11
Regular savings accounts	29,472	4.43	(8,872)	38,344	6.32	2,831	3
Money market accounts	205,007	30.81	67,556	137,451	22.65	61,120	7
Certificates of deposit which mature (1):							
Within 12 months	144,210	21.67	14,051	130,159	21.44	53,101	7
12-36 months	46,884	7.05	(18,795)	65,679	10.82	26,573	3
Beyond 36 months	8,780	1.32	(2,502)	11,282	1.86	(21,860)	3
Total	$665,405	100.00%	$ 58,441	$606,964	100.00%	$150,086	$45

(1) IRAs of $17.9 million, $16.6 million and $15.4 million at March 31, 2007, 2006 and 2005, included in certificates of deposit balances.

(2) The April 22, 2005 acquisition of APB deposits included $38.1 million in transaction acco million in certificates of deposit.

Certificates of Deposit by Rates and Maturities

The following table sets forth the certificates of deposit classified by rates as of the dates indicated.

	At March 31, 2007	2006	2005
	(In thousands)		
Below 2.00%	$ 186	$ 2,257	$ 34,136
2.00 - 2.99%	1,381	22,012	37,157
3.00 - 3.99%	19,636	90,763	36,216
4.00 - 4.99%	120,987	85,746	30,277
5.00 - 5.99%	57,557	6,063	9,670
6.00 - 7.99%	127	279	1,850
Total	$199,874	$207,120	$149,306

The following table sets forth the amount and maturities of certificates of deposit at March 31, 2007.

	Amount Due				
	Less Than One Year	1 to 2 Years	After 2 to 3 Years	After 3 Years	Total
	(In thousands)				
Below 2.00%	$ 186	$ -	$ -	$ -	$ 186
2.00 - 2.99%	1,273	55	15	38	1,381
3.00 - 3.99%	14,328	2,747	1,663	898	19,636

4.00 - 4.99%	81,428	30,795	2,078	6,686	120,987
5.00 - 5.99%	46,970	9,197	232	1,158	57,557
6.00 - 7.99%	25	102	-	-	127
Total	$144,210	$ 42,896	$3,988	$ 8,780	$199,874

The following table presents the amount and weighted average rate of certificates of deposit equal to or greater than $100,000 at March 31, 2007.

Maturity Period	Amount	Weighted Average Rate
	(Dollars in thousands)	
Three months or less	$ 42,620	4.82%
Over three through six months	16,172	4.86
Over six through 12 months	15,685	4.87
Over 12 Months	24,854	4.73
Total	$ 99,331	4.81%

Deposit Activities

The following table sets forth the deposit activities of the Company for the periods indicated.

	Year Ended March 31, 2007	2006	2005
	(Dollars in thousands)		
Beginning balance	$606,964	$456,878	$409,115
Net increase before interest credited	38,198	137,743	42,342
Interest credited	20,243	12,343	5,421
Net increase in savings deposits	58,441	150,086	47,763
Ending balance	$665,405	$606,964	$456,878

Borrowings. Deposits are the primary source of funds for the Company's lending and investment activities and for its general business purposes. The Company relies upon advances from the FHLB of Seattle to supplement its supply of lendable funds and to meet deposit withdrawal requirements. Advances from the FHLB of Seattle are typically secured by the Bank's commercial real estate loans, first mortgage loans and investment securities.

The FHLB functions as a central reserve bank providing credit for savings and loan associations and certain other member financial institutions. As a member, the Bank is required to own capital stock in the FHLB and is authorized to apply for advances on the security of such stock and certain of its mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States) provided certain standards related to creditworthiness have been met. Advances are made pursuant to several different programs. Each credit program has its own

interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's assets or on the FHLB's assessment of the institution's creditworthiness. The FHLB determines specific lines of credit for each member institution and the Bank has a 30% of total assets line of credit with the FHLB of Seattle to the extent the Bank provides qualifying collateral and holds sufficient FHLB stock. At March 31, 2007, the Bank had $35.1 million of outstanding advances from the FHLB of Seattle under an available credit facility of $249.9 million, which is limited to available collateral.

The following tables set forth certain information concerning the Company's FHLB borrowings at the dates and for the periods indicated.

	At March 31,		
	2007	2006	2005
Weighted average rate on FHLB advances	5.66%	4.65%	5.05%

	Year Ended March 31,		
	2007	2006	2005
	(Dollars in thousands)		
Maximum amounts of FHLB advances outstanding at any month end	$90,000	$66,400	$43,000
Average FHLB advances outstanding	68,300	51,091	40,274
Weighted average rate on FHLB advances	5.26%	4.44%	5.00%

In addition, the Bank has a Fed Funds borrowing facility with Pacific Coast Bankers' Bank with a guideline limit of $10 million through June 30, 2007. The facility may be reduced or withdrawn at any time. As of March 31, 2007,

the Bank did not have any outstanding advances on this facility.

In December 2005 a wholly owned subsidiary grantor trust established by the Company issued $7.0 million of pooled Trust Preferred Securities ("trust preferred securities"). Trust preferred securities accrue and pay distributions periodically at specified rates as provided in the amended and restated declaration of trust. The trust used the net proceeds from the offering to purchase a like amount of Junior Subordinated Debentures (the "Debentures") of the Company which pays interest at the same rate as distribution on the trust preferred securities. 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 mandatory redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indenture. The Company has the right to redeem the Debentures in whole or in part five years after issuance on any coupon date, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date.

The following table is a summary of junior subordinated debentures securities at March 31, 2007:

Issuance	Preferred Security	Initial	Rate at	Maturing

Issuance trust	Date	Amount	Rate Type	Rate	3/31/07	Date
	(Dollars in thousands)					
Riverview Bancorp, Inc. Statutory Trust 1	12/2005	$7,000	Variable	5.88%	6.71%	12/2035

The total amount of trust preferred securities outstanding at December 31, 2005 was $7.0 million. The interest rates on the trust preferred securities reset quarterly and is tied to the London Interbank Offered Rate ("LIBOR"). The Company has the right to redeem the Debentures in December 2010.

The Debentures issued by the Company to the grantor trusts, totaling $7.0 million, are reflected in our consolidated balance sheet in the liabilities section at December 31, 2005, under the caption "Junior subordinated debentures." The Company recorded $217,000 in other assets in the consolidated balance sheet at March 31, 2007, for the common capital securities issued by the issuer trusts. The Company invested $5.0 million of the trust preferred securities proceeds in the Bank and retained the remaining $2.0 million for general corporate purposes.

Taxation

For details regarding the Company's taxes, see Note 14 of the Notes to the consolidated financial statements contained in Item 8 of this Form 10-K.

Personnel

As of March 31, 2007, the Company had 255 full-time equivalent employees, none of whom are represented by a collective bargaining unit. The Company believes its relationship with its employees is good.

Corporate Information

The Company's principal executive offices are located at 900 Washington Street, Vancouver, Washington 98660. Its telephone number is (360) 693-6650. The Company maintains a website with the address www.riverviewbank.com. The information contained on the Company's website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. Other than an investor's own Internet access charges, the Company makes available free of charge through its website the Annual Report on Form 10-K, quarterly reports on Form 10-K and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after it has electronically filed such material with, or furnished such material to, the Securities and Exchange Commission.

Subsidiary Activities

Under OTS regulations, the Bank is authorized to invest up to 3% of its assets in subsidiary corporations, with amounts in excess of 2% only if primarily for community purposes. At March 31, 2007, the Bank's investments of $940,000 in Riverview Services, Inc. ("Riverview Services"), its wholly owned subsidiary, and $1.1 million in Riverview Asset Management Corp. ("RAMCorp"), an 85% owned subsidiary were within these limitations.

Riverview Services acts as a trustee for deeds of trust on mortgage loans

granted by the Bank, and receives a reconveyance fee of approximately $70 for each deed of trust. Riverview Services had net income of $46,800 for the fiscal year ended March 31, 2007 and total assets of $942,500 at that date. Riverview Services' operations are included in the Consolidated Financial Statements of the Company.

RAM Corp is an asset management company providing trust, estate planning and investment management services. RAM Corp commenced business in December 1998 and had net income of $382,100 for the fiscal year ended March 31, 2007 and total assets of $1.6 million at that date. RAM Corp earns fees on the management of assets held in fiduciary or agency capacity. At March 31, 2007, the fair market value of total assets under management approximated $285.6 million. RAM Corp's operations are included in the Consolidated Financial Statements of the Company.

Executive Officers. The following table sets forth certain information regarding the executive officers of the Company.

Name	Age (1)	Position
Patrick Sheaffer	67	Chairman of the Board and Chief Executive Officer
Ronald A. Wysaske	54	President and Chief Operating Officer
David A. Dahlstrom	56	Executive Vice President and Chief Credit Officer
Ronald L. Dobyns	58	Senior Vice President and Chief Financial Officer
John A. Karas	58	Senior Vice President
James D. Baldovin	48	Senior Vice President Retail Banking

(1) At March 31, 2007

Patrick Sheaffer is Chairman of the Board and Chief Executive Officer of the Company and Chief Executive Officer of the Bank. Prior to February 2004, Mr. Sheaffer served as Chairman of the Board, President and Chief Executive Officer of the Company since inception in 1997. He became Chairman of the Board of the Bank in 1993. Mr. Sheaffer joined the Bank in 1965. He is responsible for leadership and management of the Company. Mr. Sheaffer is active in numerous professional and civic organizations.

Ronald A. Wysaske is President and Chief Operating Officer of the Bank. Prior to February 2004, Mr. Wysaske served as Executive Vice President, Treasurer and Chief Financial Officer of the Bank from 1981 to 2004 and of the Company at inception in 1997. He joined the Bank in 1976. Mr. Wysaske is responsible for daily operations and management of the Bank. He holds an M.B.A. from Washington State University and is active in numerous professional and civic organizations.

David A. Dahlstrom, Executive Vice President and Chief Credit Officer, was hired in May 2002. He is responsible for all Riverview lending divisions related to its commercial, mortgage and consumer loan activities. Prior to joining Riverview, Mr. Dahlstrom spent 14 years with First Interstate and progressed through a number of management positions, including serving as Senior Vice President of the Business Banking Group in Portland. In 1999, Mr. Dahlstrom joined a regional bank as Executive Vice President/Community Banking, responsible for all branch operations and small business banking.

Ronald L. Dobyns is Senior Vice President and Chief Financial Officer of the Company. Prior to February 2004, Mr. Dobyns served as Controller since 1996. He is responsible for accounting, SEC reporting as well as treasury functions

for the Bank and the Company. He is a State of Oregon certified public accountant, holds an M.B.A. from the University of Minnesota and is a graduate of Pacific Coast Banking School.

John A. Karas, Senior Vice President of the Bank, also serves as Chairman of the Board, President and CEO of our subsidiary, Riverview Asset Management Corp. Mr. Karas has been employed by the Company since 1999 with over 20 years of trust experience. He is familiar with all phases of the trust business and his experience includes trust administration, trust legal council, investments and real estate. Mr. Karas received his B.A. from Willamette University and his Juris Doctor degree from Lewis & Clark Law School's Northwestern School of Law. He is a member of the Oregon, Multnomah County and American Bar Associations and is a Certified Trust and Financial Advisor. Mr. Karas is also active in numerous civic organizations.

James D. Baldovin is Senior Vice President of Retail Banking and is responsible for the Bank's branch banking network, customer service, sales and community development. Mr. Baldovin has been employed by the Bank since January 2003 and has over 22 years of banking expertise in developing and leading sales and service cultures. He holds a Bachelor of Arts degree in economics from Linfield College and is a graduate of the Pacific Coast Banking School.

REGULATION

The following is a brief description of certain laws and regulations which are applicable to the Company and the Bank. The description of these laws and regulations, as well as descriptions of laws and regulations contained elsewhere herein, does not purport to be complete and is qualified in its entirety by reference to the applicable laws and regulations.

Legislation is introduced from time to time in the United States Congress that may affect the Company's operations. In addition, the regulations governing us may be amended from time to time by the OTS. Any such legislation or regulatory changes in the future could adversely affect us. We cannot predict whether any such changes may occur.

General

As a federally chartered savings institution, the Bank is subject to extensive regulation, examination and supervision by the OTS, as its primary federal regulator, and the FDIC, as the insurer of its deposits. The Bank is a member of the FHLB System and its deposit accounts are insured up to applicable limits by the Deposit Insurance Fund, which is administered by the FDIC. The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. There are periodic examinations by the OTS and, under certain circumstances, the FDIC to evaluate the Bank's safety and soundness and compliance with various regulatory requirements. This regulatory structure is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such policies, whether by the OTS, the

FDIC or Congress, could have a material adverse impact on the Company and the Bank and their operations. The Company, as a savings and loan holding company, is required to file certain reports with, is subject to examination by, and otherwise must comply with the rules and regulations of the OTS. The Company is also subject to the rules and regulations of the SEC under the federal securities laws. See "-- Savings and Loan Holding Company Regulations."

Federal Regulation of Savings Institutions

Office of Thrift Supervision. The OTS has extensive authority over the operations of savings institutions. As part of this authority, the Bank is required to file periodic reports with the OTS and is subject to periodic examinations by the OTS and the FDIC. The OTS also has extensive enforcement authority over all savings institutions and their holding companies, including the Bank and the Company. This enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease-and-desist or removal orders and initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OTS. Except under certain circumstances, public disclosure of final enforcement actions by the OTS is required.

In addition, the investment, lending and branching authority of the Bank also are prescribed by federal laws, which prohibit the Bank from engaging in any activities not permitted by these laws. For example, no savings institution may invest in non-investment grade corporate debt securities. In addition, the permissible level of investment by federal institutions in loans secured by non-residential real property may not exceed 400% of total capital, except with approval of the OTS. Federal savings institutions are also generally authorized to branch nationwide. The Bank is in compliance with the noted restrictions.

All savings institutions are required to pay assessments to the OTS to fund the agency's operations. The general assessments, paid on a semi-annual basis, are determined based on the savings institution's total assets, including consolidated subsidiaries. The Bank's OTS assessment for the fiscal year ended March 31, 2007 was $168,400.

The Bank's general permissible lending limit for loans-to-one-borrower is equal to the greater of $500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus). At March 31, 2007, the Bank's lending limit under this restriction was $12.7 million and, at that date, the Bank's largest loans to one borrower was $11.4 million, which was performing according to its original terms.

The OTS, as well as the other federal banking agencies, has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings standards, internal controls and audit systems, interest rate risk exposure and compensation and other employee benefits. Any institution that fails to comply with these standards must submit a compliance plan.

Federal Home Loan Bank System. The Bank is a member of the FHLB of Seattle, which is one of 12 regional FHLBs that administer the home financing credit function of savings institutions. Each FHLB serves as a reserve or central

bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans or advances to members in accordance with policies and procedures, established by the Board of Directors of the FHLB, which are subject to the oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing. See Business - Deposit Activities and Other Sources of Funds - Borrowings.

As a member, the Bank is required to purchase and maintain stock in the FHLB of Seattle. At March 31, 2007, the Bank had $7.4 million in FHLB stock, which was in compliance with this requirement. In past years, the Bank has received substantial dividends on its FHLB stock until such dividends were suspended on May 18, 2005. As a result, the Bank received no dividends from the FHLB of Seattle for the year ended March 31, 2006. During the fourth quarter of the 2006 calendar year, the FHLB received approval to resume paying its members cash dividends on a quarterly basis. As a result, the Bank received $14,700 in dividends from the FHLB of Seattle for the year ended March 31, 2007.

Under federal law, the FHLBs are required to provide funds for the resolution of troubled savings institutions and to contribute to low- and moderately-priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have affected adversely the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of the Bank's FHLB stock may result in a corresponding reduction in the Bank's capital.

Federal Deposit Insurance Corporation. The Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. The Deposit Insurance Fund is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged effective March 31, 2006. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the fund. The FDIC also has the authority to initiate enforcement actions against savings institutions, after giving the OTS an opportunity to take such action, and may terminate the deposit insurance if it determines that the institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

The FDIC recently amended its risk-based assessment system for 2007 to implement authority granted by the Federal Deposit Insurance Reform Act of 2005, which was enacted in 2006 ("Reform Act"). Under the revised system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. An institution's assessment rate depends upon the category to which it is assigned. Risk Category I, which contains the least risky depository institutions, is expected to include more than 90% of all institutions. Unlike the other categories, Risk Category I contains further risk differentiation based on the FDIC's analysis of financial ratios, examination component ratings and other information. Assessment rates are determined by the FDIC and currently range from five to seven basis points for the healthiest institutions (Risk Category I) to 43 basis points of assessable deposits for the riskiest (Risk Category IV). The FDIC may adjust rates

uniformly from one quarter to the next, except that no single adjustment can exceed three basis points. No institution may pay a dividend if in default of the FDIC assessment.

The Reform Act also provided for a one-time credit for eligible institutions based on their assessment base as of December 31, 1996. Subject to certain limitations with respect to institutions that are exhibiting weaknesses, credits can be used to offset assessments until exhausted. The Bank's one-time credit is expected to be approximately $283,000. The Reform Act also provided for the possibility that the FDIC may pay dividends to insured institutions once the Deposit Insurance Fund reserve ratio equals or exceeds 1.35% of estimated insured deposits.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund. This payment is established quarterly and during the calendar year ending March 31, 2007 averaged 1.22 basis points of assessable deposits. The Financing Corporation was chartered in 1987, by the Federal Home Loan Bank board solely for the purpose of functioning as a vehicle for the recapitalization of the Federal Savings and Loan Insurance Corporation.

The Reform Act provided the FDIC with authority to adjust the Deposit Insurance Fund ratio to insured deposits within a range of 1.15% and 1.50%, in contrast to the prior statutorily fixed ratio of 1.25%. The ratio, which is viewed by the FDIC as the level that the fund should achieve, was established by the agency at 1.25% for 2007.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. There can be no prediction as to what insurance assessment rates will be in the future. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. Management of the Bank is not aware of any practice, condition or violation that might lead to termination of the Bank's deposit insurance.

Prompt Corrective Action. The OTS is required to take certain supervisory actions against undercapitalized savings institutions, the severity of which depends upon the institution's degree of undercapitalization. Generally, an institution that has a ratio of total capital to risk-weighted assets of less than 8%, a ratio of Tier I (core) capital to risk-weighted assets of less than 4%, or a ratio of core capital to total assets of less than 4% (3% or less for institutions with the highest examination rating) is considered to be "undercapitalized." An institution that has a total risk-based capital ratio less than 6%, a Tier I capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized" and an institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized." Subject to a narrow exception, the OTS is required to appoint a receiver or conservator for a savings institution that is "critically undercapitalized." OTS regulations also require that a capital restoration plan be filed with the OTS within 45 days of the date a savings institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. "Significantly undercapitalized" and "critically undercapitalized" institutions are subject to more extensive

mandatory regulatory actions. The OTS also could take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At March 31, 2007, the Bank was categorized as "well capitalized" under the prompt corrective action regulations of the OTS.

Qualified Thrift Lender Test. All savings institutions, including the Bank, are required to meet a qualified thrift lender ("QTL") test to avoid certain restrictions on their operations. This test requires a savings institution to have at least 65% of its total assets, as defined by regulation, in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis. As an alternative, the savings institution may maintain 60% of its assets in those assets specified in Section 7701(a)(19) of the Internal Revenue Code ("Code"). Under either test, such assets primarily consist of residential housing related loans and investments.

A savings institution that fails to meet the QTL is subject to certain operating restrictions and may be required to convert to a national bank charter. Recent legislation has expanded the extent to which education loans, credit card loans and small business loans may be considered "qualified thrift investments." As of March 31, 2007, the Bank maintained 65.41% of its portfolio assets in qualified thrift investments and, therefore, met the qualified thrift lender test.

Capital Requirements. Federally insured savings institutions, such as the Bank, are required by the OTS to maintain minimum levels of regulatory capital. Theses minimum capital standards include: a 1.5% tangible capital to total assets ratio, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMELS examination rating system) and an 8% risk-based capital ratio. In addition, the prompt corrective action standards, discussed below, also establish, in effect, a minimum 2% tangible capital standard, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMELS system) and, together with the risk-based capital standard itself, a 4% Tier I risk-based capital standard. The OTS regulations also require that, in meeting the tangible, leverage and risk-based capital standards, institutions must generally deduct investments in and loans to subsidiaries engaged in activities as principal that are not permissible for a national bank.

The risk-based capital standard requires federal savings institutions to maintain Tier I (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, recourse obligations, residual interests and direct credit substitutes, are multiplied by a risk-weight factor of 0% to 100%, assigned by the OTS capital regulation based on the risks believed inherent in the type of asset. Core (Tier I) capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and up to 45% of unrealized gains on available-for-sale equity securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital.

The OTS also has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution's capital level is or may become inadequate in light of the particular circumstances. At March 31, 2007, the Bank met each of these capital requirements. For additional information, see Note 17 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Limitations on Capital Distributions. OTS regulations impose various restrictions on savings institutions with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. Generally, savings institutions, such as the Bank, that before and after the proposed distribution are well-capitalized, may make capital distributions during any calendar year equal to up to 100% of net income for the year-to-date plus retained net income for the two preceding years. However, an institution deemed to be in need of more than normal supervision by the OTS may have its dividend authority restricted by the OTS. The Bank may pay dividends to the Company in accordance with this general authority.

Savings institutions proposing to make any capital distribution need not submit written notice to the OTS prior to such distribution unless they are a subsidiary of a holding company or would not remain well capitalized following the distribution. Savings institutions that do not, or would not meet their current minimum capital requirements following a proposed capital distribution or propose to exceed these net income limitations, must obtain OTS approval prior to making such distribution. The OTS may object to the distribution during that 30-day period based on safety and soundness concerns. See "-Capital Requirements."

Activities of Associations and their Subsidiaries. When a savings institution establishes or acquires a subsidiary or elects to conduct any new activity through a subsidiary that the association controls, the savings institution must

notify the FDIC and the OTS 30 days in advance and provide the information each agency may, by regulation, require. Savings institutions also must conduct the activities of subsidiaries in accordance with existing regulations and orders.

The OTS may determine that the continuation by a savings institution of its ownership control of, or its relationship to, the subsidiary constitutes a serious risk to the safety, soundness or stability of the association or is inconsistent with sound banking practices or with the purposes of the FDIA. Based upon that determination, the FDIC or the OTS has the authority to order the savings institution to divest itself of control of the subsidiary. The FDIC also may determine by regulation or order that any specific activity poses a serious threat to the Deposit Insurance Fund. If so, it may require that no FDIC insured institution engage in that activity directly.

Transactions with Affiliates. The Bank's authority to engage in transactions with "affiliates" is limited by OTS regulations and by Sections 23A and 23B of the Federal Reserve Act as implemented by the Federal Reserve Board's Regulation W. The term "affiliates" for these purposes generally means any company that controls or is under common control with an institution. The Company and its non-savings institution subsidiaries would be affiliates of the Bank. In general, transactions with affiliates must be on terms that are as favorable to the institution as comparable transactions with non-

affiliates. In addition, certain types of transactions are restricted to an aggregate percentage of the institution's capital. Collateral in specified amounts must usually be provided by affiliates in order to receive loans from an institution. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The Sarbanes-Oxley Act of 2002 generally prohibits a company from making loans to its executive officers and directors. However, that act contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws. Under such laws, the Bank's authority to extend credit to executive officers, directors and 10% stockholders ("insiders"), as well as entities such person's control is limited. The law restricts both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain Board approval procedures to be followed. Such loans must be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. There are additional restrictions applicable to loans to executive officers.

Community Reinvestment Act. Under the Community Reinvestment Act, every FDIC-insured institution has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The Community Reinvestment Act does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the Community Reinvestment Act. The Community Reinvestment Act requires the OTS, in connection with the examination of the Bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications, such as a merger or the establishment of a branch, by the Bank. An unsatisfactory rating may be used as the basis for the denial of an application by the OTS. Due to the heightened attention being given to the Community Reinvestment Act in the past few years, the Bank may be required to devote additional funds for investment and lending in its local community. The Bank was examined for Community Reinvestment Act compliance and received a rating of outstanding in its latest examination.

Affiliate Transactions. The Company and the Bank are separate and distinct legal entities. Various legal limitations restrict the Bank from lending or otherwise supplying funds to the Company, generally limiting any single transaction to 10% of the Bank's capital and surplus and limiting all such transactions to 20% of the Bank's capital and surplus. These transactions also must be on terms and conditions consistent with safe and sound banking practices that are substantially the same as those prevailing at the time for transactions with unaffiliated companies.

Federally insured savings institutions are subject, with certain exceptions, to certain restrictions on extensions of

credit to their parent holding companies or other affiliates, on investments in the stock or other securities of affiliates and on the taking of such stock or securities as collateral from any borrower. In addition, these

institutions are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or the providing of any property or service.

Enforcement. The OTS has primary enforcement responsibility over savings institutions and has the authority to bring action against all "institution-affiliated parties," including shareholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers or directors, receivership, conservatorship or termination of deposit insurance. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or $1.1 million per day in especially egregious cases. The FDIC has the authority to recommend to the Director of the OTS that enforcement action be taken with respect to a particular savings institution. If action is not taken by the Director, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations.

Standards for Safety and Soundness. As required by statute, the federal banking agencies have adopted Interagency Guidelines prescribing Standards for Safety and Soundness. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the OTS determines that a savings institution fails to meet any standard prescribed by the guidelines, the OTS may require the institution to submit an acceptable plan to achieve compliance with the standard.

Environmental Issues Associated with Real Estate Lending. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), a federal statute, generally imposes strict liability on all prior and present "owners and operators" of sites containing hazardous waste. However, Congress asked to protect secured creditors by providing that the term "owner and operator" excludes a person whose ownership is limited to protecting its security interest in the site. Since the enactment of the CERCLA, this "secured creditor exemption" has been the subject of judicial interpretations which have left open the possibility that lenders could be liable for cleanup costs on contaminated property that they hold as collateral for a loan.

To the extent that legal uncertainty exists in this area, all creditors, including the Bank, that have made loans secured by properties with potential hazardous waste contamination (such as petroleum contamination) could be subject to liability for cleanup costs, which costs often substantially exceed the value of the collateral property.

Privacy Standards. The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 ("GLBA"), which was enacted in 1999, modernized the financial services industry by establishing a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms and other financial service providers. The Bank is subject to OTS regulations implementing the privacy protection provisions of the GLBA. These regulations require the Bank to disclose its privacy policy, including identifying with whom it shares "non-public personal information," to customers at the time of establishing the customer relationship and annually thereafter.

Anti-Money Laundering and Customer Identification. Congress enacted the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act") on October 26, 2001 in response to the terrorist events of September 11, 2001. The USA Patriot Act gives the federal government new powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money

laundering requirements. In March 2006, Congress re-enacted certain expiring provisions of the USA Patriot Act.

Savings and Loan Holding Company Regulations

General. The Company is a unitary savings and loan holding company subject to regulatory oversight of the OTS. Accordingly, the Company is required to register and file reports with the OTS and is subject to regulation and examination by the OTS. In addition, the OTS has enforcement authority over the Company and its non-savings

institution subsidiaries which also permits the OTS to restrict or prohibit activities that are determined to present a serious risk to the subsidiary savings institution.

Mergers and Acquisitions. The Company must obtain approval from the OTS before acquiring more than 5% of the voting stock of another savings institution or savings and loan holding company or acquiring such an institution or holding company by merger, consolidation or purchase of its assets. In evaluating an application for the Company to acquire control of a savings institution, the OTS would consider the financial and managerial resources and future prospects of the Company and the target institution, the effect of the acquisition on the risk to the insurance funds, the convenience and the needs of the community and competitive factors.

Activities Restrictions. As a unitary savings and loan holding company, the Company generally is not subject to activity restrictions. The Company and its non-savings institution subsidiaries are subject to statutory and regulatory restrictions on their business activities specified by federal regulations, which include performing services and holding properties used by a savings institution subsidiary, activities authorized for savings and loan holding companies as of March 5, 1987, and non-banking activities permissible for bank holding companies pursuant to the Bank Holding Company Act of 1956 or authorized for financial holding companies pursuant to the GLBA.

If the Bank fails the QTL test, the Company must, within one year of that failure, register as, and will become subject to, the restrictions applicable to bank holding companies. See "- Federal Regulation of Savings Institutions - Qualified Thrift Lender Test."

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") was signed into law on July 30, 2002 in response to public concerns regarding corporate accountability in connection with recent accounting scandals. The stated goals of the Sarbanes-Oxley Act are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The Sarbanes-Oxley Act generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, including the Company.

The Sarbanes-Oxley Act includes very specific additional disclosure requirements and new corporate governance rules, requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and related rules. The Sarbanes-Oxley Act represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and

management and between a board of directors and its committees.

Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this report. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and results of operations. The value or market price of our common stock could decline due to any of these identified or other risks, and you could lose all or part of your investment.

Fluctuations in interest rates could reduce our profitability and affect the value of our assets.

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. We expect that we will periodically experience imbalances in the interest rate sensitivities of our assets and liabilities and the relationships of various interest rates to each other. Over any period of time, our interest-earning assets may be more sensitive to changes in market interest rates than our interest-bearing liabilities, or vice versa. In addition, the individual market interest rates underlying our loan and deposit products may not change to the same degree over a given time period. In any event, if market interest rates should move contrary to our position, our earnings may be negatively affected. In addition, loan volume and quality and deposit volume and mix can be affected by market interest rates. Changes in levels of market interest rates could materially adversely affect our net interest spread, asset quality, origination volume and overall profitability.

Interest rates have recently been at historically low levels. However, since June 30, 2004, the U.S. Federal Reserve has increased its target for the federal funds rate seventeen times, from 1.00% to 5.25%. While these short-term market interest rates (which we use as a guide to price our deposits) have increased the pricing of our loans have moved in parallel with this increased funding cost. The inverted/flat interest rate yield curve continues to exert pressure on the net interest margin. In a sustained rising interest rate environment the asset yields are expected to closely match rising funding costs. A sustained falling interest rate environment would negatively impact margins. Opportunities to reduce non-maturity deposit rates become more difficult to realize in a protracted decline in rates, while asset yields come under constant pressure.

We principally manage interest rate risk by managing our volume and mix of our earning assets and funding liabilities. In a changing interest rate environment, we may not be able to manage this risk effectively. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially harmed.

Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our

earnings.

Our business is subject to various lending risks that could adversely impact our results of operations and financial condition.

Other real estate mortgage loans involve higher principal amounts than other loans, and repayment of these loans may be dependent on factors outside our control or the control of our borrowers. At March 31, 2007, we had $360.9 million of other real estate loans, representing 52.2% of our total loans and loans held for sale portfolio. The income generated from the operation of the property securing the loan is generally considered by us to be the principal source of repayment on this type of loan. The other real estate lending in which we engage typically involves larger loans to a single borrower and is generally viewed as exposing the lender to a greater risk of loss than one-four family residential lending because these loans generally are not fully amortizing over the loan period, but have a balloon payment due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or timely sell the underlying property.

Repayment of our commercial loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value. At March 31, 2007, commercial loans totaled $91.2 million, or 13.2%, of our total loan and loans held for sale portfolio. Our commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of accounts receivable, inventory or equipment. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any exists. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time may be difficult to appraise and may fluctuate in value based on the success of the business.

Our real estate construction loans are based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. We originate construction loans for commercial properties, as well as for single-family home construction. At March 31, 2007, construction loans totaled $166.1 million, or 24.0% of total loans and loans held for sale. Construction, land acquisition and development lending involves additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. There are also risks associated with the timely completion of the construction activities for their allotted costs, as a number of factors can result in delays and cost overruns, and the time needed to stabilize income producing properties or to sell residential tract developments. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans and land acquisition and development loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property or refinance the indebtedness, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal

of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss.

Our other installment loans generally have a higher risk of default than our other loans. At March 31, 2007, other installment loans totaled $3.6 million, or 0.5%, of our total loan and loans held for sale portfolio. Other consumer loans typically have shorter terms and lower balances with higher yields as compared to one-to-four family residential mortgage loans, but generally carry higher risks of default. Consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on these loans.

An inadequate allowance for loan losses would reduce our earnings.

We are exposed to the risk that our borrowers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans will not be sufficient to assure full repayment. Credit losses are inherent in the lending business and could have a material adverse effect on our operating results. Volatility and deterioration in the economy may also increase our risk for credit losses. We evaluate the collectibility of our loan portfolio and provide an allowance for loan losses that we believe is adequate based upon such factors as:

* Cash flow of the borrower and/or the project being financed;
* in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral;
* the credit history of a particular borrower;
* changes in economic and industry conditions; and
* the duration of the loan.

If our evaluation is incorrect and borrower defaults cause losses exceeding our allowance for loan losses, our earnings could be materially and adversely affected. We cannot assure you that our allowance will be adequate to cover loan losses inherent in our portfolio. We may experience losses in our loan portfolio or perceive adverse trends that require us to significantly increase our allowance for loan losses in the future, which would also reduce our earnings. In addition, the Bank's regulators, as an integral part of their examination process, may require us to make additional provisions for loan losses.

The unseasoned nature of many of the commercial real estate loans we originated may lead to additional provisions for loan losses or charge-offs, which would hurt our profits.

The diversification of our real estate loan portfolio has led to a significant increase in the number of commercial real estate loans in our portfolio. Many of these loans are unseasoned and have not been subjected to unfavorable economic conditions. We have limited experience in originating these types of loans and as a result do not have a significant payment history pattern with which to judge future collectibility. As a result, it is difficult to predict the future performance of this part of our real estate loan portfolio. These loans may have delinquency or charge-off levels above our historical experience, which could adversely affect our profitability.

Our real estate lending also exposes us to the risk of environmental

liabilities.

In the course of our business, we may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third persons for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Our profitability depends significantly on economic conditions in the States of Washington and Oregon.

Our success depends primarily on the general economic conditions of the States of Washington and Oregon and the specific local markets in which we operate. Unlike larger national or other regional banks that are more geographically diversified, we provide banking and financial services to customers located primarily in seven counties of Washington and Oregon. The local economic conditions in our market areas have a significant impact on the demand for our products and services as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources. Adverse economic conditions unique to these Northwest markets could have a material adverse effect on our financial condition and results of operations. Further, a significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets or other factors could impact these state and local markets and, in turn, also have a material adverse effect on our financial condition and results of operations.

Our funding sources may prove insufficient to replace deposits and support our future growth.

We rely on customer deposits and advances from the FHLB and other borrowings to fund our operations. Although we have historically been able to replace maturing deposits and advances if desired, no assurance can be given that we would be able to replace such funds in the future if our financial condition or the financial condition of the FHLB or market conditions were to change. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our profitability would be adversely affected.

Although we consider such sources of funds adequate for our liquidity needs, we may seek additional debt in the future to achieve our long-term business objectives. There can be no assurance additional borrowings, if sought, would be available to us or, if available, would be on favorable terms. If additional financing sources are unavailable or are not available on reasonable terms, our growth and future prospects could be adversely affected.

Competition with other financial institutions could adversely affect our profitability.

The banking and financial services industry is very competitive. Legal and regulatory developments have made it easier for new and sometimes unregulated competitors to compete with us. Consolidation among financial service providers has resulted in fewer very large national and regional banking and financial institutions holding a large accumulation of assets. These institutions generally have significantly greater resources, a wider geographic presence or greater accessibility. Our competitors sometimes are also able to offer more services, more favorable pricing or greater customer convenience than we do. In addition, our competition has grown from new banks and other financial services providers that target our existing or potential customers. As consolidation continues among large banks, we expect additional institutions to try to exploit our market.

Technological developments have allowed competitors including some non-depository institutions, to compete more effectively in local markets and have expanded the range of financial products, services and capital available to our target customers. If we are unable to implement, maintain and use such technologies effectively, we may not be able to offer products or achieve cost-efficiencies necessary to compete in our industry. In addition, some of these competitors have fewer regulatory constraints and lower cost structures.

We rely heavily on the proper functioning of our technology.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We rely on third-party service providers for much of our communications, information, operating and financial control systems technology. If any of our third-party service providers experience financial, operational or technological difficulties, or if there is any other disruption in our relationships with them, we may be required to locate alternative sources of such services, and we cannot assure that we could negotiate terms that are as favorable to us, or could obtain services with similar functionality, as found in our existing systems, without the need to expend substantial resources, if at all. Any of these circumstances could have an adverse effect on our business.

We are dependent upon the services of our management team.

We are dependent upon the ability and experience of a number of our key management personnel who have substantial experience with our operations, the financial services industry and the markets in which we offer our services. It is possible that the loss of the services of one or more of our senior executives or key managers would have an adverse effect on our operations. Our success also depends on our ability to continue to attract, manage and retain other qualified personnel as we grow. We cannot assure you that we will continue to attract or retain such personnel.

We may be unable to successfully integrate any acquisition we may make.

We regularly explore opportunities to acquire financial services businesses or assets and may also consider opportunities to acquire other banks or financial institutions. We cannot predict the number, size or timing of acquisitions. Difficulties in integrating an acquired business or company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from the acquisition. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of our business and the loss of deposits, customers and key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with any merger could have an adverse effect on our business and results of operations following the acquisition or otherwise adversely affect our ability to achieve the anticipated benefits of the acquisition.

An increase in interest rates may reduce our mortgage revenues, which would negatively impact our non-interest income, which would negatively impact our net interest income.

Our mortgage banking operations provide a significant portion of our non-interest income. We generate mortgage revenues primarily from broker loan fees on the sale of loans to investors on a servicing released basis. In a rising or higher interest rate environment, our originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage revenues and a corresponding decrease in non-interest income. In addition, our results of operations are affected by the amount of non-interest expenses associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations.

Terrorist activities could cause reductions in investor confidence and substantial volatility in real estate and securities markets.

It is impossible to predict the extent to which terrorist activities may occur in the United States or other regions, or their effect on a particular security issue. It is also uncertain what effects any past or future terrorist activities and/or any consequent actions on the part of the United States government and others will have on the United States and world financial markets, local, regional and national economics, and real estate markets across the United States. Among other things, reduced investor confidence could result in substantial volatility in securities markets, a decline in general economic conditions and real estate related investments and an increase in loan defaults. Such unexpected losses and events could materially affect our results of operations.

We are subject to extensive regulation that could restrict our activities and impose financial requirements or limitations on the conduct of our business.

We are subject to extensive federal and state regulation and supervision, primarily through the Bank. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including

changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations. While we have policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

We rely on dividends from subsidiaries for most of our revenue.

Riverview Bancorp, Inc is a separate and distinct legal entity from its subsidiaries. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on our debt. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay us. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event the Bank is unable to pay dividends to us, we may not be able to service our debt, pay obligations or pay dividends on our common stock. The inability to receive dividends from the Bank could have a material adverse effect on our business, financial condition and results of operations

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud, and, as a result, investors and depositors could lose confidence in our financial reporting, which could adversely affect our business, the trading price of our stock and our ability to attract additional deposits.

In connection with the enactment of the Sarbanes-Oxley Act of 2002 ("Act") and the implementation of the rules and regulations promulgated by the SEC, we document and evaluate our internal control over financial reporting in order to satisfy the requirements of Section 404 of the Act. This requires us to prepare an annual management report on our internal control over financial reporting, including among other matters, management's assessment of the effectiveness of internal control over financial reporting and an attestation report by our independent auditors addressing these assessments. If we fail to identify and correct any significant deficiencies in the design or operating effectiveness of our internal control over financial reporting or fail to prevent fraud, current and potential shareholders and depositors could lose confidence in our internal controls and financial reporting, which could adversely affect our business, financial condition and results of operations, the trading price of our stock and our ability to attract additional deposits.

Changes in accounting standards may affect our performance.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time there are changes in the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we report and record our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth certain information relating to the Company's offices as of March 31, 2007.

Location	Year Opened	Approximate Square Footage	Deposits (In millions)
Main Office:			
900 Washington, Suite 900 Vancouver, Washington (1)	2000	16,000	$98.8
Riverview Center:			
17205 SE Mill Plain Boulevard Vancouver, Washington (1)(2)	2006	50,000	
Branch Offices:			
700 N.E. Fourth Avenue Camas, Washington (1)(2)	1975	25,000	55.6
3307 Evergreen Way Washougal, Washington (1)(2)(3)	1963	3,200	39.1
225 S.W. 2nd Street Stevenson, Washington (2)	1971	1,700	38.2
330 E. Jewett Boulevard White Salmon, Washington (2)(4)	1977	3,200	40.8
15 N.W. 13th Avenue Battle Ground, Washington (2)(5)	1979	2,900	40.8
412 South Columbus Goldendale, Washington (2)	1983	2,500	20.6
11505-K N.E. Fourth Plain Boulevard Vancouver, Washington (2)	1994	3,500	31.1
7735 N.E. Highway 99 Vancouver, Washington (1)(6)(2)	1994	4,800	32.2
1011 Washington Way Longview, Washington (6)(2)	1994	2,000	31.4
900 Washington St., Suite 100 Vancouver, Washington (1)(2)	1998	5,300	74.7

1901-E N.E. 162nd Avenue Vancouver, Washington (1)(2)	1999	3,200	18.7
800 N.E. Tenney Road, Suite D Vancouver, Washington (2)	2000	3,200	33.7
915 MacArthur Boulevard Vancouver, Washington (1)(2)(7)	2003	3,000	21.3
320 S.E. 192nd Avenue Vancouver, Washington (1)(2)	2006	3,200	4.9
315 SW Fifth Avenue Portland, Oregon (1)(2)(8)	2005	9,304	30.2
23500 NE Sandy Boulevard Wood Village, Oregon (1)(2)(8)	2005	900	12.8
112 Main Street Aumsville, Oregon (2)(8)	2005	2,500	33.0
10401 NE Halsey Street Portland, Oregon (2)	2006	7,800	7.5

(1) Leased.
(2) Location of an automated teller machine.
(3) New facility in 2001.
(4) New facility in 2000.
(5) New facility in 1994.
(6) Former branches of Great American Federal Savings Association, San Diego, California, that were acquired from the Resolution Trust Corporation on May 13, 1994. In the acquisition, the Company assumed all insured deposit liabilities of both branch offices totaling approximately $42.0 million.
(7) Former location of Today's Bank, Vancouver, Washington, acquired on July 18, 2003.
(8) Former location of American Pacific Bank, Aumsville, Oregon, acquired on April 22, 2005.

The Company's main office for administration is located at the downtown Vancouver, Washington address of 900 Washington Street. The Washougal branch office was relocated during the first quarter of the fiscal year 2001.

At March 31, 2007, the net book value of the Company's office properties, furniture, fixtures and equipment was $21.4 million.

Management believes that the facilities are of sound construction and good operating condition, and are appropriately insured and adequately equipped for carrying on the business of the Company.

Item 3. Legal Proceedings

Periodically, there have been various claims and lawsuits involving the Company, such as claims to enforce liens, condemnation proceedings on properties in which the Company holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Company's business. The Company is not a party to any pending legal proceedings that it believes would have a material adverse effect on the financial condition, results of operations or liquidity of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 31, 2007.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

At March 31, 2007, there were 11,707,980 shares of Company Common Stock issued and outstanding, 827 stockholders of record and an estimated 1,500 holders in nominee or "street name." Under Washington law, the Company is prohibited from paying a dividend if, as a result of its payment, the Company would be unable to pay its debts as they become due in the normal course of business, or if the Company's total liabilities would exceed its total assets. The principal source of funds for the Company is dividend payments from the Bank. OTS regulations require the Bank to give the OTS 30 days advance notice of any proposed declaration of dividends to the Company, and the OTS has the authority under its supervisory powers to prohibit the payment of dividends to the Company. The OTS imposes certain limitations on the payment of dividends from the Bank to the Company which utilize a three-tiered approach that permits various levels of distributions based primarily upon a savings association's capital level. See "REGULATION - Federal Regulation of Savings Associations - Limitations on Capital Distributions." In addition, the Company may not declare or pay a cash dividend on its capital stock if the effect thereof would be to reduce the regulatory capital of the Company below the amount required for the liquidation account established pursuant to the Company's Plan of Conversion adopted in connection with the Conversion and Reorganization. See Note 1 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K.

The common stock of the Company is traded on the Nasdaq Global Select Market under the symbol "RVSB". The following table sets forth the high and low trading prices, as reported by Nasdaq, and cash dividends paid for each quarter during 2007 and 2006 fiscal years. At March 31, 2007, there were 15 market makers in the Company's common stock as reported by the Nasdaq Global Select Market. On August 24, 2006 Riverview Bancorp. Inc. issued 2-for-1 stock split in the form of a 100% stock dividend. Shareholders received one additional share for every share owned. The Board of Directors declared the stock split on July 27, 2006 and the record date was August 10, 2006. All share and per share amounts (including stock options) in the Consolidated Financial Statements and accompanying notes were restated to reflect the split.

Cash Dividends

Fiscal Year Ended March 31, 2007	High	Low	Declared
Quarter ended March 31, 2007	$17.58	$15.29	$0.100
Quarter ended December 31, 2006	15.72	13.47	0.100
Quarter ended September 30, 2006	13.65	12.58	0.100
Quarter ended June 30, 2006	13.53	12.14	0.095

Fiscal Year Ended March 31, 2006	High	Low	Cash Dividends Declared
Quarter ended March 31, 2006	$13.75	$11.56	$0.085
Quarter ended December 31, 2005	11.97	10.38	0.085
Quarter ended September 30, 2005	11.05	10.38	0.085
Quarter ended June 30, 2005	10.90	10.17	0.085

Stock Repurchase

The shares are being repurchased from time-to-time in open market transactions. The timing, volume and price of purchases will be made at our discretion, and will also be contingent upon our overall financial condition, as well, as market conditions in general. The following table reflects activity for the quarter ended March 31, 2007.

Common Stock Repurchased

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Program
January 1, - January 31, 2007	-	-	-	-
February 1 - February 28, 2007	-	-	-	-
March 1 - March 31, 2007	-	-	-	-
Balance at March 31, 2007	-	-	-	250,000

(1) On March 22, 2007 the Company announced a stock repurchase of up to 250,000 shares of its outstanding common stock, representing approximately 2% of outstanding shares.
(2) During the year ended March 31, 2007, the Company repurchased 49,446 shares of its common stock under a cashless exercise of stock options.
(3) On May 11, 2007, the Company repurchased 80,000 shares of its common stock under the announced March 22, 2007 common stock repurchases plan.

Securities for Equity Compensation Plans

Please refer to item 12 for a listing of securities authorized for issuance under equity compensation plans.

[PERFORMANCE GRAPH APPEARS HERE]

	3/02	3/03	3/04	3/05	3/06	3/07
Riverview Bancorp, Inc.	100.00	125.34	153.44	166.19	215.54	263.94
S & P 500	100.00	75.24	101.66	108.47	121.19	135.52
NASDAQ Bank	100.00	94.03	131.20	132.73	147.62	152.21

* $100 invested on 3/31/02 in stock or index-including reinvestment of dividends fiscal year ending March 31.

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Item 6. Selected Financial Data

The following condensed consolidated statements of operations and financial condition and selected performance ratios as of March 31, 2007, 2006, 2005, 2004 and 2003 and for the years then ended have been derived from the Company's audited consolidated financial statements. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read along with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statement and Supplementary Data."

	At March 31,				
	2007	2006	2005(2)	2004	2003(3)
	(Dollars in thousands)				
FINANCIAL CONDITION DATA:					
Total assets	$820,348	$763,847	$572,571	$520,487	$419,904
Loans receivable, net (1)	682,951	623,081	429,959	381,534	301,811
Mortgage-backed securities held to maturity, at amortized cost	1,232	1,805	2,343	2,517	3,301
Mortgage-backed securities available for sale, at fair value	6,640	8,134	11,619	10,607	13,069
Cash and interest-bearing deposits	31,423	31,346	61,719	47,907	60,858
Investment securities available for sale, at fair value	19,267	24,022	22,945	32,883	20,426
Deposit accounts	665,405	606,964	456,878	409,115	320,742
FHLB advances	35,050	46,100	40,000	40,000	40,000
Shareholders' equity	100,209	91,687	69,522	65,182	54,511

	Year Ended March 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
OPERATING DATA:					
Interest income	$ 61,300	$ 47,229	$ 29,968	$ 27,584	$ 26,461
Interest expense	24,782	14,877	7,395	6,627	8,417
Net interest income	36,518	32,352	22,573	20,957	18,044
Provision for loan losses	1,425	1,500	410	210	727
Net interest income after provision for loan losses	35,093	30,852	22,163	20,747	17,317
Gains (losses) from sale of loans, securities and real estate owned	434	382	(672)	1,003	(531)
Gain on sale of land and fixed assets	3	2	830	3	-
Other non-interest income	8,597	8,453	6,348	5,583	4,469
Non-interest expenses	26,353	25,374	19,104	17,572	14,908
Income before income taxes	17,774	14,315	9,565	9,764	6,347
Provision for income taxes	6,168	4,577	3,036	3,210	1,988
Net income	$ 11,606	$ 9,738	$ 6,529	$ 6,554	$ 4,359

(1) Includes loans held for sale
(2) On April 22, 2005, the company acquired American Pacific Bank.
(3) On July 18, 2003, the Company acquired Today's Bancorp, Inc.

	At March 31,				
	2007	2006	2005	2004	2003
OTHER DATA:					
Number of:					
Real estate loans outstanding	2,978	3,084	3,037	3,141	2,904
Deposit accounts	38,989	39,095	29,341	27,209	25,752
Full service offices	18	17	13	13	12

	At or For the Year Ended March 31,				
	2007	2006	2005	2004	2003
KEY FINANCIAL RATIOS:					
Performance Ratios:					
Return on average assets	1.43%	1.36%	1.24%	1.35%	1.07%
Return on average equity	11.88	10.95	9.56	10.60	7.99
Dividend payout ratio (1)	38.35	39.08	45.59	39.72	50.00
Interest rate spread	4.37	4.55	4.38	4.42	4.28
Net interest margin	5.01	5.03	4.74	4.76	4.83
Non-interest expense to average assets	3.24	3.54	3.62	3.61	3.66
Efficiency ratio (2)	57.85	61.60	65.70	63.79	67.82
Asset Quality Ratios:					
Average interest-earning assets					

to interest-bearing liabilities	118.96	121.14	123.45	122.53	124.62
Allowance for loan losses to total net loans at end of period	1.25	1.15	1.01	1.16	0.90
Net charge-offs to average outstanding loans during the period	-	0.10	0.13	0.31	0.12
Ratio of nonperforming assets to total assets	0.03	0.05	0.13	0.39	0.18
Capital Ratios:					
Average equity to average assets	12.01	12.39	12.92	12.72	13.39
Equity to assets at end of fiscal year	12.22	12.00	12.14	12.52	12.98

(1) Dividends per share divided by net income per share
(2) Non-interest expense divided by the sum of net interest income and non-interest income

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the Consolidated Financial Statements and accompanying Notes thereto contained in Item 8 of this Form 10-K and the other sections contained in this Form 10-K.

Critical Accounting Policies

The Company has established various accounting policies that govern the application of accounting principles generally accepted in the United States of America ("GAAP") in the preparation of the Company's Consolidated Financial Statements. The Company has identified three policies, that due to judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's Consolidated Financial Statements. These policies relate to the methodology for the determination of the allowance for loan losses, the valuation of the mortgage servicing rights ("MSR's") and the impairment of investments. These policies and the judgments, estimates and assumptions are described in greater detail in subsequent sections of Management's Discussions and Analysis contained herein and in the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K. In particular, Note 1 of the Notes to Consolidated Financial Statements, "Summary of Significant Accounting Policies," describes generally the Company's accounting policies and Note 9, "Mortgage Servicing Rights" provides details used in valuing the Company's MSR's and the effect of changes to certain assumptions. Management believes that the judgments, estimates and assumptions used in the preparation of the Company's Consolidated Financial Statements are appropriate given the factual circumstances at the time. However, given the sensitivity of the Company's Consolidated Financial Statements to these critical accounting policies, the use of other judgments, estimates and assumptions could result in material differences in the Company's results of operations or financial condition.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level sufficient to provide for probable loan losses based on evaluating known and inherent risks in the loan portfolio. The allowance is provided based upon management's continuing analysis of the pertinent factors underlying the quality of the loan portfolio. These factors include changes in the size and composition of the loan portfolio, actual loan loss experience, current economic conditions, and detailed analysis of individual loans for which full collectibility may not be assured. The detailed analysis includes techniques to estimate the fair value of loan collateral and the existence of potential alternative sources of repayment. The appropriate allowance level is estimated based upon factors and trends identified by management at the time the consolidated financial statements are prepared.

Mortgage Servicing Rights

The Company stratifies its MSR's based on the predominant characteristics of the underlying financial assets including coupon interest rate and contractual maturity of the mortgage. An estimated fair value of MSR's is determined quarterly using a discounted cash flow model. The model estimates the present value of the future net cash flows of the servicing portfolio based on various factors, such as servicing costs, servicing income, expected prepayments speeds, discount rate, loan maturity and interest rate. The effect of changes in market interest rates on estimated rates of loan prepayments represents the predominant risk characteristic underlying the MSR's portfolio.

The Company's methodology for estimating the fair value of MSR's is highly sensitive to changes in assumptions. For example, the determination of fair value uses anticipated prepayment speeds. Actual prepayment experience may differ and any difference may have a material effect on the fair value. Thus, any measurement of MSR's fair value is limited by the conditions existing and assumptions made as of the date made. Those assumptions may not be appropriate if they are applied to a different time.

Future expected net cash flows from servicing a loan in the servicing portfolio would not be realized if the loan were paid off earlier than anticipated. Moreover, since most loans within the servicing portfolio do not contain penalty provisions for early payoff, the Company will not receive a corresponding economic benefit if the loan pays off earlier

than expected. MSR's are the discounted present value of the future net cash flows projected from the servicing portfolio. Accordingly, prepayment risk subjects the Company's MSR's to impairment. MSR's impairment is recorded in the amount that the estimated fair value is less than the MSR's carrying value on a strata by strata basis.

Investment Valuation

The Company's determination of impairment for various types of investments accounted for in accordance with SFAS No. 115 is predicated on the notion of other-than-temporary. The key indicator that an investment may be impaired is that the fair value of the investment is less than its carrying value. Each reporting period, the Company reviews those investments where the fair value is less than carrying value. The review includes determining whether certain indicators indicated the fair value of the investment has been negatively impacted. These indicators include deteriorating financial condition,

regulatory, economic or technological changes, downgrade by a rating agency and length of time the fair value has been less than carrying value. If any indicators of impairment are present, management determines the fair value of the investment and compares this to its carrying value. If the fair value of the investment is less than the carrying value of the investment, the investment is considered impaired and a determination must be made as to whether the impairment is other-than-temporary.

Securities held to maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized in interest income using the interest method. If the cost basis of these securities is determined to be other-than-temporary impaired, the amount of the impairment is charged to operations.

Securities available for sale are carried at fair value. Premiums and discounts are amortized using the interest method over the remaining period to contractual maturity. Unrealized holding gains and losses, or valuation allowances established for net unrealized losses, are excluded from earnings and reported as a separate component of shareholders' equity as accumulated other comprehensive income (loss), net of income taxes, unless the security is deemed other-than-temporary impaired. If the security is determined to be other-than-temporary impaired, the amount of the impairment is charged to operations.

The Company's underlying principle in determining whether impairment is other-than-temporary is an impairment shall be deemed other-than-temporary unless positive evidence indicating that an investment's carrying value is recoverable within a reasonable period of time outweighs negative evidence to the contrary. Evidence that is objectively determinable and verifiable is given greater weight than evidence that is subjective and or not verifiable. Evidence based on future events will generally be less objective as it is based on future expectations and therefore is generally less verifiable or not verifiable at all. Factors considered in evaluating whether a decline in value is other-than-temporary include, (a) the length of time and the extent to which the fair value has been less than amortized cost, (b) the financial condition and near-term prospects of the issuer and (c) the Company's intent and ability to retain the investment for a period of time. In situations in which the security's fair value is below amortized cost but it continues to be probable that all contractual terms of the security will be satisfied, and that the decline is solely attributable to changes in interest rates (not because of increased credit risk), and the Company asserts that it has positive intent and ability to hold that security to maturity, no other-than-temporary impairment is recognized.

Operating Strategy

In the fiscal year ended March 31, 1998, the Company began to implement a growth strategy to broaden its products and services from those of a traditional thrift to those more closely related to commercial banking. The growth strategy included four elements: geographic and product expansion, loan portfolio diversification, development of relationship banking and maintenance of asset quality.

The April 2005 acquisition of APB added three branches in Oregon: Portland, Aumsville and Wood Village. Fiscal year 2006 expansion also included opening in Vancouver the Riverview Center (an operations center) and the Tech Center Branch. The Riverview Center is a 50,000 square foot office building; over 80 employees from accounting, audit, data processing, human resources, information technology, loan origination, loan servicing, marketing and operations are located here. The Tech Center is a full service branch with the convenience of two drive-up teller windows, drive-up ATM and safe deposit boxes. During fiscal year 2007 the Company opened a new full service branch

and commercial lending center (Gateway branch) in Portland, Oregon. The number of automated teller

machines increased from six at March 31, 1998 to 20 at March 31, 2007 so that each branch location now is serviced by at least one automated teller machine.

The Company's growing commercial customer base has enjoyed new products and the improvements in existing products. These new products include business checking, internet banking and new loan products. Retail customers have benefited from expanded choices ranging from additional automated teller machines, consumer lending products, checking accounts, debit cards, 24 hour account information service and internet banking.

Fiscal 2007 marked the 84th anniversary since the Bank opened its doors in 1923. The historical emphasis has been on residential real estate lending, however, the Company began diversifying its loan portfolio through the expansion of commercial loans in 1998. At March 31, 2003, commercial and construction loans as a percentage of the loan portfolio were 72.42%, which has increased to 89.38% of total loans at the end of fiscal year 2007. Commercial lending including commercial real estate has higher credit risk, wider interest margins and shorter loan terms than residential lending which can increase the loan portfolio's profitability.

The Company's relationship banking has been enhanced by the 1998 addition of Riverview Asset Management Corp, a trust company directed by experienced trust officers, through expanded loan products serviced by experienced commercial and consumer lending officers, and an expanded branch network led by experienced branch managers. Development of relationship banking has been the key to the Company's growth. The fair market value of assets under management in Riverview Asset Management Corp. has increased from $232.8 million at March 31, 2006, to $285.6 million at March 31, 2007.

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 its cost of funds, which consists of interest paid on deposits and borrowings. Net interest income is also affected by the relative amounts of interest-earning assets and interest-bearing liabilities. When interest-earning assets equal or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income. The level of non-interest income and expenses also affects the Company's profitability. Non-interest income includes deposit service fees, income associated with the origination and sale of mortgage loans, brokering loans, loan servicing fees, income from real estate owned, net gains and losses on sales of interest-earning assets, bank owned life insurance income and asset management fee income. Non-interest expenses include compensation and benefits, occupancy and equipment expenses, deposit insurance premiums, data servicing expenses and other operating costs. 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.

Comparison of Financial Condition at March 31, 2007 and 2006

At March 31, 2007, the Company had total assets of $820.3 million compared with $763.8 million at March 31, 2006. The increase in total assets was primarily as a result of the increase in the balance of loans outstanding.

Loans receivable, net, was $683.0 million at March 31, 2007, compared to $623.0 million at March 31, 2006, a 9.6% increase. The $60.0 million increase reflects increases in all loan categories except other installment. The national and local economy both are experiencing slower growth and this has reduced the demand for the Bank's loans particularly during the fourth quarter of fiscal year 2007. In the first quarter of fiscal year 2008 the Bank has implemented a strategy to increase the amount of resources available to attract more loans. A substantial portion of the Company's loan portfolio is secured by real estate, either as primary or secondary collateral located in its primary market areas.

Cash, including interest-earning accounts, totaled $31.4 million at March 31, 2007, compared to $31.3 million at March 31, 2006, as a result of the Company's increase in total loans.

Investment securities available-for-sale were $19.3 million at March 31, 2007, compared to $24.0 million at March 31, 2006. The decrease was attributable to maturities and scheduled cash flows.

Mortgage-backed securities held-to-maturity was $1.2 million at March 31, 2007, compared to $1.8 million at March 31, 2006. The decrease is attributable to maturities and scheduled cash flows.

Mortgage-backed securities available-for-sale were $6.6 million at March 31, 2007, compared to $8.1 million at March 31, 2006. The $1.5 million decrease was a result of pay downs.

Deposit accounts totaled $665.4 million at March 31, 2007 compared to $607.0 million at March 31, 2006. The increase in deposits is a result of increase in money market and NOW accounts. Checking accounts and money market accounts total average outstanding balance increased 22.3% to $301.2 million at March 31, 2007, compared to $246.2 million at March 31, 2006. Transaction accounts represented 56.2% and 51.4% of average total outstanding balance of deposits at March 31, 2007 and March 31, 2006, respectively. The increase in money market deposits resulted from making available an existing money market product to all the Bank's branches whereas prior only a select few branches offered this money market product.

FHLB advances decreased to $35.1 million at March 31, 2007 as compared to $46.1 million at March 31, 2006. The decrease reflects the growth in deposits.

Shareholders' equity increased $8.5 million to $100.2 million at March 31, 2007 from $91.7 million at March 31, 2006. The increase was primarily the result of $11.8 million total comprehensive income, $274,000 earned ESOP shares and $880,000 received from the exercise of stock options and partially offset by $4.5 million cash dividends paid to shareholders.

Comparison of Operating Results for the Years Ended March 31, 2007 and 2006

Net Income. Net income was $11.6 million, or $1.01 per diluted earning share for the year ended March 31, 2007, compared to $9.7 million, or $0.86 per

diluted share for the year ended March 31, 2006. The increase resulted from an increase in interest income and non-interest income partially offset by increases in interest expense and non-interest expense.

Net Interest Income. Net interest income for fiscal year 2007 was $36.5 million, representing a $4.2 million, or a 12.9% increase, from $32.4 million in fiscal year 2006. This improvement reflected a 13.3% increase in the average balance of interest earning assets to $731.1 million, which was offset by a 15.4% increase in the average balance of interest-bearing liabilities an increase in all deposit categories except savings accounts, to $536.3 million. The ratio of average interest earning assets to average interest bearing liabilities decreased to 118.96% in fiscal 2007 from 121.14% in fiscal 2006 which indicates that the interest-earning asset growth is being funded more by interest-bearing liabilities as compared to capital and non-interest-bearing demand deposits.

Interest Income. Interest income was $61.3 million for the fiscal year ended March 31, 2007 compared to $47.2 million, for the fiscal year ended March 31, 2006. Increased interest income is the result of the increase in the average balance of interest earning assets and the increased yield on interest earning assets. Average interest-bearing assets increased $86.0 million to $731.1 million for fiscal 2007 from $645.1 million for fiscal 2006. The yield on interest-earning assets was 8.40% for fiscal year 2007 compared to 7.34% for fiscal 2006. The increased yield is primarily the result of the higher yields on loans, investment securities and other interest earning assets reflecting the increasing interest rate environment. The increased interest income is the result of the increase in the average balance of interest earning assets and the increase in the yield on interest earning assets.

Interest Expense. Interest expense for the fiscal year ended March 31, 2007 totaled $24.8 million, a $9.9 million or 6.66% increase from $14.9 million for the fiscal year ended March 31, 2006. The increase in interest expense is the result of higher rates of interest paid on deposits and borrowings that occurred during fiscal years 2007 and 2006. The weighted average interest rate of total deposits increased from 2.58% for the year ended March 31, 2006 to 3.82% for the year ended March 31, 2007. The weighted average interest rate of FHLB borrowings increased from 4.44% for the year ended March 31, 2006 to 5.26% for the year ended March 31, 2007. The mix of deposits has changed as the interest rates on deposit accounts have increased. There is an increased demand for higher yielding money market accounts which is reflected in the growth of total average money market accounts in fiscal year 2007 to $161.6 million compared to $120.2 million in fiscal year 2006. Growth in loans in fiscal year 2007 was supported by the increased average total FHLB-Seattle borrowings of $68.3 million for the fiscal year 2007 compared to $51.1 million for the fiscal year 2006.

Provision for Loan Losses. The provision for loan losses for fiscal year 2007 was $1.4 million, compared to $1.5 million for the same period in the prior year. Management analyzes the probable loss factors that drive the loan loss reserve on a quarterly basis. These probable loss factors contemplate historical loss rates, adjusted for qualitative factors that are included in our analysis. Such factors include the relative strength of the local economy, concentrations in certain categories, such as commercial real estate and construction loans, the impact of an increasing interest rate environment along with other factors. As part of that ongoing process, the Company has continued to refine its reserving methodologies with regard to larger and/or high-risk loans that we consider to be "non-homogeneous", such as commercial, speculative, and commercial construction loans. These refinements, which primarily included the improved methodology of calculating required allowance for loan losses based on loan purpose, have improved the determination of the required allowance for loan losses. During the fiscal year ended March 31, 2007, management evaluated known and inherent risks in

the loan portfolio and changes were made in the estimation, assumptions and allocation of the allowance for loan losses to reflect the changing housing market. The national and local economy housing market is experiencing a slow down in housing sales which has impacted land developers' and housing contractors' ability to sell their products. The estimated loan loss rate was increased by 0.250% to 1.250% for the loans consisting of land and lots for development, speculative construction loans and raw land loans. Such changes resulted in approximately $400,000 of increased provision for the fiscal year ended March 31, 2007. The stable loan loss provision for the fiscal year ended March 31, 2007 as compared to the prior year was due to a combination of increased loan loss rates offset by the decreased loan charge-offs, smaller loan growth experienced

during the year ended March 31, 2007 as well as the refinement in determining the required allowance for loan loss based on loan purpose. Net recoveries for the year ended March 31, 2007 were $7,000, compared to net charge-offs of $562,000 for the same period of last year. Annualized net recoveries to average net loans for the year ended March 31, 2007 was 0.0% compared to annualized net charge-offs of 0.10% for the same period in the prior year. Non-accrual loans continued to decrease from $415,000 at March 31, 2006 to $226,000 at March 31, 2007. The allowance for loan losses was $8.7 million at March 31, 2007 compared to $7.2 million at March 31, 2006. The quality of the loan portfolio continues to be very stable, as the classified substandard loan balances have increased just $77,000 and non-accrual loans decreased by $189,000 at March 31, 2007 compared to March 31, 2006. The ratio of allowance for credit losses and loan commitments to total net loans at March 31, 2007 increased to 1.31% from 1.20% at March 31, 2006 with such increase reflecting the changing loan balance, mix of the Company's loan portfolio and the additional risk of these loans as described above.

Non-Interest Income. Non-interest income increased $197,000, or 2.2%, to $9.0 million for the year ended March 31, 2007 from $8.8 million for the same period in 2006 primarily as a result of a $393,000 increase in asset management fees. The increase in asset management fees reflects the increase in assets under management by Riverview Asset Management Corp. from $232.8 million at March 31, 2006 to $285.6 million at March 31, 2007. The $166,000 decrease in fees and service charges reflects the $240,000 decrease in credit card fees resulting from the sale of the credit card portfolio in the second quarter of fiscal 2006. The decrease in credit card fees was partially offset by increases in fees earned on deposit accounts and broker loan fees. The increase in loan servicing income for fiscal year 2007 includes the $25,000 decrease in servicing amortization as the servicing portfolio has decreased. Mortgage brokered loan production decreased from $276.6 million during the year ended March 31, 2006 to $250.7 million during the year ended March 31, 2007. Mortgage broker fees (included in fees and service charges) totaled $2.2 million for the year ended March 31, 2007 compared to $2.1 million for the previous year. Mortgage broker commission compensation expense was $1.3 million for the fiscal year ended March 31, 2007 compared to $1.3 million for the fiscal year ended March 31, 2006.

Non-Interest Expense. Non-interest expense increased $979,000 million, or 3.9%, to $26.4 million for fiscal year ended March 31, 2007 compared to $25.4 million for fiscal year ended March 31, 2006. The principal component of the increase in the Company's non-interest expense was salaries and employee benefits. For the year ended March 31, 2007, salaries and employee benefits, which includes mortgage broker commission compensation, was $15.0 million, a 3.3% increase over the prior year total of $14.5 million. Salaries increased as the number of full-time equivalent employees increased to 255 at March 31,

2007 from 239 at March 31, 2006, which was primarily the result of the expansion related to increased staffing in branches and operations.

One measure of a bank's ability to contain non-interest expense is the efficiency ratio, which is calculated by dividing total non-interest expense (less intangible asset amortization) by the sum of net interest income plus non-interest income (less intangible asset amortization, lower of cost or market adjustments and securities impairment charge). The Company's efficiency ratio excluding intangible asset amortization, lower of cost or market adjustments and securities impairment charge was 57.22% in fiscal 2007 compared to 60.79% in fiscal 2006.

During the third quarter of fiscal year 2007, the current ESOP expiration date was extended from December 31, 2011 to December 31, 2017. This extension resulted in the third quarter reduction of ESOP expense of $240,000 reflecting the release of 24,633 ESOP shares to the ESOP participants at December 31, 2006.

The acquisition of APB and the related acquisition of $80.0 million in deposit accounts created a $526,000 core deposit intangible ("CDI") representing the excess of cost over fair market value of the acquired deposits. The CDI is being amortized over a ten-year life using an accelerated method. The amortization expense was $86,000 for fiscal 2007, compared to $93,000 in fiscal 2006.

The acquisition of Today's Bancorp and the related acquisition of $105.1 million in deposit accounts created an $820,000 CDI. The CDI is being amortized over a ten-year life using an accelerated amortization method. The amortization expense was $98,000 for fiscal 2007, compared to $117,000 for fiscal 2006.

Provision for Income Taxes. The provision for income taxes was $6.2 million for the year ended March 31, 2007 compared to $4.6 million for the year ended March 31, 2006. The primary reason the tax provision is higher in the current year compared to the prior year is a result of the higher income in the current year. The effective tax rate for fiscal year 2007 was 34.6% compared to 31.9% for fiscal 2006. The primary reason for the increase in the effective tax rate was the entry into a new tax jurisdiction including the state of Oregon and Multnomah County in Oregon. Reference is made to Note 14 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K, for further discussion of the Company's income taxes.

Comparison of Operating Results for the Years Ended March 31, 2006 and 2005

Net Income. Net income was $9.7 million, or $0.86 per diluted earning share for the year ended March 31, 2006, compared to $6.5 million, or $0.67 per diluted share for the year ended March 31, 2005.

Net Interest Income. Net interest income for fiscal year 2006 was $32.4 million, representing a $9.8 million, or a 43.3% increase, from $22.6 million in fiscal year 2005. This improvement reflected a 34.5% increase in the average balance of interest earning assets (primarily as a result of increases in the average balance of mortgage and non-mortgage loans due primarily to the APB acquisition, partially offset by a decrease in the average balance of mortgage-backed and investment securities and daily interest bearing assets) to $645.1 million, which was offset by a 37.1% increase in the average balance of interest-bearing liabilities (an increase in all deposit categories

reflecting deposits assumed as part of the APB acquisition and a $13.0 million increase in average FHLB borrowings) to $532.5 million. The ratio of average interest earning assets to average interest bearing liabilities decreased to 121.14% in fiscal 2006 from 123.45% in fiscal 2005 which indicates that the interest-earning asset growth is being funded more by interest-bearing liabilities as compared to capital and non-interest-bearing demand deposits.

Interest Income. Interest income was $47.2 million for the fiscal year ended March 31, 2006 compared to $30.0 million, for the fiscal year ended 2005. Increased interest income is the result of the increase in the average balance of interest earning assets and the increased yield on interest earning assets. Average interest-bearing assets increased $165.6 million to $645.1 million for fiscal 2006 from $479.5 million for fiscal 2005. The yield on interest-earning assets was 7.34% for fiscal year 2006 compared to 6.28% for fiscal 2005. The increased yield isprimarily the result of the higher yields on loans, investment securities and other interest earning assets reflecting the increasing interest rate environment. The increased interest income is the result of the increase in the average balance of interest earning assets and the increase in the yield on interest earning assets.

Interest Expense. Interest expense for the year ended March 31, 2006 totaled $14.9 million, a $7.5 million increase from $7.4 million for the year ended March 31, 2005. The increase in interest expense is the result of higher rates of interest that occurred during fiscal years 2005 and 2006. The weighted average interest rate of total deposits increased from 1.55% for the year ended March 31, 2005 to 2.58% for the year ended March 31, 2006. The weighted average interest rate of FHLB borrowings decreased from 5.00% for the year ended March 31, 2005 to 4.44% for the year ended March 31, 2006.

Provision for Loan Losses. The provision for loan losses for fiscal year 2006 was $1.5 million, compared to $410,000 for the same period in the prior year. For this time period the loan receivable balance increased $196.4 million to $630.2 million at March 31, 2006 from $433.8 million at March 31, 2005. Excluding the impact of the American Pacific Bank acquisition, organic loan growth during the fiscal year 2006 was $77.4 million, consisting primarily of commercial and construction loans. Management analyzes the probable loss factors that drive the loan loss reserve on a quarterly basis. These probable loss factors contemplate historical loss rates, adjusted for qualitative factors that are included in the Company's analysis. Such factors include the relative strength of the local economy, concentrations in certain categories, such as commercial real estate and construction loans, the impact of an increasing interest rate environment, as well as the overall impact of integrating APB's lending business with ours, along with other factors. As part of that ongoing process, we have continued to refine the Company's reserving methodologies with regard to larger and/or high-risk loans that we consider to be "nonhomogeneous", such as commercial, speculative, and commercial construction loans. Such loans have continued to be an increasing part of the Company's loan portfolio in recent quarters, which tends to result in an increased loan loss requirement. For example, as a percentage of total loans, the Company's other real estate mortgage loans increased from 50.84% to 52.30% and

construction loans from 13.51% to 21.83% at March 31, 2006 as compared to March 31, 2005. Based on the Company's continuing analysis of these loans, we increased certain loss factors assigned to some of these loan categories during the current fiscal year. For example, the estimated loan loss rate for land and lots for development was increased by 0.25% to 1.0%, commercial real estate loans was increased by 0.125% to 0.875%, commercial construction loans

was increased by 0.125% to 0.875%, speculative construction loans was increased by 0.50% to 1.00%, multi-family loans was increased by 0.375% to 0.875% and raw land and lots was increased by 0.25% to 1.00% to cover the probable losses inherent in the loan portfolio. Such changes resulted in approximately $900,000 of increased provision for the fiscal year of 2006. The increased loan loss provision during the fiscal year 2006 was due to this combination of loan growth, as well as the higher percentage of loans falling into higher risk categories. Net charge-offs to average net loans was 0.10% for fiscal year 2006 as compared to 0.13% for prior year. Non-accrual loans continued to decrease from $456,000 at March 31, 2005 to $415,000 at March 31, 2006. The allowance for loan losses was $7.2 million at March 31, 2006 compared to $4.4 million at March 31, 2005. The quality of the loan portfolio continues to be very good, as the criticized classified loan balances have increased just $872,000 and non-accrual loans decreased by $41,000 at March 31, 2006 compared to March 31, 2005. Net charge-offs for the twelve months ended March 31, 2006 were $562,000, compared to $496,000 for the same period of last year. The ratio of allowance for credit losses and loan commitments to total net loans at March 31, 2006 increased to 1.20% from 1.07% at March 31, 2005 with such increase reflecting the changing mix of the Company's loan portfolio and the additional risk of these loans as described above. Management believes that its allowance for loan losses as of March 31, 2006 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact the Company's financial condition and results of operations. In addition, the determination of the amount of the Bank's allowance for loan losses is subject to review by bank regulators, as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

Non-Interest Income. Non-interest income increased $2.3 million, or 35.8%, to $8.8 million for the year ended March 31, 2006 from $6.5 million for the same period in 2005 primarily as a result of a $1.3 million increase in fees and service charges, an increase of $361,000 in asset management fees and the non-recurring $311,000 gain on sale of the credit card portfolio acquired in the APB acquisition. The $1.3 million increase in fees and service charges was primarily a result of the $544,000 or 34.6% growth in mortgage broker fees and the acquisition of APB in fiscal year 2006 as compared to fiscal year 2005. The increase in loan servicing income for fiscal year 2006 reflects the $68,000 decrease in servicing amortization as the servicing portfolio has decreased. For the year ended March 31, 2006, fees and service charges increased $1.3 million, or 28.9%, when compared to the year ended March 31, 2005. The increase in the number of mortgage brokers from 12 to 13 in fiscal year 2005 combined with the increasing mortgage interest rates experienced in fiscal 2006 increased the volume of mortgage refinance activity as compared to fiscal 2005. The increased mortgage refinance activity resulted in increased mortgage broker activity. The reduced gains on sale of loans held for sale reflected the mortgage broker activity having a higher proportion of brokered loans versus portfolio loans. Mortgage brokered loan production increased from $194.4 million in 2005 to $276.6 million in 2006. Mortgage broker fees (included in fees and service charges) totaled $2.1 million for the year ended March 31, 2006 compared to $1.6 million for the previous year. Mortgage broker commission compensation expense was $1.3 million for the fiscal ended March 31, 2006 compared to $1.0 million for the fiscal ended March 31, 2005. Asset management services income increased $1.5 million reflecting the increase in assets under management for the fiscal year 2006 compared to $1.1 million for the fiscal year 2005. Riverview Asset Management Corp. had $232.8 million in total assets under management at March 31, 2006 compared to $174.8

million at March 31, 2005

Non-Interest Expense. Non-interest expense increased $6.3 million, or 32.8%, to $25.4 million for fiscal year 2006 compared to $19.1 million for fiscal year 2005. One measure of a bank's ability to contain non-interest expense is the efficiency ratio, which is calculated by dividing total non-interest expense (less intangible asset amortization) by the sum of net interest income plus non-interest income (less intangible asset amortization, lower of cost or market adjustments and securities impairment charge). The Company's efficiency ratio excluding intangible asset amortization, lower of cost or market adjustments and securities impairment charge was 60.79% in fiscal 2006 compared to 61.63% in fiscal 2005.

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The principal component of the increase in the Company's non-interest expense is salaries and employee benefits. For the year ended March 31, 2006, salaries and employee benefits, which includes mortgage broker commission compensation, was $14.5 million, a 34.9% increase over the prior year total of $10.8 million. Salaries increased as the number of full-time equivalent employees increased to 239 at March 31, 2006 from 197 at March 31, 2005, which was primarily the result of the expansion related to increased staffing in branches and operations.

The acquisition of APB and the related acquisition of $80.0 million in deposit accounts created a $526,000 core deposit intangible ("CDI") representing the excess of cost over fair market value of the acquired deposits. The CDI is being amortized over a ten-year life using an accelerated method. The amortization expense was $93,000 for fiscal 2006, compared to none in fiscal 2005.

The acquisition of Today's Bancorp and the related acquisition of $105.1 million in deposit accounts created an $820,000 CDI. The CDI is being amortized over a ten-year life using an accelerated amortization method. The amortization expense was $117,000 for fiscal 2006, compared to $138,000 for fiscal 2005.

The acquisition of the Hazel Dell and Longview branches from the Resolution Trust Corporation in fiscal 1995 (see Item 2. Properties), and the related acquisition of $42.0 million in customer deposits created a $3.2 million core deposit intangible asset, representing the excess of fair value of deposits over the acquired cost. CDI was $42,000 at March 31, 2005 and was fully amortized during the fiscal year 2005. The amortization expense of CDI was $42,000 for the fiscal year 2005.

Provision for Income Taxes. The provision for income taxes was $4.6 million for the year ended March 31, 2006 compared to $3.0 million for the year ended March 31, 2004. The primary reason the tax provision is higher in the current year compared to the prior year is a result of the higher income in the current year. The effective tax rate for fiscal year 2006 was 31.9% compared to 31.7% for fiscal 2005. The primary reason for the increase in the effective tax rate was the entry into a new tax jurisdiction including the state of Oregon and Multnomah County. Reference is made to Note 14 of the Notes to the Consolidated Financial Statements contained in Item 8 of this Form 10-K, for further discussion of the Company's income taxes.

Average Balance Sheet. The following table sets forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities,

resultant yields, interest rate spread, ratio of interest-earning assets to interest-bearing liabilities and net interest margin. Average balances for a period have been calculated using monthly average balances during such period. Interest income on tax-exempt securities has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 34%. Non-accruing loans were included in the average loan amounts outstanding. Loan fees of $3.7 million, $3.1 million and $2.5 million are included in interest income for the years ended March 31, 2007, 2006 and 2005, respectively.

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	Year Ended March 31,					
	2007			2006		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Mortgage loans	$585,595	$ 50,981	8.71%	$485,554	$37,916	7.81%
Non-mortgage loans	100,031	8,515	8.51	96,472	7,123	7.38
Total net loans (1)	685,626	59,496	8.68	582,026	45,039	7.74
Mortgage-backed securities(2)	9,077	421	4.64	12,144	530	4.36
Investment securities (2)	22,260	1,101	4.95	24,101	1,106	4.59
Daily interest-bearing assets	6,559	337	5.14	19,480	649	3.33
Other earning assets	7,567	29	0.38	7,333	3	0.04
Total interest-earning assets	731,089	61,384	8.40	645,084	47,327	7.34
Non-interest-earning assets:						
Office properties and equipment, net	20,387			12,358		
Other non-interest-earning assets	61,623			60,294		
Total assets	$813,099			$717,736		
Interest-bearing liabilities:						
Regular savings accounts	$ 32,591	$ 179	0.55	$ 38,818	$ 213	0.55
Interest checking	139,600	4,421	3.17	126,045	2,248	1.78
Money market accounts	161,590	6,969	4.31	120,188	3,276	2.73
Certificates of deposit	202,506	8,938	4.41	194,253	6,646	3.42
Total interest-bearing deposits	536,287	20,507	3.82	479,304	12,383	2.58
Other interest-bearing liabilities	78,259	4,275	5.46	53,217	2,494	4.69
Total interest-bearing liabilities	614,546	24,782	4.03	532,521	14,877	2.79
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	91,888			87,490		
Other liabilities	8,995			8,777		
Total liabilities	715,429			628,788		
Shareholders' equity	97,670			88,948		

Total liabilities and shareholders' equity	$813,099			$717,736		
Net interest income		$ 36,602			$ 32,450	
Interest rate spread			4.37%			4.55%
Net interest margin			5.01%			5.03%
Ratio of average interest-earning assets to average interest-bearing liabilities			118.96%			121.14%
Tax Equivalent Adjustment(3)		$ 84			$ 98	

(1) Includes non-accrual loans. Includes amortized loan fees of $3.7 million, $3.1 million and $ year 2007, 2006 and 2005, respectively.

(2) For purposes of the computation of average yield on investments available for sale, historica utilized, therefore, the yield information does not give effect to change in fair value that component of shareholders' equity.

(3) Tax-equivalent adjustment relates to non-taxable investment interest income and preferred equ income. The federal statutory tax rate was 34% for all years presented.

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Yields Earned and Rates Paid

The following table sets forth for the periods and at the date indicated the weighted average yields earned on the Company's assets, the weighted average interest rates paid on the Company's liabilities, together with the net yield on interest-earning assets on a tax equivalent basis.

	At March 31,	Year Ended March 31,		
	2007	2007	2006	2005
Weighted average yield earned on:				
Total net loans (1)	8.19%	8.14%	7.20%	6.36%
Mortgage-backed securities	4.71	4.64	4.36	4.06
Investment securities	5.18	4.95	4.59	3.51
All interest-earning assets (1)	7.96	7.89	6.85	5.76
Weighted average rate paid on:				
Deposits	3.54	3.82	2.58	1.55
FHLB advances and other borrowings	5.66	5.46	4.69	5.00
All interest-bearing liabilities	3.68	4.03	2.79	1.90
Interest rate spread (spread between weighted average rate on all interest-earning assets and all interest-bearing liabilities) (1)	4.28	3.86	4.06	3.86
Net interest margin (net interest income (expense) as a percentage of				

average interest-earning assets)(1)	N/A	4.50	4.55	4.22

(1) Weighted average yield on total net loans excludes deferred loan fees.

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on net interest income of the Company. Information is provided with respect to: (i) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate); (ii) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) changes in rate/volume (change in rate multiplied by change in volume). Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

	Year Ended March 31,					
	2007 vs 2006			2006 vs 2005		
	Increase(Decrease) Due to			Increase(Decrease) Due To		
	Volume	Rate	Total Increase (Decrease)	Volume	Rate	Total Increase (Decrease)
	(In thousands)					
Interest Income:						
Mortgage loans	$8,392	$4,673	$13,065	$13,769	$1,802	$15,571
Non-mortgage loans	271	1,121	1,392	481	1,223	1,704
Mortgage-backed securities	(141)	32	(109)	(149)	45	(104)
Investment securities (1)	(88)	83	(5)	(233)	284	51
Daily interest-bearing	(559)	247	(312)	(263)	347	84
Other earning assets	-	26	26	19	(126)	(107)
Total interest income	7,875	6,182	14,057	13,624	3,575	17,199
Interest Expense:						
Regular savings accounts	(34)	-	(34)	35	-	35
Interest checking	263	1,910	2,173	250	1,075	1,325
Money market accounts	1,378	2,315	3,693	762	1,613	2,375
Certificates of deposit	293	1,999	2,292	1,659	1,609	3,268
Other interest-bearing liabilities	1,320	461	1,781	611	(132)	479
Total interest expense	3,220	6,685	9,905	3,317	4,165	7,482
Net interest income (1)	$4,655	$ (503)	$ 4,152	$10,307	$ (590)	$9,717

(1) Taxable equivalent

Asset and Liability Management

The Company's principal financial objective is to achieve long-term profitability while reducing its exposure to fluctuating market interest rates. The Company has sought to reduce the exposure of its earnings to

changes in market interest rates by attempting to manage the difference between asset and liability maturities and interest rates. The principal element in achieving this objective is to increase the interest rate sensitivity of the Company's interest-earning assets and interest-bearing liabilities. Interest rate sensitivity increases by retaining portfolio loans with interest rates subject to periodic adjustment to market conditions and selling fixed-rate one-to-four family mortgage loans with terms to maturity of more than 15 years. The Company relies on retail deposits as its primary source of funds. Management believes retail deposits reduce the effects of interest rate fluctuations because they generally represent a stable source of funds. As part of its interest rate risk management strategy, the Company promotes transaction accounts and certificates of deposit with terms up to ten years.

The Company has adopted a strategy that is designed to maintain or improve the interest rate sensitivity of assets relative to its liabilities. The primary elements of this strategy involve: the origination of adjustable rate loans or purchase of adjustable rate mortgage-backed securities for its portfolio; increasing commercial, consumer loans that

are adjustable rate and short-term loans and residential construction loans as a portion of total net loans receivable because of their generally shorter terms and higher yields than other one-to-four family residential mortgage loans; matching asset and liability maturities; investing in short term securities; and the origination of fixed-rate loans for sale in the secondary market and the retention of the related loan servicing rights. The strategy for liabilities has been to shorten the maturities for both deposits and borrowings. This approach has remained consistent throughout the past year, as the Company has experienced a change in the mix of loans, deposits and FHLB advances.

At March 31, 2007, adjustable rate loans and adjustable rate mortgage-backed securities constituted $552.2 million, or 78.9%, of the Company's total combined loans and securities portfolio. This compares to adjustable rate loans and adjustable rate mortgage-backed securities at March 31, 2006 that totaled $524.5 million, or 81.9%, of the Company's total combined loan and securities portfolio. Although the Company has sought to originate adjustable rate loans, the ability to originate and purchase such loans depends to a great extent on market interest rates and borrowers' preferences. Particularly in lower interest rate environments, borrowers often prefer to obtain fixed rate loans.

The Company's mortgage servicing activities provide additional protection from interest rate risk. The Company retains servicing rights on all mortgage loans sold. As market interest rates rise, the fixed rate loans held in portfolio diminish in value. However, the value of the servicing portfolio tends to rise as market interest rates increase because borrowers tend not to prepay the underlying mortgages, thus providing an interest rate risk hedge versus the fixed rate loan portfolio. The mortgage loan servicing portfolio totaled $110.8 million at March 31, 2007, including $1.1 million of purchased mortgage servicing. The purchase of loan servicing replaced loan servicing balances extinguished through prepayment of the underlying loans. The average balance of the servicing portfolio was $112.9 million and produced loan servicing income of $155,000 for the year ended March 31, 2007. See "Item 1. Business -- Lending Activities -- Mortgage Loan Servicing."

Consumer loans, such as home equity line of credit and installment, commercial loans and construction loans typically have shorter terms and higher yields than permanent residential mortgage loans, and accordingly reduce the

Company's exposure to fluctuations in interest rates. Adjustable interest rate commercial, construction and consumer loans totaled $550.3 million or 79.6% of total gross loans at March 31, 2007 as compared to $521.9 million or 82.8% at March 31, 2006. See "Item 1. Business -- Lending Activities -- Construction Lending" and " -- Lending Activities -- Consumer Lending."

The Company also invests in short-term to medium-term U.S. Government securities as well as mortgage-backed securities issued or guaranteed by U.S. Government agencies. At March 31, 2007, the combined portfolio carried at $27.1 million had an average term to repricing or maturity of 2.29 years. See "Item 1. Business -- Investment Activities."

A measure of the Company's exposure to differential changes in interest rates between assets and liabilities is provided by the test required by OTS Thrift Bulletin No. 13a, "Interest Rate Risk Management." This test measures the impact on net interest income and on net portfolio value of an immediate change in interest rates in 100 basis point increments. Using data compiled by the OTS, the Company receives a report that measures interest rate risk by modeling the change in net portfolio value ("NPV") over a variety of interest rate scenarios. This procedure for measuring interest rate risk was developed by the OTS to replace the "gap" analysis (the difference between interest-earning assets and interest-bearing liabilities that mature or reprice within a specific time period). NPV is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts. The following table provides the estimated impacts of immediate changes in interest rates at the specified levels based on the latest OTS report dated December 31, 2006.

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	At December 31, 2006				
	Net Portfolio Value			Net Portfolio Value as a Percent of Present Value of Assets	
Change In Rates	Dollar Amount	Dollar Change	Percent Change	NPV Ratio	Change
	(Dollars in thousands)				
300 bp	$128,789	$3,021	+2%	15.01%	+33 bp
200 bp	126,681	914	+1	14.80	+12 bp
100 bp	126,466	699	+1	14.77	+9 bp
0 bp	125,767	-	-	14.68	-
(100) bp	123,380	(2,387)	(2)	14.42	(26)bp
(200) bp	120,795	(4,972)	(4)	14.14	(54)bp

For example, the above table illustrates that an instantaneous 100 basis point increase in market interest rates at December 31, 2006 would increase the Company's NPV by approximately $699,000, or 1%, at that date. At December 31, 2005, an instantaneous 100 basis point increase in market interest rates would have increased the Company's NPV by approximately $1.6 million, or 1%, at that date. The $14.8 million increase in the NPV to $125.8 million at December 31, 2006 from $110.9 million at December 31, 2005 is the result of the impact of more adjustable loan balances in the loan portfolio at December 31, 2006 as compared to December 31, 2005.

The Company's balance sheet continues to be to a degree asset sensitive in its balance between interest sensitive assets and liabilities. In the current inverted/flat interest rate environment there continues to be pressure on the net interest margin. In a sustained rising interest rate environment the asset

yields are expected to closely match rising funding costs. A sustained falling interest rate environment would negatively impact net interest rate margins.

Certain assumptions used by the OTS in assessing the interest rate risk of savings associations within its region were used in preparing the preceding table. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under differing interest rate scenarios, among others.

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as ARM loans, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Furthermore, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from certificates could deviate significantly from those assumed in calculating the table.

Liquidity and Capital Resources

The Company's primary source of cash flows is its operations as a lender, which generates interest income on loans. This is supplemented by fee income, service charges, and interest on investment securities, and reduced by payment of interest expense and non-interest expenses. After payment of expenses, the Company has significant positive cash flow from operating activities. The Company's investing activities typically use cash, primarily for loan originations. For the year ended March 31, 2007 additional cash flows were provided by the Company's financing activities as a result of a significant increase in deposit accounts. For the year ended March 31, 2006 the increase in deposit accounts reflects the acquisition of APB $80.0 million in deposits.

The Company's primary source of funds are customer deposits, proceeds from principal and interest payments on loans, the sale of loans, maturing securities and FHLB advances. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

The Company must maintain an adequate level of liquidity to ensure the availability of sufficient funds to fund loan originations and deposit withdrawals, satisfy other financial commitments and to take advantage of investment opportunities. The Company generally maintains sufficient cash and short-term investments to meet short-term liquidity needs. At March 31, 2007, cash totaled $31.4 million, or 3.8%, of total assets. The Bank has a 30% of total assets line of credit with the FHLB of Seattle to the extent the Bank provides qualifying collateral and holds sufficient FHLB stock. At March 31, 2007 the Bank had $35.1 million of outstanding advances from the FHLB of Seattle under an available credit facility of $249.9 million, limited to available collateral.

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 borrowing capacity with the FHLB and collateral for borrowing at the Federal Reserve Bank discount window. At March 31, 2007, the Bank's ratio of cash and eligible investments to the sum of withdrawable savings and borrowings due within one year was 5.23%.

The Company's primary investing activity is the origination of loans. During the years ended March 31, 2007, 2006 and 2005, the Company originated $578.5 million, $665.3 million and $428.8 million of loans held for investment and loans held for sale, respectively. At March 31, 2007, the Company had outstanding real estate one-to-four family loan commitments of $445,000 and unused lines of credit on real estate one-to-four family loans totaled $22.3 million. Other installment loan commitments totaled $99,000 and unused lines of credit on other installment loans totaled $1.3 million at March 31, 2007. Other real estate mortgage loan commitments totaled $2.1 million and the undisbursed balance of other real estate mortgage loans closed was $16.5 million at March 31, 2007. Commercial loan commitments totaled $3.6 million and unused commercial lines of credit totaled $55.7 million at March 31, 2007. Construction loan commitments totaled $8.7 million and unused construction lines of credit totaled $73.4 million at March 31, 2007. 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 from March 31, 2007 totaled $144.2 million. Historically, the Company has been able to retain a significant amount of its deposits as they mature.

At March 31, 2007, scheduled maturities of certificates of deposit, FHLB advance, debentures, commitments to originate loans, undisbursed loan funds, unused lines of credit, standby letters of credit and future operating minimum lease commitments were as follows:

	Within 1 Year	1-3 Years	4-5 Years	After 5 Years	Total Balance
	(Dollars in thousands)				
Certificates of deposit	$144,210	$46,884	$5,701	$3,079	$199,874
FHLB advances	35,050	-	-	-	35,050
Debentures	-	-	-	7,217	7,217
Commitments to originate loans					
Adjustable	9,223	-	-	-	9,223
Fixed	5,676	-	-	-	5,676
Undisbursed loan funds, unused lines of credit and standby letters of credit	136,967	30,190	-	4,329	171,486
Operating leases	1,698	3,059	1,587	4,348	10,692
Total other contractual obligations	$332,824	$80,133	$7,288	$18,973	$439,218

The table above does not include interest payments on borrowings, deposit liabilities or increases in common area charges on operating leases.

The Bank's primary sources of funds are deposits, FHLB borrowings, proceeds from the principal and interest payments on loans and securities. While maturities and scheduled amortization of loans and securities are predictable

sources of funds, deposit flows, prepayment of mortgage loans and mortgage-backed securities are greatly influenced by general interest rates, economic conditions and competition.

The increase in interest rates during the fiscal year ended March 31, 2007 has created an interest rate environment that caused the demand for fixed rate one-to-four family loans and repayment of existing one-to-four family mortgage loans and mortgage-backed securities to be less than in the prior year. The Company's business plan emphasizes the sale of fixed rate mortgages as part of its interest rate risk strategy. The decrease in the cash flows from operating activities of loans sold to $17.1 million for the fiscal 2007 compared to $17.8 million for fiscal 2006 reflects this strategy under the changing interest rate environment.

The Bank has experienced growth in deposit accounts that is attributable to organic growth through operations. The information contained in "Item 1, Business Deposit Activities and Other Sources of Funds -- Deposit Flow" reflects this net increase in cash flows from deposits of $58.4 million for fiscal 2007 as compared to a $150.1 million increase in net cash flows for the same period in the prior year (which included $80.1 million of deposits acquired in the APB acquisition).

Should the Bank require funds beyond its ability to generate them internally, additional funds are available through the use of FHLB and Pacific Coast Banker's Bank borrowings. At March 31, 2007 advances from FHLB totaled $35.1 million and the Bank had additional borrowing capacity available of $214.8 million from the FHLB, subject to collateral limitations. At March 31, 2007 the Bank's available borrowing line subject to collateral limitations was $121.9 million. The Bank has a $10.0 million fed funds line with Pacific Coast Banker's Bank at March 31, 2007.

Sources of capital and liquidity for the Company on a stand-alone basis include distributions from the Bank and the issuance of debt or equity. Dividends and other capital distributions from the Bank are subject to regulatory restrictions.

OTS regulations require the Bank to maintain specific amounts of regulatory capital. As of March 31, 2007, the Bank complied with all regulatory capital requirements as of that date with tangible, core and risk-based capital ratios of 9.60%, 9.60% and 11.38%, respectively. For a detailed discussion of regulatory capital requirements, see "REGULATION - Federal Regulation of Savings Associations -- Capital Requirements."

Effect of Inflation and Changing Prices

The consolidated financial statements and related financial data presented herein have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation is reflected in the increased cost of the Company's operations. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

New Accounting Pronouncements

For a discussion of new accounting pronouncement and their impact on the Company, see Note 1 of the Notes to the Consolidated Financial Statement included in Item 8 of this Form 10-K.

Contractual Obligations

The following table shows the contractual obligations by expected period, as of March 31, 2007. Further discussion of these commitments is included in Note 20 to the Consolidated Financial Statements included in Item 8 of this report.

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At March 31, 2007, scheduled maturities of certificates of deposit, FHLB advances, future operating minimum lease commitments and subordinated Debentures were as follows (in thousands):

	Within 1 Year	1 to 3 Years	4-5 Years	After 5 Years	Total Balance
Certificates of deposit	$144,210	$46,884	$ 5,701	$ 3,079	$199,874
FHLB advances	35,050	-	-	-	35,050
Operating leases	1,698	3,059	1,587	4,348	10,692
Junior subordinates Debentures	-	-	-	7,217	7,217
Total other contractual obligations	$180,958	$49,943	$7,288	$14,644	$252,833

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 adverse effect, if any, on the Company's financial position, results of operations, or liquidity.

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

Off-Balance Sheet Arrangements

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. 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 extend credit 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.

At March 31, 2007, the Company had commitments to extend credit of $184.1 million, compared to $188.3 million at March 31, 2006. The $4.2 million decrease in commitments to extend credit has been experienced in all loan categories. These decreases reflect the changes in the U.S. economy and are not due to local economic changes. For additional information regarding future financial commitments, this discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this report including Footnote 20, "Commitments and Contingencies."

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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Quantitative Aspects of Market Risk. The Company does not maintain a trading account for any class of financial instrument nor does it engage in hedging activities or purchase high-risk derivative instruments. Furthermore, the Company is not subject to foreign currency exchange rate risk or commodity price risk. For information regarding the sensitivity to interest rate risk of the Company's interest-earning assets and interest-bearing liabilities, see the tables under "Item 1. Business -- Lending Activities -- Loan Portfolio Analysis," "-- Investment Activities" and "-- Deposit Activities and Other Sources of Funds -- Certificates of Deposit by Rates and Maturities" contained herein.

Qualitative Aspects of Market Risk. The Company's principal financial objective is to achieve long-term profitability while limiting its exposure to fluctuating market interest rates. The Company intends to reduce risk where appropriate but accept a degree of risk when warranted by economic circumstances. The Company has sought to reduce the exposure of its earnings to changes in market interest rates by attempting to manage the mismatch between asset and liability maturities and interest rates. The principal element in achieving this objective is to increase the interest rate sensitivity of the Company's interest-earning assets. Interest rate sensitivity will increase by retaining portfolio loans with interest rates subject to periodic adjustment to market conditions and selling fixed-rate one-to-four family mortgage loans with terms of more than 15 years. Interest rates on residential one-to-four family mortgage loan

applications are typically locked during the application stage for periods ranging from 30 to 90 days, the most typical period being 45 days. These loans are locked with the FHLMC under a best-efforts delivery program. The Company makes every effort to deliver these loans before their rate locks expire. This arrangement requires the Company to deliver the loans to the FHLMC within ten days of funding. Delays in funding the loans can require a lock extension. The cost of a lock extension at times is borne by the borrower and at times by the Company. These lock extension costs paid by the Company are not expected to have a material impact to operations. This activity is managed daily.

Consumer and commercial loans are originated and held in portfolio as the short term nature of these portfolio loans match durations more closely with the short term nature of retail deposits such as interest checking, money market accounts and savings accounts. The Company relies on retail deposits as its primary source of funds. Management believes retail deposits reduce the effects of interest rate fluctuations because they generally represent a more stable source of funds. As part of its interest rate risk management strategy, the Company promotes transaction accounts and certificates of deposit with longer terms to maturity. Except for immediate short-term cash needs, and depending on the current interest rate environment, FHLB advances will have maturities of long or short term. For additional information, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein.

The following table shows the Company's financial instruments that are sensitive to changes in in
expected maturity, and the instruments' fair values at March 31, 2007. Market risk sensitive in

defined as on- and off-balance sheet derivatives and other financial instruments.

	Average Rate	Within 1 Year	1 - 3 Years	After 3 - 5 Years	After 5 - 10 Years	Beyon 1 Year
			(Dollars in thousands)			
Interest-Sensitive Assets:						
Loans receivable (1)	8.19%	$277,081	$ 90,116	$ 57,672	$201,617	$65,11
Mortgage-backed securities	4.71	1,936	5,936	-	-	
Investments and other interest-earning assets	5.19	24,147	1,671	-	-	1,26
FHLB stock	0.20	1,470	2,940	2,940	-	
Total assets		304,634	100,663	60,612	201,617	66,38
Interest-Sensitive Liabilities:						
Interest checking	3.19	28,891	57,780	57,780	-	
Non-interest checking accounts	-	17,320	34,640	34,641	-	
Savings accounts	0.55	5,894	11,789	11,789	-	
Money market accounts	4.62	41,001	82,003	82,003	-	
Certificate accounts	4.69	144,210	46,884	5,701	3,079	
FHLB advances	5.66	35,050	-	-	-	
Subordinated debentures	6.71	-	-	-	-	7,21
Obligations under capital lease	7.16	32	80	91	423	2,09
Total liabilities		272,398	233,176	192,005	3,502	9,31
Interest sensitivity gap		32,236	(132,513)	(131,393)	198,115	57,07
Cumulative interest sensitivity gap		$ 32,236	$(100,277)	$(231,670)	$(33,555)	$ 23,51
Off-Balance Sheet Items:						
Commitments to extend credit	-	14,899	-	-	-	
Unused lines of credit	-	169,194	-	-	-	

(1) Includes loans held for sale

Item 8. Financial Statements and Supplementary Data

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
Consolidated Financial Statements for the Years Ended March 31, 2007, 2006 and 2005 Independent Auditor's Reports

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Riverview Bancorp, Inc.
Vancouver, Washington

We have audited the accompanying consolidated balance sheets of Riverview Bancorp, Inc. & Subsidiary (the "Company") as of March 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of March 31, 2007, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 12, 2007, expressed an unqualified opinion on management's

assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/Deloitte & Touche LLP

Portland, Oregon
June 12, 2007

McGladrey & Pullen

Certified Public Accountants

Report of Independent Registered Public Accounting Firm

To the Board of Directors
Riverview Bancorp, Inc.
Vancouver, Washington

We have audited Riverview Bancorp, Inc. and Subsidiary' s consolidated statements of income, shareholders' equity and cash flows for the year ended March 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, Riverview Bancorp, Inc. and Subsidiary's results of operations and cash flows for the year ended March 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/McGladrey & Pullen, LLP

Tacoma, Washington
June 10, 2005

McGladrey & Pullen, LLP is a member firm of RSM International - an affiliation of separate and independent legal entities.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2007 AND 2006

(Dollars in thousands, except share data)	2007	2006
ASSETS		
Cash (including interest-earning accounts of $7,818 and $7,786)	$ 31,423	$ 31,346
Loans held for sale	-	65
Investment securities available for sale, at fair value (amortized cost of $19,258 and $24,139)	19,267	24,022
Mortgage-backed securities held to maturity, at amortized cost (fair value of $1,243 and $1,830)	1,232	1,805
Mortgage-backed securities available for sale, at fair value (amortized cost of $6,778 and $8,436)	6,640	8,134
Loans receivable (net of allowance for loan losses of $8,653 and $7,221)	682,951	623,016
Prepaid expenses and other assets	1,905	2,210
Accrued interest receivable	3,822	3,058
Federal Home Loan Bank stock, at cost	7,350	7,350
Premises and equipment, net	21,402	19,127
Deferred income taxes, net	4,108	3,771
Mortgage servicing rights, net	351	384
Goodwill	25,572	25,572
Core deposit intangible, net	711	895
Bank owned life insurance	13,614	13,092
TOTAL ASSETS	$820,348	$763,847
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposit accounts	$665,405	$606,964
Accrued expenses and other liabilities	9,349	8,768
Advance payments by borrowers for taxes and insurance	397	358
Federal Home Loan Bank advances	35,050	46,100
Junior subordinated debentures	7,217	7,217
Capital lease obligation	2,721	2,753
Total liabilities	720,139	672,160
COMMITMENTS AND CONTINGENCIES (See Note 20)	-	-
SHAREHOLDERS' EQUITY:		
Serial preferred stock, $.01 par value; 250,000 authorized, issued and outstanding, none	-	-
Common stock, $.01 par value; 50,000,000 authorized, issued and outstanding:		
2007 - 11,707,980 issued, 11,707,980 outstanding	117	57

2006 - 5,772,690 issued, 5,772,686 outstanding on a pre-split basis		
Additional paid-in capital	58,438	57,316
Retained earnings	42,848	35,776
Unearned shares issued to employee stock ownership trust	(1,108)	(1,186)
Accumulated other comprehensive loss	(86)	(276)
Total shareholders' equity	100,209	91,687
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$820,348	$763,847

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2007, 2006 AND 2005

(Dollars in thousands, except share data)	2007	2006	2005
INTEREST AND DIVIDEND INCOME:			
Interest and fees on loans receivable	$ 59,496	$ 45,039	$ 27,764
Interest on investment securities - taxable	854	809	521
Interest on investment securities - non taxable	163	170	174
Interest on mortgage-backed securities	421	530	634
Other interest and dividends	366	681	875
Total interest and dividend income	61,300	47,229	29,968
INTEREST EXPENSE:			
Interest on deposits	20,507	12,383	5,380
Interest on borrowings	4,275	2,494	2,015
Total interest expense	24,782	14,877	7,395
Net interest income	36,518	32,352	22,573
Less provision for loan losses	1,425	1,500	410
Net interest income after provision for loan losses	35,093	30,852	22,163
NON-INTEREST INCOME:			
Fees and service charges	5,747	5,913	4,588
Asset management fees	1,874	1,481	1,120
Net gain on sale of loans held for sale	434	361	513
Impairment of securities, net of gain on sale	-	-	(1,185)
Loan servicing income	155	91	47
Gain on sale of land and fixed assets	3	2	830

Gain of sale of credit card portfolio	133	311	-
Bank owned life insurance	522	485	486
Other	166	193	107
Total non-interest income	9,034	8,837	6,506
NON-INTEREST EXPENSE:			
Salaries and employee benefits	15,012	14,536	10,773
Occupancy and depreciation	4,687	3,798	2,991
Data processing	988	1,414	991
Amortization of core deposit intangible	184	210	180
Advertising and marketing expense	1,102	853	766
FDIC insurance premium	74	70	58
State and local taxes	644	580	519
Telecommunications	437	395	288
Professional fees	809	1,328	842
Other	2,416	2,190	1,696
Total non-interest expense	26,353	25,374	19,104
INCOME BEFORE INCOME TAXES	17,774	14,315	9,565
PROVISION FOR INCOME TAXES	6,168	4,577	3,036
NET INCOME	$ 11,606	$ 9,738	$ 6,529
Earnings per common share:			
Basic	$ 1.03	$ 0.87	$ 0.68
Diluted	1.01	0.86	0.67
Weighted average number of shares outstanding:			
Basic	11,312,847	11,204,479	9,633,490
Diluted	11,516,232	11,350,335	9,782,346

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2007, 2006 AND 2005

(Dollars in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Unearned Shares Issued to Employee Stock Ownership Trust	Accumulated Other Comprehensive Income (Loss)
Balance April 1, 2004	9,949,950	$ 50	$40,187	$26,330	$(1,598)	$ 213
Cash dividends ($0.31 per share)	-	-	-	(2,985)	-	-

Exercise of stock options	81,548	-	536	-	-	-
Earned ESOP shares	-	-	314	-	206	-
Tax benefit, stock options	-	-	75	-	-	-
	10,031,498	50	41,112	23,345	(1,392)	213
Comprehensive income:						
Net income	-	-	-	6,529	-	-
Other comprehensive income:						
Unrealized holding gain on securities of $1,120 (net of $577 tax effect) less classification adjustment for net losses included in net income of $785 (net of $404 tax effect)	-	-	-	-	-	(335)
Total comprehensive income	-	-	-	-	-	-
Balance March 31, 2005	10,031,498	50	41,112	29,874	(1,392)	(122)
Cash dividends ($0.34 per share)	-	-	-	(3,836)	-	-
Exercise of stock options	37,144	-	314	-	-	-
Stock repurchased and retired	(100,000)	-	(1,227)	-	-	-
Stock issued in connection with acquisition	1,576,730	7	16,706	-	-	-
Earned ESOP shares	-	-	352	-	206	-
Tax benefit, stock options	-	-	59	-	-	-
	11,545,372	57	57,316	26,038	(1,186)	(122)
Comprehensive income:						
Net income	-	-	-	9,738	-	-
Other comprehensive income:						
Unrealized holding loss on securities of $154 (net of $79 tax effect)	-	-	-	-	-	(154)
Total comprehensive income	-	-	-	-	-	-
Balance March 31, 2006	11,545,372	57	57,316	35,776	(1,186)	(276)
Stock split	-	58	-	(58)	-	-
Cash dividends ($0.395 per share)	-	-	-	(4,476)	-	-
Exercise of stock options	212,054	2	878	-	-	-
Stock repurchased and retired	(49,446)	-	-	-	-	-
Earned ESOP shares	-	-	196	-	78	-
Tax benefit, stock options	-	-	48	-	-	-
	11,707,980	117	58,438	31,242	(1,108)	(276)
Comprehensive income:						
Net income	-	-	-	11,606	-	-
Other comprehensive income:						
Unrealized holding gain on securities of $190 (net of $99 tax effect)	-	-	-	-	-	190
Total comprehensive income	-	-	-	-	-	-
Balance March 31, 2007	11,707,980	$117	$58,438	$42,848	$(1,108)	$ (86)

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See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2007, 2006 AND 2005

(Dollars in thousands)	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 11,606	$ 9,738	$ 6,529
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	2,258	1,907	1,492
Mortgage servicing rights valuation adjustment	(25)	(24)	(22)
Provision for loan losses	1,425	1,500	410
Provision (benefit) for deferred income taxes	(436)	(704)	285
Noncash expense related to ESOP	274	558	520
Noncash loss on impairment of securities	-	-	1,349
Noncash interest expense on capital lease obligation	-	49	-
Increase (decrease) in deferred loan origination fees, net of amortization	(407)	933	382
Federal Home Loan Bank stock dividend	-	-	(110)
Origination of loans held for sale	(16,966)	(17,308)	(22,943)
Proceeds from sales of loans held for sale	17,116	17,786	22,919
Excess tax benefit from stock based compensation	(67)	-	-
Net gain on loans held for sale, sale of real estate owned, mortgage-backed securities, investment securities and premises and equipment	(422)	(363)	(1,310)
Income from bank owned life insurance	(522)	(485)	(486)
Changes in assets and liabilities, net of acquisition:			
Prepaid expenses and other assets	397	(455)	(484)
Accrued interest receivable	(764)	(371)	(364)
Accrued expenses and other liabilities	437	2,488	(602)
Net cash provided by operating activities	13,904	15,249	7,565
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loan originations, net	(60,707)	(76,216)	(47,869)
Proceeds from call, maturity, or sale of investment securities available for sale	4,850	5,250	13,515
Principal repayments on investment securities available for sale	75	37	75
Purchase of investment securities available for sale	-	(4,996)	(5,014)
Purchase of mortgage-backed securities available for sale	-	-	(5,000)
Principal repayments on mortgage-backed securities available for sale	1,658	3,320	3,657
Principal repayments on mortgage-backed			

securities held to maturity	572	538	173
Purchase of premises and equipment and capitalized software	(4,334)	(8,087)	(561)
Acquisition, net of cash received	-	(14,663)	-
Additions to real estate owned	-	-	(621)
Proceeds from sale of real estate owned and premises and equipment	3	275	2,513
Net cash used by investing activities	(57,883)	(94,542)	(39,132)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in deposit accounts, net of deposits acquired	58,441	70,331	47,763
Dividends paid	(4,289)	(3,631)	(2,904)
Repurchase of common stock	-	(1,228)	-
Proceeds from borrowings	559,350	157,100	-
Repayment of borrowings	(570,400)	(174,000)	-
Principal payments under capital lease obligation	(32)	(10)	-
Net increase (decrease) in advance payments by borrowers	39	44	(16)
Excess tax benefit from stock based compensation	67	-	-
Proceeds from exercise of stock options	880	314	536
Net cash provided by financing activities	44,056	48,920	45,379
NET INCREASE (DECREASE) IN CASH	77	(30,373)	13,812
CASH, BEGINNING OF YEAR	31,346	61,719	47,907
CASH, END OF YEAR	$ 31,423	$ 31,346	$ 61,719
SUPPLEMENTAL DISCLOSURES:			
Cash paid during the year for:			
Interest	$ 24,347	$ 14,663	$ 7,418
Income taxes	7,025	5,206	2,675
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Transfer of loans to real estate owned	$ -	$ -	$ 304
Loans to finance the sale of real estate owned	-	-	578
Receivable due to sale & leaseback of branch	-	-	2,391
Dividends declared and accrued in other liabilities	1,144	955	749
Fair value adjustment to securities available for sale	289	(234)	(507)
Income tax effect related to fair value adjustment	(99)	79	172
Common stock issued upon business combination	-	16,713	-
Borrowings under capital lease obligation	-	2,715	-
Premises and equipment purchases included in accounts payable	64	-	-

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2007 AND 2006

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements of Riverview Bancorp, Inc. and Subsidiary (the "Company") include all the accounts of Riverview Bancorp, Inc. and the consolidated accounts of its wholly-owned subsidiary, Riverview Community Bank (the "Bank"), the Bank's wholly-owned subsidiary, Riverview Services, Inc., and the Bank's majority owned subsidiary, Riverview Asset Management Corp. All inter-company transactions and balances have been eliminated in consolidation.

The Company has also established a subsidiary grantor trust in connection with the issuance of trust preferred securities (see Note 13). In accordance with the requirements of Financial Accounting Standards Board Interpretation No. 46 (revised), Consolidation of Variable Interest Entities (as amended), the accounts and transactions of the trust are not included in the accompanying consolidated financial statements.

Nature of Operations - The Bank is an eighteen branch community-oriented financial institution operating in rural and suburban communities in southwest Washington State and Multnomah, Clackamas and Marion counties of Oregon. The Bank is engaged primarily in the business of attracting deposits from the general public and using such funds, together with other borrowings, to invest in various other real estate mortgage loans, real estate construction loans, commercial loans, consumer loans, investment securities and mortgage-backed securities.

Use of Estimates in the Preparation of Financial Statements   The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP"), requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of related revenue and expense during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of mortgage servicing rights, goodwill, core deposit intangibles and deferred tax assets.

Cash and Cash Flows - Cash includes amounts on hand, due from banks and interest-earning deposits in other banks.

Loans Held for Sale - The Company identifies loans held for sale at the time of origination and such loans are carried at the lower of aggregate cost or net realizable value. Market values are derived from available market quotations for comparable pools of mortgage loans. Adjustments for unrealized losses, if any, are charged to income.

Gains or losses on sales of loans held for sale are recognized at the time of the sale and are determined by the difference between the net sales proceeds and the allocated basis of the loans sold. The Company capitalizes mortgage servicing rights ("MSR's") acquired through either the purchase of MSR's, the sale of originated mortgage loans or the securitization of mortgage loans with servicing rights retained. Upon sale of mortgage loans held for sale the total cost of the mortgage loans designated for sale is allocated to mortgage loans with and without MSR's based on their relative fair values. The MSR's are included as a component of gain on sale of loans. The MSR's are amortized in

proportion to and over the estimated period of the net servicing life. This amortization is reflected as a component of loan servicing income (expense).

Securities - In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities, investment securities are classified as held to maturity when the Company has the ability and positive intent to hold such securities to maturity. Investment securities held to maturity are carried at amortized cost. Unrealized losses due to fluctuations in fair value are recognized when it is

determined that an other than temporary decline in value has occurred. Investment securities bought and held principally for the purpose of sale in the near term are classified as trading securities. Securities that the Company intends to hold for an indefinite period, but not necessarily to maturity are classified as available for sale. Such securities may be sold to implement the Bank's asset/liability management strategies and in response to changes in interest rates and similar factors. Securities available for sale are reported at fair value. Unrealized gains and losses, net of the related deferred tax effect, are reported as a net amount in a separate component of shareholders' equity entitled "accumulated other comprehensive income (loss)." Realized gains and losses on securities available for sale, determined using the specific identification method, are included in earnings. Amortization of premiums and accretion of discounts are recognized in interest income over the period to maturity.

The Company analyzes investment securities for other than temporary impairment on a periodic basis. Declines in fair value that are deemed other than temporary, if any, are reported in non-interest income.

Loans - Loans are stated at the amount of unpaid principal, reduced by deferred loan origination fees and an allowance for loan losses. Interest on loans is accrued daily based on the principal amount outstanding.

Generally the accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due or when they are past due 90 days as to either principal or interest, unless they are well secured and in the process of collection. When interest accrual is discontinued, all unpaid accrued interest is reversed against current income. If management determines that the ultimate collectibility of principal is in doubt, cash receipts on non-accrual loans are applied to reduce the principal balance on a cash-basis method, until the loans qualify for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination and commitment fees and certain direct loan origination costs are deferred and amortized as an adjustment of the yield of the related loan.

Allowance for Loan Losses - The allowance for loan losses is maintained at a level sufficient to provide for probable loan losses based on evaluating known and inherent risks in the loan portfolio. The allowance is provided based upon management's continuing analysis of the pertinent factors underlying the quality of the loan portfolio. These factors include changes in the size and composition of the loan portfolio, delinquency levels, actual loan loss experience, current economic conditions, and detailed analysis of individual

loans for which full collectibility may not be assured. The detailed analysis includes techniques to estimate the fair value of loan collateral and the existence of potential alternative sources of repayment. The allowance consists of specific, general and unallocated components. The specific component relates to loans that are considered impaired. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. The appropriate allowance level is estimated based upon factors and trends identified by management at the time the consolidated financial statements are prepared.

When available information confirms that specific loans or portions thereof are uncollectible, identified amounts are charged against the allowance for loan losses. The existence of some or all of the following criteria will generally confirm that a loss has been incurred: the loan is significantly delinquent and the borrower has not demonstrated the ability or intent to bring the loan current; the Bank has no recourse to the borrower, or if it does, the borrower has insufficient assets to pay the debt; the estimated fair value of the loan collateral is significantly below the current loan balance, and there is little or no near-term prospect for improvement.

In accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan, and SFAS No. 118, An amendment of SFAS No. 114, a loan is considered impaired when it is probable that a creditor will be unable to collect all amounts (principal and interest) due according to the contractual terms of the loan agreement. Large

groups of smaller balance homogenous loans such as consumer secured loans, residential mortgage loans and consumer unsecured loans are collectively evaluated for potential loss. When a loan has been identified as being impaired, the amount of the impairment is measured by using discounted cash flows, except when, as a practical expedient, the current fair value of the collateral, reduced by costs to sell, is used. When the measurement 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), impairment is recognized by creating or adjusting an allocation of the allowance for loan losses.

A provision for loan losses is charged against income and is added to the allowance for loan losses based on regular assessments of the loan portfolio. The allowance for loan losses is allocated to certain loan categories based on the relative risk characteristics, asset classifications and actual loss experience of the loan portfolio. While management has allocated the allowance for loan losses to various loan portfolio segments, the allowance is general in nature and is available for the loan portfolio in its entirety.

The ultimate recovery of all loans is susceptible to future market factors beyond the Bank's control. These factors may result in losses or recoveries differing significantly from those provided in the consolidated financial

statements. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses, and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

Allowance for Unfunded Loan Commitments - The allowance for unfunded loan commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to these unfunded credit facilities. The determination of the adequacy of the allowance is based on periodic evaluations of the unfunded credit facilities including an assessment of the probability of commitment usage, credit risk factors for loans outstanding to these same customers, and the terms and expiration dates of the unfunded credit facilities. The allowance for unfunded loan commitments is included in other liabilities on the consolidated balance sheets, with changes to the balance charged against non-interest expense.

Real Estate Owned ("REO") - REO consists of properties acquired through foreclosure. Specific charge-offs are taken based upon detailed analysis of the fair value of collateral on the underlying loans on which the Company is in the process of foreclosing. Such collateral is transferred into REO at the lower of recorded cost or fair value less estimated costs of disposal. Subsequently, the Company performs an evaluation of the properties and writes down the REO directly and charges operations for any declines in value. The amounts the Company will ultimately recover from REO may differ from the amounts used in arriving at the net carrying value of these assets because of future market factors beyond the Company's control or because of changes in the Company's strategy for the sale of the property.

Federal Home Bank Loan Bank Stock - The Bank, as a member of Federal Home Loan Bank of Seattle ("FHLB"), is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. The recorded amount of FHLB stock equals its fair value because the shares can only be redeemed by the FHLB at the $100 per share value.

Premises and Equipment - Premises and equipment are stated at cost less accumulated depreciation. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvements, whichever is less. Gains or losses on dispositions are reflected in earnings. Depreciation is generally computed on the straight-line method over the estimated useful lives as follows:

Buildings and improvements	3 to 45 years
Furniture and equipment	3 to 20 years
Leasehold improvements	15 to 25 years

The assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines impairment exists the asset is reduced by an offsetting charge to expense.

The capitalized lease, less accumulated amortization is included in premises and equipment. The capitalized lease is amortized on a straight-line basis over the lease term and the amortization is included in depreciation expense.

Mortgage Servicing Rights - Fees earned for servicing loans for the Federal Home Loan Mortgage Corporation ("FHLMC") are reported as income when the related mortgage loan payments are collected. Loan servicing costs are charged to expense as incurred.

MSR's are the rights to service loans. Loan servicing includes collecting payments, remitting funds to investors, insurance companies and tax authorities, collecting delinquent payments, and foreclosing on properties when necessary.

The Company records its originated mortgage servicing rights at fair value in accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, which requires the Company to allocate the total cost of all mortgage loans sold to the MSR's and the loans (without the MSR's) based on their relative fair values if it is practicable to estimate those fair values. The Company stratifies its MSR's based on the predominant characteristics of the underlying financial assets including coupon interest rate and contractual maturity of the mortgage. An estimated fair value of MSR's is determined quarterly using a discounted cash flow model. The model estimates the present value of the future net cash flows of the servicing portfolio based on various factors, such as servicing costs, servicing income, expected prepayment speeds, discount rate, loan maturity and interest rate. The effect of changes in market interest rates on estimated rates of loan prepayments represents the predominant risk characteristic underlying the MSR's portfolio. The Company is amortizing the MSR, which totaled $351,000 and $384,000 at March 31, 2007 and 2006, respectively, in proportion to and over the period of estimated net servicing income.

The MSR's are periodically reviewed for impairment based on their fair value. The fair value of the MSR's, for the purposes of impairment, is measured using a discounted cash flow analysis based on market adjusted discount rates, anticipated prepayment speeds, mortgage loan term and coupon rate. Market sources are used to determine prepayment speeds, ancillary income, servicing cost and pre-tax required yield. Impairment losses are recognized through a valuation allowance for each impaired stratum, with any associated provision recorded as a component of loan servicing income (expense).

Goodwill - 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 performs an annual review in the third quarter of each year, or more frequently if indicators of potential impairment exist, to determine if the recorded goodwill is impaired. If the fair value exceeds the carrying value, goodwill at the subsidiary is not considered impaired and no additional analysis is necessary. As of March 31, 2007, there have been no events or changes in circumstances that would indicate a potential impairment.

Core Deposit Intangible - Core deposit intangibles are amortized to non-interest expense using an accelerated method (based on expected attrition and cash flows of core deposit accounts purchased) over ten years.

Advertising and Marketing Expense - Costs incurred for advertising, merchandising, market research, community investment, travel and business development are classified as marketing expense and are expensed as incurred.

Income Taxes - Income taxes are accounted for using the asset and liability method. Under this method, a deferred tax asset or liability is determined based on the enacted tax rates which will be in effect when the differences between the financial statement carrying amounts and tax basis of existing

assets and liabilities are expected to be reported in the Company's income tax returns. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established to reduce the net carrying amount of deferred tax assets if it is determined to be more likely than not, that all or some

portion of the potential deferred tax asset will not be realized. The Company files a consolidated federal income tax return. The Bank provides for income taxes separately and remits to the Company amounts currently due.

Trust Assets - Assets held by Riverview Asset Management Corp. in a fiduciary or agency capacity for Trust customers are not included in the consolidated financial statements because such items are not assets of the Company. Assets totaling $285.6 million and $232.8 million were held in trust as of March 31, 2007 and 2006, respectively.

Earnings Per Share - The Company accounts for earnings per share in accordance with SFAS No. 128, Earnings Per Share, which requires all companies whose capital structure includes dilutive potential common shares to make a dual presentation of basic and diluted earnings per share for all periods presented. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period, excluding restricted stock. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised and has been computed after giving consideration to the weighted average diluted effect of the Company's stock options and the shares issued under the Company's Management Recognition and Development Plan ("MRDP").

Stock Split - On August 24, 2006 the Riverview Bancorp. Inc. common stock was split 2-for-1 in the form of a 100% stock dividend. Shareholders received one additional share for every share owned. The Board of Directors ("Board") declared the stock split on July 27, 2006 and the record date was August 10, 2006. All share and per share amounts (including stock options) in the consolidated financial statements and accompanying notes were restated to reflect the split, except as otherwise noted.

Stock-Based Compensation - Prior to April 1, 2006, the Company accounted for stock-based compensation arrangements under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Under this method, no compensation expense was recognized for the years ended March 31, 2006 and 2005, as the exercise price of each stock option which the Company granted was equal to the market value of the underlying common stock on the date of grant.

Effective April 1, 2006, the Company adopted SFAS No. 123 (Revised)(SFAS 123R), Share-Based Payment. SFAS 123R requires the measurement of compensation cost for all stock-based awards to be based on the grant-date fair value and recognition of compensation cost over the service period of stock-based awards, which is generally the same as the vesting period. The fair value of stock options is determined using the Black-Scholes valuation model, which is consistent with the Company's valuation methodology previously utilized for stock options in the footnote disclosures required under SFAS No. 123 Accounting for Stock-Based Compensation.

The Company has adopted SFAS 123R using a modified version of prospective

application (modified prospective application). Under modified prospective application, as it is applicable to the Company, SFAS 123R applies to new awards and to awards modified, repurchased or cancelled after April 1, 2006. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of April 1, 2006, must be recognized as the remaining requisite service is rendered during the period of and/or the periods after the adoption of SFAS 123R. The attribution of compensation cost for those earlier awards will be based on the same method and on the same grant-date fair values previously determined for the proforma disclosures required for companies that did not adopt the fair value accounting method for stock-based employee compensation. Modified prospective application provides for no retroactive application to prior periods and no cumulative adjustment to equity accounts.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions established in SFAS 123R to stock based compensation awards in the prior periods (dollars in thousands, except per share amounts):

	Year ended March 31,	
	2006	2005
Net income:		
As reported	$9,738	$6,529
Deduct: Total stock based compensation expense determined under fair value based method for all options, net of related tax benefit	(1,345)	(96)
Pro forma	$8,393	$6,433
Earnings per common share - basic:		
As reported	$ 0.87	$ 0.68
Pro forma	0.75	0.67
Earnings per common share - fully diluted:		
As reported	$ 0.86	$ 0.67
Pro forma	0.74	0.66

Employee Stock Ownership Plan ("ESOP") - The Company sponsors a leveraged ESOP. The ESOP is accounted for in accordance with the AICPA Statement of Position ("SOP") 93-6, Employer's Accounting for Employee Stock Ownership Plans. Stock and cash dividends on allocated shares are recorded as a reduction of additional paid in capital and paid directly to plan participants or distributed directly to participants' accounts. As shares are released, compensation expense is recorded equal to the then current market price of the shares and the shares become available for earnings per share calculations. The Company records cash dividends on unallocated shares as a reduction of debt and accrued interest.

Reclassifications - Certain 2006 loan disclosures have been reclassified in order to conform to the 2007 presentation, with no impact on net income or shareholders' equity as previously reported (See Note 6).

Business segments - The Company operates a single business segment. The financial information that is used by the chief operating decision maker in allocating resources and assessing performance is only provided for one

reportable segment for year ended March 31, 2007, 2006 and 2005.

Acquisitions - Acquisitions are accounted for in accordance with SFAS 141, Business Combinations under the purchase method of accounting, which allocates costs to assets purchased and liabilities assumed at their estimated fair market values. The results of operations subsequent to the date of acquisition are included in the Consolidated Financial Statements of the Company.

New Accounting Pronouncements - In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting and disclosure for uncertainty in income taxes recognized in a company's financial statements. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006. Management does not expect the adoption of FIN 48 to have a material impact on the Consolidated Financial Statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Current Year Misstatements. SAB No. 108 provides guidance on quantifying prior year reversals or carryovers of financial statement misstatements. SAB No. 108 is effective for fiscal years beginning after November 15, 2006. Management does not expect the adoption of SAB No. 108 to have a material impact on the Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact on the Company's financial position, results of operations and cash flows upon adoption of SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits companies to choose, at specified election dates, to measure eligible items at fair value. The standard is designed to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact on the Company's financial position, results of operations and cash flows upon adoption of SFAS No. 159.

2. RESTRICTED ASSETS

Federal Reserve Board regulations require that the Bank maintain minimum reserve balances either on hand or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The amounts of such balances as of March 31, 2007 and 2006 were approximately $258,000 and $627,000, respectively.

3. ACQUISITION

On April 22, 2005, the Company completed the acquisition of American Pacific Bank ("APB"), a commercial bank located in Portland, Oregon. The cost to acquire APB's 2,804,618 shares of common stock was a payment in cash for 1,404,000 shares at a transaction value of $11.94 per share and the issuance of 1,576,730 shares of the Company's common stock at a price of $10.60 per share for the remaining 1,400,618 shares. All APB stock options were cashed out at a cost of $873,240, the difference between the transaction value of $11.94 per share and the options' respective exercise prices prior to completion of the merger. The acquisition was accounted for using the purchase method of accounting and, accordingly, the assets and liabilities of APB were recorded at their respective fair values. The resulting core deposit intangible is being amortized using an accelerated method over ten years. The excess of the purchase price over net fair value of the assets and liabilities acquired was recorded as goodwill in the amount of $17.1 million. Goodwill is not tax deductible because the transaction is nontaxable for Internal Revenue Service purposes. The purchased assets and assumed liabilities were recorded as follows (dollars in thousands):

Assets	
Cash	$ 3,433
Investments	1,417
Building and equipment	1,080
Loans	119,536
Core deposit intangible	526
Goodwill	16,359
Other, net	2,547
Total assets	144,898
Liabilities	
Deposits	(79,755)
Borrowings	(29,882)
Other liabilities	(452)
Total liabilities	(110,089)
Net assets	$ 34,809
Less:	
Stock issued in acquisition	(16,713)
Cash acquired	(3,433)
Cash used in acquisition, net of cash acquired	$ 14,663

Subsequent to the acquisition, tax amounts were adjusted as part of the allocation of the purchase price. At March 31, 2006, the goodwill asset recorded in connection with the APB acquisition was $16.4 million.

4. INVESTMENT SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2007				
Trust Preferred	$ 5,000	$ 19	$ -	$ 5,019
Agency securities	10,784	-	(44)	10,740
Municipal bonds	3,474	34	-	3,508
Total	$19,258	$ 53	$ (44)	$19,267
March 31, 2006				
Trust Preferred	$ 5,000	$ 44	$ -	$ 5,044
Agency securities	15,246	-	(218)	15,028
Municipal bonds	3,893	57	-	3,950
Total	$24,139	$101	$(218)	$24,022

The fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed as of March 31, 2007 are as follows (in thousands):

	Less than 12 months		12 months or longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency securities	$ -	$ -	$10,740	$(44)	$10,740	$(44)
Total temporarily impaired securities	$ -	$ -	$10,740	$(44)	$10,740	$(44)

The fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed as of March 31, 2006 are as follows (in thousands):

	Less than 12 months		12 months or longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency securities	$6,124	$ (61)	$8,904	$(157)	$15,028	$(218)
Total temporarily impaired securities	$6,124	$ (61)	$8,904	$(157)	$15,028	$(218)

The Company has evaluated these securities and has determined that the decline in the value is temporary. The decline in value is not related to any company

or industry specific event. The value of most of our securities fluctuates as market interest rates change. The Company anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment. The Company has the ability and intent to hold securities with unrealized losses until their values recover.

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

	Amortized Cost	Estimated Fair Value
March 31, 2007		
Due in one year or less	$11,354	$11,311
Due after one year through five years	1,020	1,033
Due after five years through ten years	618	637
Due after ten years	6,266	6,286
Total	$19,258	$19,267

Investment securities with an amortized cost of $5.8 million and $10.2 million and a fair value of $5.8 million and $10.1 million at March 31, 2007 and 2006, respectively, were pledged as collateral for advances at the FHLB. Investment securities with an amortized cost of $1.1 million and $1.1 million and a fair value of $1.2 million and $1.2 million at March 31, 2007 and 2006, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank. Investment securities with an amortized cost of $490,000 and $495,000 and a fair value of $495,000 and $504,000 at March 31, 2007 and 2006, respectively, were pledged as collateral for government public funds held by the Bank. Investment securities with an amortized cost of $5.0 million and $5.0 million and a fair value of $5.0 million and 5.0 million at March 31, 2007 and 2006, respectively, were pledged as collateral for borrowings from the discount window at the Federal Reserve Bank.

In the third quarter of fiscal 2005, the Company recognized a pre-tax other-than-temporary impairment for investments in Federal Home Loan Mortgage Corporation ("FHLMC") preferred stock and Federal National Mortgage Association ("FNMA") preferred stock that totaled $1.3 million. The Company accounts for these securities in accordance with SFAS No. 115. Under SFAS No. 115, if the decline in fair market value below cost is determined to be other-than-temporary, the unrealized loss will be realized as expense on the consolidated statements of income. Based on a number of factors, including the magnitude of the drop in the market value below the Company's cost and the length of time the market value had been below cost, management concluded that the decline in value was other-than-temporary at the end of the third quarter of fiscal 2005. Accordingly, the pre-tax other-than-temporary impairment was realized in the statement of income, in the amount of $699,000 for FNMA preferred stock and $650,000 for FHLMC preferred stock. A corresponding reduction in unrealized losses in shareholders' equity was realized in fiscal 2005 in the amount of $461,000 for FNMA preferred stock and $429,000 for FHLMC preferred stock.

The Company realized no gains or losses on sales of investment securities

available for sale in fiscal 2007 and 2006. The Company realized before tax $164,000 in net gains on sales of investment securities available for sale in fiscal 2005.

5. MORTGAGE-BACKED SECURITIES

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

March 31, 2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Real estate mortgage investment conduits	$ 923	$ 6	$ -	$ 929
FHLMC mortgage-backed securities	116	1	-	117
FNMA mortgage-backed securities	193	4	-	197
Total	$1,232	$ 11	$ -	$1,243
March 31, 2006				
Real estate mortgage investment conduits	$1,402	$ 18	$ -	$1,420
FHLMC mortgage-backed securities	138	2	-	140
FNMA mortgage-backed securities	265	5	-	270
Total	$1,805	$ 25	$ -	$1,830

Mortgage-backed securities held to maturity with an amortized cost of $931,000 and $1.4 million and a fair value of $938,000 and $1.4 million at March 31, 2007 and 2006, respectively, were pledged as collateral for governmental public funds held by the Bank. Mortgage-backed securities held to maturity with an amortized cost of $143,000 and $199,000 and a fair value of $144,000 and $203,000 at March 31, 2007 and 2006, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank. The real estate mortgage investment conduits consist of FHLMC and FNMA securities.

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

March 31, 2007	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	-	-
Due after five years through ten years	14	15
Due after ten years	1,218	1,228

Total	$1,232	$1,243

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

March 31, 2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Real estate mortgage investment conduits	$1,070	$ 15	$ (2)	$1,083
FHLMC mortgage-backed securities	5,592	-	(153)	5,439
FNMA mortgage-backed securities	116	2	-	118
Total	$6,778	$ 17	$(155)	$6,640
March 31, 2006				
Real estate mortgage investment conduits	$1,326	$ 19	$ (7)	$1,338
FHLMC mortgage-backed securities	6,951	-	(316)	6,635
FNMA mortgage-backed securities	159	2	-	161
Total	$8,436	$ 21	$(323)	$8,134

The fair value of temporarily impaired mortgage-backed securities, the amount of unrealized losses and the length of time these unrealized losses existed as of March 31, 2007 are as follows (in thousands):

	Less than 12 months		12 months or longer		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Real estate mortgage	$ -	$ -	$ 407	$ (2)	$ 407	$ (2)
FHLMC mortgage-backed securities	-	-	5,439	(153)	5,439	(153)
FNMA mortgage-backed securities	2	-	-	-	2	-
Total temporarily impaired securities	$ 2	$ -	$5,846	$(155)	$5,848	$(155)

The fair value of temporarily impaired mortgage-backed securities, the amount of unrealized losses and the length of time these unrealized losses existed as

of March 31, 2006 as follows (in thousands):

Description of Securities	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or longer Fair Value	12 months or longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
Real estate mortgage	$ 523	$ (6)	$ -	$ -	$ 523	$ (6)
FHLMC mortgage-backed securities	66	(1)	6,543	(315)	6,609	(316)
FNMA mortgage-backed securities	17	(1)	-	-	17	(1)
Total temporarily impaired securities	$ 606	$ (8)	$6,543	$(315)	$7,149	$(323)

The Company has evaluated these securities and has determined that the decline in the value is temporary. The decline in value is not related to any company or industry specific event. The value of most of our securities fluctuates as market interest rates change. The Company anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment. The Company has the ability and intent to hold securities with unrealized losses until their values recover.

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

March 31, 2007	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	72	73
Due after five years through ten years	6,085	5,930
Due after ten years	621	637
Total	$6,778	$6,640

Expected maturities of mortgage-backed securities held to maturity and available for sale will differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

Mortgage-backed securities available for sale with an amortized cost of $6.7 million and $8.3 million and a fair value of $6.5 million and $8.0 million at March 31, 2007 and 2006, respectively, were pledged as collateral for advances at the FHLB. Mortgage-backed securities available for sale with an amortized cost of $17,000 and a fair value of $18,000 at March 31, 2006, respectively, were pledged as collateral for treasury tax and loan funds held by the Bank.

The Company realized no gains or losses on sale of mortgage-backed securities available for sale in fiscal 2007, 2006 and 2005.

6. LOANS RECEIVABLE

A summary of the major categories of loans outstanding is shown in the following table. Outstanding loan balances at March 31, 2007 and 2006, are net of unearned income, including net deferred loan fees of $3.7 million and $4.4 million, respectively.

For periods ending prior to March 31, 2007, Riverview reported and disclosed the composition of its loan portfolio based on collateral with a focus upon residential construction and permanent financing activities a view that was consistent with Riverview's background as a thrift organization. However, since 1998 and more pronounced in recent years, Riverview has strategically migrated its lending focus to one similar to a commercial bank. This intended strategy is evident not only in the changing mix of the loan portfolio that has occurred organically but

also has been accomplished through the Company's recent acquisitions of community banks that emphasized commercial lending activities. In order that loan disclosures are consistent with the strategic direction of the Company, and to be more consistent with established industry practices, the following table reflects this new disclosure categories and related reclassifications for 2006 based on loan purpose, rather than collateral.

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

	March 31, 2007	March 31, 2006
Commercial and construction		
Commercial	$ 91,174	$ 90,083
Other real estate mortgage	360,930	329,631
Real estate construction	166,073	137,598
Total commercial and construction	618,177	557,312
Consumer		
Real estate one-to-four family	69,808	64,026
Other installment	3,619	8,899
Total consumer	73,427	72,925
Total loans	691,604	630,237
Less:		
Allowance for loan losses	8,653	7,221
Loans receivable, net	$ 682,951	$ 623,016

The Company originates, commercial real estate, multi-family real estate, commercial, residential real estate loans and consumer loans. Substantially all of the mortgage loans in the Company's portfolio are secured by properties located in Washington and Oregon. An economic downturn in these areas would likely have a negative impact on the Company's results of operations depending on the severity of such downturn.

Loans receivable including loans held for sale, by maturity or repricing date, were as follows (in thousands):

	March 31,	
	2007	2006
Adjustable rate loans:		
Within one year	$243,396	$187,093
After one but within three years	56,091	63,555
After three but within five years	21,099	26,675
After five but within ten years	177,443	184,519
After ten years	52,227	60,014
	550,256	521,856
Fixed rate loans:		
Within one year	33,685	26,780
After one but within three	34,025	28,845
After three but within five years	36,573	23,831
After five but within ten years	24,174	19,533
After ten years	12,891	9,457
	141,348	108,446
	$691,604	$630,302

Mortgage loans receivable with adjustable rates primarily reprice based on the one year U.S. Treasury index and reprice a maximum of 2% per year and up to 6% over the life of the loan. The remaining adjustable rate loans reprice based on the prime lending rate or the FHLB cost of funds index. Commercial loans with adjustable rates primarily reprice based on the prime rate.

Aggregate loans to officers and directors, all of which are current, consist of the following (in thousands):

	Year Ended March 31,		
	2007	2006	2005
Beginning balance	$ 7	$ 408	$ 732
Originations	192	5	10
Principal repayments	(14)	(406)	(334)
Ending balance	$185	$ 7	$ 408

7. ALLOWANCE FOR LOAN LOSSES

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

	Year Ended March 31,		
	2007	2006	2005
Beginning balance	$7,221	$4,395	$4,481

Provision for losses	1,425	1,500	410
Charge-offs	(186)	(711)	(669)
Recoveries	193	149	173
Allowance transferred from American Pacific Bank ("APB") acquisition	-	1,888	-
Ending balance	$8,653	$7,221	$4,395

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

	Year Ended March 31,		
	2007	2006	2005
Beginning balance	$362	$253	$191
Net change in allowance for unfunded loan commitments	18	109	62
Ending balance	$380	$362	$253

The allowance for unfunded loan commitments is included in accrued expenses and other liabilities on the consolidated balance sheets.

Loans, on which the accrual of interest has been discontinued, was $226,000, $415,000 and $456,000 at March 31, 2007, 2006 and 2005, respectively. Interest income foregone on non-accrual loans was $12,000, $21,000 and $34,000 during the years ended March 31, 2007, 2006, and 2005, respectively,

At March 31, 2007, 2006 and 2005, the Company's recorded investment in certain loans that were considered to be impaired was $426,000, $415,000, and $456,000 respectively. At March 31, 2007, $294,000 of these impaired loans had a specific related valuation allowance of $30,000, while $132,000 did not require a specific valuation allowance. At March 31, 2007 and 2006, none of the impaired loans required specific valuation allowances. The balance of the allowance for loan losses in excess of these specific reserves is available to absorb the inherent losses from all loans in the portfolio. The average investment in impaired loans was approximately $959,000, $889,000 and $1.0 million during the years ended March 31, 2007, 2006 and 2005, respectively. The related amount of interest income recognized on loans that were impaired was approximately $85,000, $100,000 and $9,000 during the years ended March 31, 2007, 2006 and 2005, respectively. There were no loans past due 90 days or more and still accruing interest at March 31, 2007, 2006 and 2005, respectively.

8. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following (in thousands):

March 31,	
2007	2006

Land	$ 2,847	$ 1,988
Buildings and improvements	11,736	7,802
Leasehold improvements	1,961	1,887
Furniture and equipment	10,401	8,938
Buildings under capitalized leases	2,715	2,715
Construction in progress	1,798	4,436
Total	31,458	27,766
Less accumulated depreciation and amortization	(10,056)	(8,639)
Premises and equipment, net	$ 21,402	$19,127

During fiscal year 2005, the Company sold to a private investor and leased back the Camas branch and operations center. The net gain on the sale of the building was $1.6 million, of which $828,000 was recognized in the first quarter of fiscal year 2005 and the remainder is being amortized over the six-year life of the lease. Deferred gains of $108,000, $141,000 and $180,000 were recognized in fiscal years 2007, 2006 and 2005, respectively. The lease of the building is being accounted for as an operating lease and is included in the future minimum rental payments schedule shown below.

Depreciation expense was $1.8 million, $1.2 million and $1.0 million for years ended March 31, 2007, 2006 and 2005, respectively. The Company is obligated under various noncancellable lease agreements for land and buildings that require future minimum rental payments, exclusive of taxes and other charges.

The Company entered into a capital lease during fiscal year 2006. The capital lease was for the shell of the building constructed for the new operations center. The lease period is for twelve years with two six-year lease renewal options. For the years ended March 31, 2007 and 2006, the Company has recorded $112,700 and 37,600, respectively, in amortization expense. At March 31, 2007 and 2006, the Company had accumulated amortization of $150,300 and $37,600, respectively, related to the capital lease.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of net minimum lease payments as of March 31, 2007 and the future minimum rental payments required under operating leases that have initial or noncancellable lease terms in excess of one year as of March 31, 2007 (in thousands):

Year Ending March 31:	Operating Leases	Capital Leases
2008	$ 1,698	$ 228
2009	1,592	228
2010	1,467	228
2011	909	228
2012	678	236
After 2012	4,348	4,436
Total minimum lease payments	$10,692	5,584
Less amount representing interest		(2,863)
Present value of net minimum lease payments		$ 2,721

Rent expense was $1.5 million, $1.6 million and $1.2 million for the years ended March 31, 2007, 2006 and 2005, respectively.

9. MORTGAGE SERVICING RIGHTS

The following table is a summary of the activity in MSR's and the related valuation allowance for the periods indicated and other related financial data (in thousands):

	March 31,		
	2007	2006	2005
Balance at beginning of year, net	$ 384	$ 470	$ 624
Additions	148	123	126
Amortization	(206)	(233)	(302)
Change in valuation allowance	25	24	22
Balance end of year, net	$ 351	$ 384	$ 470
Valuation allowance at beginning of year	$ 60	$ 84	$ 106
Change in valuation allowance	(25)	(24)	(22)
Valuation allowance balance at end of year	$ 35	$ 60	$ 84

The Company evaluates MSR's for impairment by stratifying MSR's based on the predominant risk characteristics of the underlying financial assets. At March 31, 2007 and 2006, the MSR's fair value totaled $1.0 and $1.1 million, respectively. The 2007 fair value was estimated using discount rate and a range of PSA values (The Bond Market Association's standard prepayment values) that ranged from 116 to 558.

Amortization expense for the net carrying amount of MSR's at March 31, 2007 is estimated as follows (in thousands):

Year ending March 31,	
2008	$133
2009	93
2010	52
2011	34
2012	25
After 2012	14
Total	$351

Mortgage loans serviced for others (in millions):

March 31,		
2007	2006	2005

Total	$ 130.6	$ 139.2	$ 129.3

The estimated sensitivity of the fair value of the mortgage servicing rights portfolio to changes in interest rates at March 31, 2007 was as follows (in thousands):

	Down Scenario			Up Scenario		
	300 bp	200 bp	100 bp	100 bp	200 bp	300 bp
Fair Value	$ (717)	$ (607)	$ (293)	$ 66	$ 98	$ 129

The fair value of mortgage servicing rights and its sensitivity to changes in interest rates is influenced by the mix of the servicing portfolio and characteristics of each segment of the portfolio. The Bank's servicing portfolio is comprised of conventional fixed rate mortgages that meet FHLMC guidelines.

10. CORE DEPOSIT INTANGIBLE

Net unamortized core deposit intangible totaled $711,000 and $895,000 at March 31, 2007 and 2006, respectively. Amortization expense related to the core deposit intangible during the years ended March 31, 2007, 2006 and 2005 totaled $184,000, $210,000 and $180,000, respectively. During the year ended March 31, 2006, the Company had additions to core deposit intangibles totaling $526,000 in connection with the acquisition of American Pacific

Bank.

Amortization expense for the net core deposit intangible at March 31, 2007 is estimated to be as follows (in thousands):

Year Ending March 31,	
2008	$ 155
2009	131
2010	111
2011	95
2012	82
After 2012	137
Total	$ 711

11. DEPOSIT ACCOUNTS

Deposit accounts consisted of the following (dollars in thousands):

Account Type	Weighted Average Rate	March 31, 2007	Weighted Average Rate	March 31, 2006
Non-interest-bearing	0.00%	$ 86,601	0.00%	$ 94,592
Interest checking	3.19	144,451	2.30	129,457

Money market	4.62	205,007	3.45	137,451
Savings accounts	0.55	29,472	0.55	38,344
Certificates of deposit	4.69	199,874	3.85	207,120
Total	3.54%	$665,405	2.62%	$606,964

The weighted average rate is based on interest rates at the end of the period.

Certificates of deposit (which include $20.8 million of brokered certificates of deposit) as of March 31, 2007, mature as follows (in thousands):

	Amount
Within one year	$144,210
After one but within two years	42,896
After two but within three years	3,988
After three but within four years	2,774
After four but within five years	2,927
After five years	3,079
Total	$199,874

Deposit accounts in excess of $100,000 are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits with balances in excess of $100,000 totaled $352.9 million and $329.3 million at March 31, 2007 and 2006, respectively.

Interest expense by deposit type was as follows (in thousands):

	Year Ended March 31,		
	2007	2006	2005
Interest checking	$ 4,364	$ 2,248	$ 923
Money market	6,971	3,276	901
Savings accounts	179	213	178
Certificates of deposit	8,993	6,646	3,378
Total	$20,507	$12,383	$5,380

12. FEDERAL HOME LOAN BANK ADVANCES

At March 31, 2007 and 2006, advances from the FHLB totaled $35.1 million and $46.1 million with a weighted average interest rate of 5.66% and 4.65%, respectively. The FHLB borrowings at March 31, 2007 consisted of adjustable rate advances with interest rates ranging from 5.47% to 5.69%. The rate on the $30.1 million daily Cash Management Advance (CMA) is set daily by the FHLB. The rate on the remaining $5.0 million adjustable rate advance is based upon the three month London Interbank Offered Index (LIBOR) plus 11 basis points as quoted by the FHLB. The March 31, 2006 fixed rate borrowings of $8.0 million had fixed interest rates ranging from 2.57% to 3.61%. The remaining $38.1 million in adjustable rate advances at March 31, 2006 had a weighted average interest rate of 5.02%. The weighted average interest rate for fixed and

adjustable rate advances was 5.26%, 4.44%, and 5.00% for the years ended March 31, 2007, 2006 and 2005, respectively.

The Bank has a credit line with the FHLB equal to 30% of total assets, limited by available collateral. At March 31, 2007, based on collateral values, the Bank had additional borrowing commitments available of $124.8 million from the FHLB.

FHLB advances are collateralized as provided for in the Advance, Pledge and Security Agreements with the FHLB by certain investment and mortgage-backed securities, FHLB stock owned by the Bank, deposits with the FHLB, and certain mortgages on deeds of trust securing such properties as provided in the agreements with the FHLB. At March 31, 2007, loans carried at $253.8 million and investments and mortgage-backed securities carried at $12.3 million were pledged as collateral to the FHLB.

Payments required to service the Bank's FHLB advances during the years ended March 31 are as follows (in millions):

2008	$35.1
Thereafter	-
	$35.1

In addition, the Bank has a Fed Funds borrowing facility with Pacific Coast Bankers' Bank with a guideline limit of $10 million through June 30, 2007. The facility may be reduced or withdrawn at any time. As of March 31, 2007 the Bank did not have any outstanding advances on this facility.

13. JUNIOR SUBORDINATED DEBENTURES

In December 2005, a wholly-owned subsidiary grantor trusts established by the Company issued $7.0 million of pooled Trust Preferred Securities ("trust preferred securities"). Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the indentures. The trust used the net proceeds from the offering to purchase a like amount of junior subordinated debentures (the "Debentures") of the Company. The Debentures are the sole assets of the trust. 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 trust. The trust preferred securities are mandatory redeemable upon the 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 after year five on any coupon date, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date.

The following table is a summary of current Debentures at March 31, 2007:

Issuance trust	Issuance Date	Preferred Security Amount	Rate Type(1)	Initial Rate	Rate at 3/31/07	Maturing Date
			(Dollars in thousands)			
Riverview Bancorp, Inc. Statutory Trust 1	12/2005	$ 7,000	Variable	5.88%	6.71%	12/2035

The total amount of trust preferred securities outstanding at March 31, 2007 was $7.0 million. The interest rate on the trust preferred securities resets quarterly and is tied to the LIBOR. The Company has the right to redeem the debentures in December 2010.

The Debentures issued by the Company to the grantor trusts, totaling $7.0 million, are reflected in our consolidated balance sheet in the liabilities section at March 31, 2007, under the caption "junior subordinated debentures." The Company records interest expense on the Debentures in the consolidated statements of income. The Company recorded $217,000 in other assets in the consolidated balance sheet at March 31, 2007, for the common capital securities issued by the issuer trusts. The Company invested $5.0 million of the trust preferred securities proceeds in the Bank and retained the remaining $2.0 million to be used for general corporate purposes.

14. INCOME TAXES

Income tax provision for the years ended March 31 consisted of the following (in thousands):

	2007	2006	2005
Current	$ 6,604	$ 5,281	$ 2,751
Deferred	(436)	(704)	285
Total	$ 6,168	$ 4,577	$ 3,036

A reconciliation between income taxes computed at the statutory rate and the effective tax rate for the years ended March 31 is as follows:

	2007	2006	2005
Statutory federal income tax rate	35.0%	35.0%	34.0%
State and local income tax rate	0.9	1.0	-
ESOP market value adjustment	0.5	0.9	1.1
Interest income on municipal securities	(0.3)	(0.4)	(0.6)
Dividend received deduction	0.1	-	(0.5)
Bank owned life insurance	(1.1)	(1.2)	(1.7)
Other, net	(0.5)	(3.4)	(0.6)
Effective federal income tax rate	34.6%	31.9%	31.7%

There were no taxes related to the gains on sales of securities for the years ended March 31, 2007 and 2006. Taxes related to the gains on sales of securities for the year ended March 31, 2005 were $56,000.

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at March 31, 2007 and 2006 are as follows (in thousands):

	2007	2006

Deferred tax assets:		
Deferred compensation	$ 715	$ 629
Loan loss reserve	3,287	2,720
Core deposit intangible	169	245
Accrued expenses	373	376
Accumulated depreciation	462	508
Net operating loss carry forward	91	493
Net unrealized loss on securities available for sale	44	143
Capital loss carry forward	725	715
REO expense	186	184
Non-compete	169	79
Other	64	42
Total deferred tax asset	6,285	6,134
Deferred tax liabilities:		
FHLB stock dividend	(1,093)	(1,078)
Deferred gain on sale	(157)	(116)
Tax qualified loan loss reserve	(55)	(243)
Purchase accounting	(259)	(376)
Prepaid expense	(139)	(82)
Loan fees/costs	(474)	(468)
Total deferred tax liability	(2,177)	(2,363)
Deferred tax asset, net	$ 4,108	$ 3,771

The Bank's retained earnings at March 31, 2007 and 2006 include base year bad debt reserves which amounted to approximately $2.2 million, for which no federal income tax liability has been recognized. The amount of unrecognized deferred tax liability at March 31, 2007 and 2006 was approximately $800,000 and $760,000, respectively. This represents the balance of bad debt reserves created for tax purposes as of December 31, 1987. These amounts are subject to recapture in the unlikely event that the Company's banking subsidiaries (1) make distributions in excess of current and accumulated earnings and profits, as calculated for federal tax purposes, (2) redeem their stock, or (3) liquidate. Management does not expect this temporary difference to reverse in the foreseeable future.

The Company also has net operating loss carry forwards of approximately $250,000 for federal tax purposes in connection with the acquisition of Today's Bancorp, Inc. which begin to expire at various times starting in 2019. The Company also has a capital loss carry forward of approximately $2.0 million, which will expire in 2010. Utilization of these losses, is subject to certain limitations under Section 382 of the Internal Revenue Code.

The tax effects of certain tax benefits related to stock options are recorded directly to shareholders' equity.

No valuation allowance for deferred tax assets was deemed necessary at March 31, 2007 or 2006 based upon the Company's anticipated future ability to generate taxable income from operations.

15. EMPLOYEE BENEFITS PLANS

Retirement Plan - The Riverview Bancorp, Inc. Employees' Savings and Profit Sharing Plan (the "Plan") is a defined contribution profit-sharing plan incorporating the provisions of Section 401(k) of the Internal Revenue Code. The plan covers all employees with at least six months and 500 hours of service who are over the age of 18. The Company matches the employee's

elective contribution up to 4% of the employee's compensation. Company expenses related to the Plan for the years ended March 31, 2007, 2006 and 2005 were $409,000, $359,000 and $154,000, respectively.

Directors Deferred Compensation Plan - Directors may elect to defer their monthly directors' fees until retirement with no income tax payable by the director until retirement benefits are received. Chairman, President, Executive and Senior Vice Presidents of the Company may also defer salary into this plan. This alternative is made available to them through a nonqualified deferred compensation plan. The Company accrues annual interest on the unfunded liability under the Directors Deferred Compensation Plan based upon a formula relating to gross revenues, which amounted to 7.51%, 6.66%, and 6.04% for the years ended March 31, 2007, 2006 and 2005, respectively. The estimated liability under the plan is accrued as earned by the participant. At March 31, 2007 and 2006, the Company's aggregate liability under the plan was $2.0 million and $1.7 million, respectively.

Bonus Programs - The Company maintains a bonus program for senior management and certain key individuals. The bonus program represents approximately 9.5% of fiscal year profits, assuming profit goals are attained, and is divided among participants based on specific individual goals. The Company also has an incentive program for branch managers that are paid to the managers based on the attainment of certain goals. The Company expensed $1.3 million, $1.3 million and $564,000 in bonuses and incentives during the years ended March 31, 2007, 2006 and 2005, respectively.

Stock Option Plans - In July 1998, shareholders of the Company approved the adoption of the 1998 Stock Option Plan ("1998 Plan"). The 1998 Plan was effective October 1, 1998 and will expire on the tenth anniversary of the effective date, unless terminated sooner by the Board. Under the 1998 Plan, the Company may grant both incentive and non-qualified stock options up to 714,150 shares of its common stock to officers, directors and employees. The exercise price of each option granted under the 1998 Plan equals the fair market value of the Company's stock on the date of grant with a maximum term of ten years and a vesting period of zero to five years. At March 31, 2007, there were options for 42,962 shares available for grant under the 1998 Plan.

In July 2003, shareholders of the Company approved the adoption of the 2003 Stock Option Plan ("2003 Plan"). The 2003 Plan was effective July 2003 and will expire on the tenth anniversary of the effective date, unless terminated sooner by the Board. Under the 2003 Plan, the Company may grant both incentive and non-qualified stock options up to 458,554 shares of its common stock to officers, directors and employees. The exercise price of each option granted under the 2003 Plan equals the fair market value of the Company's stock on the date of grant with a maximum term of ten years and a vesting period from zero to five years. At March 31, 2007, there were options for 148,154 shares available for grant under the 2003 Plan.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes based stock option valuation model. The Black-Scholes model uses the assumptions listed in the table below. The expected life of options granted represents the period of time that they are expected to be outstanding. The expected life is determined based on historical experience with similar options, giving consideration to the contractual terms and vesting schedules. Expected volatility was estimated at the date of grant based on the historical volatility of the Company's common stock. Expected dividend trends and the market value of the Company's common stock at the time

of grant. The risk-free interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant. There were no options granted during the year ended March 31, 2007.

	Risk Free Interest Rate	Expected Life (yrs)	Expected Volatility	Expected Dividends
Fiscal 2006	4.67%	10.00	26.32%	3.07%
Fiscal 2005	4.00%	10.00	29.25%	3.01%

The weighted average grant-date fair value of fiscal 2006 and 2005 awards was $3.80 and $2.97, respectively. As of March 31, 2007, unrecognized compensation cost related to nonvested stock options totaled approximately $35,000. For the year ended March 31, 2007, the Company recognized pre-tax compensation expense related to stock options of approximately $39,000.

The following table presents the activity related to options under all plans for the years ended March 31, 2007, 2006 and 2005.

	2007		2006		2005	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of period	755,846	$ 9.68	454,990	$ 7.18	490,538	$ 6.79
Grants	-	-	354,000	12.70	46,000	10.31
Options exercised	(212,054)	7.79	(53,144)	8.48	(81,548)	6.57
Forfeited	(17,600)	10.65	-	-	-	-
Balance, end of period	526,192	$10.41	755,846	$9.68	454,990	$ 7.18

Additional information regarding options outstanding as of March 31, 2007 is as follows:

		Options Outstanding		Options Exercisable	
Range of Exercise Price	Weighted Avg Remaining Contractual Life(years)	Number Outstanding	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 4.03-$ 6.16	3.25	49,996	$ 4.97	49,996	$ 4.97
6.51- 6.88	2.16	109,396	6.86	109,396	6.86
7.49- 9.51	6.14	41,200	8.73	34,000	8.66
10.10- 10.83	7.69	41,600	10.34	15,800	10.37
12.98	8.96	284,000	12.98	284,000	12.98

6.69	526,192	$10.41	493,192	$10.43
====	=======	======	=======	======

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

	Year ended March 31, 2007	Year ended March 31, 2006
Stock options fully vested and expected to vest:		
Number	523,052	748,166
Weighted average exercise price	$ 10.41	$ 9.67
Aggregate intrinsic value	$2,892,379	$2,774,511
Weighted average contractual term of options	7.07 years	7.25 years
Stock options vested and currently exercisable:		
Number	493,192	690,886
Weighted average exercise price	$ 10.43	$ 9.64
Aggregate intrinsic value	$2,717,710	$2,584,305
Weighted average contractual term of options	6.65 years	6.52 years

The total intrinsic value of stock options exercised was $1,723,000, $159,000 and $312,000 for the years ended March 31, 2007, 2006, and 2005, respectively.

16. EMPLOYEE STOCK OWNERSHIP PLAN

The Company sponsors an Employee Stock Ownership Plan ("ESOP") that covers all employees with at least one year and 1000 hours of service who are over the age of 21. Shares are released for allocation at the discretion of the Board of Directors and allocated to participant accounts on December 31 of each year until 2017. ESOP compensation expense included in salaries and employee benefits was $274,000, $558,000 and $520,000 for years ended March 31, 2007, 2006 and 2005, respectively.

ESOP share activity is summarized in the following table:

	Fair Value of Unreleased Shares	Unreleased ESOP Shares	Allocated and Released Shares	Total
Balance, March 31, 2004	$4,083,000	394,128	568,456	962,584
Allocation December 31, 2004		(49,266)	49,266	-
Balance, March 31, 2005	$3,664,000	344,862	617,722	962,584
Allocation December 31, 2005		(49,266)	49,266	-
Balance, March 31, 2006	$3,955,000	295,596	666,988	962,584
Allocation December 31, 2006		(24,633)	24,633	-
Balance, March 31, 2007	$4,319,000	270,963	691,621	962,584

17. SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL REQUIREMENTS

The Company's Board of Directors authorized 250,000 shares of serial preferred stock as part of the Conversion and Reorganization completed on September 30, 1997. No preferred shares were issued or outstanding at March 31, 2007 or 2006.

The Bank is subject to various regulatory capital requirements administered by the Office of Thrift Supervision ("OTS"). 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. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, of core capital to total assets and tangible capital to tangible assets (set forth in the table below). Management believes the Bank meets all capital adequacy requirements to which it is subject as of March 31, 2007.

As of March 31, 2007, the most recent notification from the OTS categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total capital and Tier I capital to risk weighted assets, core capital to total assets and tangible capital to tangible assets (set forth in the table below). There are no conditions or events since that notification that management believes have changed the Company's category.

The Bank's actual and required minimum capital amounts and ratios are presented in the following table (dollars in thousands):

	Actual		For Capital Adequacy Purposes		Categorized as "Well Capitalized" Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2007						
Total Capital:						
(To Risk Weighted Assets)	$84,363	11.38%	$59,310	8.0%	$74,137	10.0%
Tier I Capital:						
(To Risk Weighted Assets)	75,740	10.22	29,655	4.0	44,482	6.0
Tier I Capital:						
(To Adjusted Tangible Assets)	75,740	9.60	23,662	3.0	39,436	5.0
Tangible Capital:						
(To Tangible Assets)	75,740	9.60	11,831	1.5	N/A	N/A

	Actual		For Capital Adequacy Purposes		Categorized as "Well Capitalized" Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2006						
Total Capital:						
(To Risk Weighted Assets)	$78,469	11.48%	$54,688	8.0%	$68,361	10.0%
Tier I Capital:						
(To Risk Weighted Assets)	71,248	10.42	27,344	4.0	41,016	6.0
Tier I Capital:						
(To Adjusted Tangible Assets)	71,248	9.70	22,038	3.0	36,730	5.0
Tangible Capital:						
(To Tangible Assets)	71,248	9.70	11,019	1.5	N/A	N/A

The following table is a reconciliation of the Bank's capital, calculated according to GAAP to regulatory tangible and risk-based capital at March 31, 2007 (in thousands):

Equity	$102,310
Net unrealized securities loss	86
Core deposit intangible, goodwill and software	(26,621)
Servicing asset	(35)
Tangible capital	75,740
General valuation allowance	8,623
Total capital	$ 84,363

At periodic intervals, the OTS and the FDIC routinely examine the Company's Consolidated Financial Statements as part of their legally prescribed oversight of the savings and loan industry. Based on their examinations, these regulators can direct that the Company's consolidated financial statements be adjusted in accordance with their findings. A future examination by the OTS or the FDIC could include a review of certain transactions or other amounts reported in the Company's 2007 consolidated financial statements. In view of the uncertain regulatory environment in which the Company operates, the extent, if any, to which a forthcoming regulatory examination may ultimately result in adjustments to the 2007 consolidated financial statements cannot presently be determined.

The following table summarizes the Company's common stock repurchased in each of the last three fiscal years (dollars in thousands):

	Shares	Value
2007	-	-
2006	100,000	$1,228
2005	-	-

18. EARNINGS PER SHARE

Basic earning per share ("EPS") is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the period, without considering any dilutive items. Diluted EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares and common stock equivalents for items that are dilutive, net of shares assumed to be repurchased using the treasury stock method at the average share price for the Company's common stock during the period. Common stock equivalents arise from assumed conversion of outstanding stock options. ESOP shares are not considered outstanding for earnings per share purposes until they are committed to be released.

	Years Ended March 31,		
	2007	2006	2005
Basic EPS computation:			
Numerator-Net income	$11,606,000	$ 9,738,000	$6,529,000
Denominator-Weighted average common shares outstanding	11,312,847	11,204,479	9,633,490
Basic EPS	$ 1.03	$ 0.87	$ 0.68
Diluted EPS computation:			
Numerator-Net Income	$11,606,000	$ 9,738,000	$6,529,000
Denominator-Weighted average common shares outstanding	11,312,847	11,204,479	9,633,490
Effect of dilutive stock options	203,385	145,856	148,856
Weighted average common shares and common stock equivalents	11,516,232	11,350,335	9,782,346
Diluted EPS	$ 1.01	$ 0.86	$ 0.67

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, Disclosures About Fair Value of Financial Instruments. The Company, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. However, considerable judgment is necessary to interpret market data in the development of the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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

	March 31,			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value

Assets:				
Cash	$ 31,423	$ 31,423	$ 31,346	$ 31,346
Investment securities available for sale	19,267	19,267	24,022	24,022
Mortgage-backed securities held to maturity	1,232	1,243	1,805	1,830
Mortgage-backed securities available for sale	6,640	6,640	8,134	8,134
Loans receivable, net	682,951	680,861	623,016	620,107
Loans held for sale	-	-	65	65
Mortgage servicing rights	351	1,032	384	1,080
FHLB stock	7,350	7,350	7,350	7,350
Liabilities:				
Demand - savings deposits	465,531	465,531	399,844	399,844
Time deposits	199,874	199,174	207,120	205,718
FHLB advances	35,050	34,982	46,100	45,846
Junior subordinated debentures	7,217	7,235	7,217	7,236

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

Cash - Fair value approximates the carrying amount.

Investments and Mortgage-Backed Securities - Fair values were based on quoted market rates and dealer quotes.

Loans Receivable and Loans Held for Sale - Loans were priced using a discounted cash flow method. The discount rate used was the rate currently offered on similar products, risk adjusted for credit concerns or dissimilar characteristics. For variable rate loans that reprice frequently and have no significant change in credit, fair values are based on carrying values.

Mortgage Servicing Rights - The fair value of mortgage servicing rights was determined using the Company's model, which incorporates the expected life of the loans, estimated cost to service the loans, servicing fees received and other factors. The Company calculates MSR's fair value by stratifying MSR's based on the predominant risk characteristics that include the underlying loan's interest rate, cash flows of the loan, origination date and term. Key economic assumptions that vary due to changes in market interest rates are used to determine the fair value of the MSR's and include expected prepayment speeds, which impact the average life of the portfolio, annual service cost, annual ancillary income and the discount rate used in valuing the cash flows. At March 31, 2007, the MSR's fair value totaled $1.0 million, which was estimated using a range of prepayment speed assumptions (The Bond Market Association's standard prepayment) values that ranged from 116 to 558.

Federal Home Loan Bank Stock - Fair value approximates the carrying amounts.

Deposits - The fair value of time deposits with no stated maturity 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 maturity was based on the discounted value of contractual cash flows. The discount rate was estimated using rates currently available in the local market.

Federal Home Loan Bank Advances - The fair value for FHLB advances was based on the discounted cash flow method. The discount rate was estimated using rates currently available from the FHLB.

Junior Subordinated Debentures - The fair value of junior subordinated debentures was based on the discounted cash flow method. The discount rate was estimated using rates currently available for the junior subordinated debentures.

Off-Balance Sheet Financial Instruments - The estimated fair value of loan commitments approximates fees recorded associated with such commitments as of March 31, 2007 and 2006. Since the majority of the Bank's off-balance-sheet instruments consist of non-fee producing, variable rate commitments, the Bank has determined they do not have a distinguishable fair value.

Other - The carrying value of other financial instruments was determined to be a reasonable estimate of their fair value.

Limitations - The fair value estimates presented herein were based on pertinent information available to management as of March 31, 2007 and 2006. Although management was not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements on those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

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

20. COMMITMENTS AND CONTINGENCIES

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. 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 extend credit 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.

At March 31, 2007, the Company had outstanding real estate one-to-four family loan commitments of $445,000 and unused lines of credit on real estate one-to-four family loans totaled $22.3 million. Other installment loan commitments totaled $99,000 and unused lines of credit on other installment loans totaled $1.3 million at March 31, 2007. Other real estate mortgage loan commitments totaled $2.1 million and the undisbursed balance of other real estate mortgage loans closed was $16.5 million at March 31, 2007. Commercial loan commitments totaled $3.6 million and unused commercial lines of credit totaled $55.7 million at March 31, 2007. Construction loan commitments totaled $8.7 million and unused construction lines of credit totaled $73.4 million at March 31, 2007.

The allowance for unfunded loan commitments was $380,000 at March 31, 2007.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those 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 as specified above, and is required in instances where the Bank deems necessary. At March 31, 2007 and 2006, standby letters of credit totaled $2.3 million and $1.8 million, respectively.

Most of the Bank's business activity is with customers located in the states of Washington and Oregon. Investments in state and municipal securities involve government entities primarily within the state of Washington. Loans are generally limited, by federal and state banking regulation, to 10% of the Bank's

shareholder's equity, excluding accumulated other comprehensive income (loss). As of March 31, 2007 and 2006, the Bank had no individual industry concentrations.

At March 31, 2007, the Company had no firm commitments to sell residential loans to FHLMC. Typically, these agreements are short term fixed rate commitments and no material gain or loss is likely.

In connection with certain asset sales, the Bank typically makes representation and warranties about the underlying assets conforming to specified guidelines. If the underlying assets do not conform to the specifications, the Bank may have an obligation to repurchase the assets or indemnify the purchaser against loss. As of March 31, 2007 loans under warranty totaled $110.8 million, which substantially represents the unpaid principal balance of the Bank's loans serviced for others. The Bank believes that the potential for loss under these arrangements is remote. Accordingly, no contingent liability is recorded in the consolidated financial statements.

At March 31, 2007, scheduled maturities of certificates of deposit, FHLB advances, junior subordinated debentures and future operating minimum lease commitments were as follows (in thousands):

	Within 1 year	1-3 Years	4-5 Years	Over 5 Years	Total Balance
Certificates of deposit	$144,210	$46,884	$ 5,701	$ 3,079	$199,874
FHLB advances	35,050	-	-	-	35,050
Operating leases	1,698	3,059	1,587	4,348	10,692
Junior subordinated debentures	-	-	-	7,217	7,217
Total other contractual obligations	$180,958	$49,943	$ 7,288	$14,644	$252,833

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 adverse effect, if any, on the Company's financial position, results of operations, or liquidity.

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

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21. RIVERVIEW BANCORP, INC. (PARENT COMPANY)

BALANCE SHEETS
March 31, 2007 AND 2006

(Dollars in thousands)	2007	2006
ASSETS		
Cash (including interest earning accounts of $4,530 and $1,572)	$ 4,907	$ 1,651
Investment in the Bank	102,310	97,595
Other assets	1,401	629
Deferred income taxes	22	35
TOTAL ASSETS	$108,640	$99,910
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued expenses and other liabilities	$ 71	$ 50
Borrowings	7,217	7,217
Dividend payable	1,143	956
Shareholders' equity	100,209	91,687
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$108,640	$99,910

STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2007, 2006 AND 2005

(Dollars in thousands)	2007	2006	2005
INCOME:			
Dividend income from Bank	$ 7,907	$15,000	$3,813
Interest on investment securities and other short-term investments	172	73	98
Interest on loan receivable from the Bank	126	149	165
Total income	8,205	15,222	4,076
EXPENSE:			
Management service fees paid to the Bank	143	143	143
Other expenses	815	360	213
Total expense	958	503	356
INCOME BEFORE INCOME TAXES AND EQUITY IN UNDISTRIBUTED INCOME OF THE BANK	7,247	14,719	3,720
BENEFIT FOR INCOME TAXES	(231)	(363)	(31)
INCOME OF PARENT COMPANY	7,478	15,082	3,751
EQUITY IN UNDISTRIBUTED INCOME (LOSS) OF THE BANK	4,128	(5,344)	2,778

NET INCOME	$11,606	$ 9,738	$6,529

RIVERVIEW BANCORP, INC. (PARENT COMPANY)

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2007, 2006 AND 2005

(Dollars in thousands)	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$11,606	$ 9,738	$ 6,529
Adjustments to reconcile net income cash provided by operating activities:			
Equity in undistributed earnings (loss) of the Bank	(4,128)	5,344	(2,778)
Provision for deferred income taxes	13	(4)	78
Earned ESOP shares	274	558	520
Changes in assets and liabilities, net of acquisition			
Other assets	(724)	323	(301)
Accrued expenses and other liabilities	(376)	(588)	(159)
Net cash provided by operating activities	6,665	15,371	3,889
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additional investment in subsidiary	-	(5,000)	-
Acquisition, net of cash acquired	-	(18,096)	-
Net cash used by investing activities	-	(23,096)	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	(4,289)	(3,631)	(2,904)
Proceeds from borrowings	-	7,000	-
Repurchase of common stock	-	(1,228)	-
Proceeds from exercise of stock options	880	314	536
Net cash provided (used) by financing activities	(3,409)	2,455	(2,368)
NET INCREASE (DECREASE) IN CASH	3,256	(5,270)	1,521
CASH, BEGINNING OF YEAR	1,651	6,921	5,400
CASH, END OF YEAR	$ 4,907	$ 1,651	$ 6,921

RIVERVIEW BANCORP, INC.
SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

(Dollars in thousands, except share data)	Three Months Ended			
	March 31	December 31	September 30	June 30
Fiscal 2007:				
Interest income	$15,722	$16,078	$15,302	$14,198
Interest expense	6,662	6,760	6,175	5,185
Net interest income	9,060	9,318	9,127	9,013
Provision for loan losses	100	375	600	350
Non-interest income	2,218	2,410	2,291	2,115
Non-interest expense	6,851	6,461	6,272	6,769
Income before income taxes	4,327	4,892	4,546	4,009
Provision for income taxes	1,563	1,654	1,573	1,378
Net income	$ 2,764	$ 3,238	$ 2,973	$ 2,631
Basic earnings per share (1)	$ 0.24	$ 0.29	$ 0.26	$ 0.23
Diluted earnings per share	$ 0.24	$ 0.28	$ 0.26	$ 0.23
Fiscal 2006:				
Interest income	$13,078	$12,290	$11,636	$10,225
Interest expense	4,462	3,747	3,541	3,127
Net interest income	8,616	8,543	8,095	7,098
Provision for loan losses	200	400	450	450
Non-interest income	2,025	2,143	2,482	2,187
Non-interest expense	6,869	6,148	6,261	6,096
Income before income taxes	3,572	4,138	3,866	2,739
Provision for income taxes	965	1,390	1,304	918
Net income	$ 2,607	$ 2,748	$ 2,562	$ 1,821
Basic earnings per share (1)	$ 0.23	$ 0.24	$ 0.23	$ 0.17
Diluted earnings per share	$ 0.23	$ 0.24	$ 0.22	$ 0.16

(1) Quarterly earnings per share may vary from annual earnings per share due to rounding.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not Applicable

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures: An evaluation of the Company's disclosure controls and procedures (as defined in Section 13(a)-15(e) of the Securities Exchange Act of 1934) 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 as of the end of the period covered by this report. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as currently in effect are 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 as of the end of the period covered by this report.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all error and all 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 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 also 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 may 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 due to error or fraud may occur and not be detected.

(b) Changes in Internal Controls: There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Management's Annual Report on Internal Control Over Financial Reporting: The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Act). As required by Rule 13a-15(c) of the Act, management has evaluated the effectiveness of the Company's internal control over financial reporting. Management's Annual Report on Internal Control Over Financial Reporting appears in Item 9 of this Form 10-K.

RIVERVIEW BANCORP, INC

Sarbanes-Oxley 404
FY 04-05 Management's Report on Internal Controls over Financial Reporting

The management of Riverview Bancorp, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system has been designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of the company's published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The management of Riverview Bancorp, Inc. has assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2007. To make the assessment, we used the criteria for effective internal control over financial reporting described in Internal Control   Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of March 31, 2007, the Company's internal control over financial reporting met those criteria. The Company's independent registered public accounting firm that audits the Company's consolidated financial statements has issued an audit report on our assessment of the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Riverview Bancorp, Inc.
Vancouver, Washington

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Riverview Bancorp, Inc. & Subsidiary (the "Company") maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing, and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the

circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2007, of the Company and our report dated June 12, 2007, expressed an unqualified opinion on those financial statements.

/s/Deloitte & Touche LLP

Portland, Oregon
June 12, 2007

Item 9B. Other Information

There was no information to be disclosed by the Company in a report on Form

8-K during the fourth quarter of fiscal 2007 that was not so disclosed.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information contained under the section captioned "Proposal I - Election of Directors" contained in the Company's Proxy Statement for the 2007 Annual Meeting of Stockholders, and "Part I -- Business -- Personnel -- Executive Officers" of this Form 10-K, is incorporated herein by reference. Reference is made to the cover page of this Form 10-K for information regarding compliance with Section 16(a) of the Exchange Act.

Code of Ethics

In December 2003, the Board of Directors adopted the Officer and Director Code of Ethics. The code is applicable to each of the Company's officers, including the principal executive officer and senior financial officers, and requires individuals to maintain the highest standards of professional conduct. A copy of the Code of Ethics is available on the Company's website at www.riverviewbank.com.

Audit Committee Matters and Audit Committee Financial Expert

The Company has designated Gary R. Douglass, Audit Committee Chairman as its financial expert. Mr. Douglass is independent of management, a Certified Public Accountant in Washington and has been practicing public accounting for over 39 years.

Nomination Procedures

There has been no material changes to the procedures by which shareholders may recommend nominees to the Company's Board of Directors.

Item 11. Executive Compensation

The information contained under the sections captioned "Executive Compensation" and "Directors' Compensation" under "Proposal I - Election of Directors" in the Proxy Statement for the 2007 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to the sections captioned "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation" in the Proxy Statement for the 2007 Annual Meeting of Stockholders except for the information contained under the headings "Compensation Committee Report" and "Report of the Audit Compliance

Committee."

Equity Compensation Plan Information. The following table summarizes share and exercise price information about the Company's equity compensation plan as of March 31, 2007.

Plan category (A)	Number of securities to be issued upon exercise of outstanding options	Weighted-average price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column
Equity compensation plans approved by security holders:	(A)	(B)	(C)
2003 Stock Option Plan	284,000	$12.98	148,154
1998 Stock Option Plan	242,192	7.39	42,962
Equity compensation plans not approved by security holders:	-	-	-
Total	526,192		191,116

Item 13. Certain Relationships and Related Transactions

The information set forth under the section captioned "Proposal I - Election of Directors - Transactions with Management" in the Proxy Statement for the 2007 Annual Meeting of Stockholders except for the information contained under the headings "Compensation Committee Report" and "Report of the Audit Compliance Committee" is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

This information set forth under the section captioned "Independent Auditors" in the Proxy statement for the 2007 Annual Meeting of Stockholders except for the information contained under the headings "Compensation Committee Report" and "Report of the Audit Compliance Committee" is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Financial Statements
See "Part II Item 8. Financial Statements and Supplementary Data."

2. Financial Statement Schedules
All schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

3. Exhibits

3.1 Articles of Incorporation of the Registrant (1)
3.2 Bylaws of the Registrant (2)
4 Form of Certificate of Common Stock of the Registrant (1)
10.1 Employment Agreement with Patrick Sheaffer (3)
10.2 Employment Agreement with Ronald A. Wysaske (3)
10.3 Severance Agreement with Karen Nelson (3)
10.4 Severance Agreement with John A. Karas (4)
10.5 Employee Severance Compensation Plan (3)
10.6 Employee Stock Ownership Plan (5)
10.7 Management Recognition and Development Plan (6)
10.8 1998 Stock Option Plan (6)
10.9 1993 Stock Option and Incentive Plan (6)
10.10 2003 Stock Option Plan (7)
10.11 Form of Incentive Stock Option Award Pursuant to 2003 Stock Option Plan (8)
10.12 Form of Non-qualified Stock Option Award Pursuant to 2003 Stock Option Plan (8)
21 Subsidiaries of Registrant
23 Consent of Independent Registered Public Accounting Firm
23.1 Consent of Independent Registered Public Accounting Firm
31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
32 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act

(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 Current Report on Form 8-K dated April 20, 2005, and incorporated herein by reference.
(3) Filed as an exhibit to the Registrant's Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference.
(4) Filed as an exhibit to the Registrant's Form 10-K for the year ended March 31, 2002, and incorporated herein by reference.
(5) Filed as an exhibit to the Registrant's Form 10-K for the year ended March 31, 1998, and incorporated herein by reference.
(6) Filed on October 23, 1998, as an exhibit to the Registrant's Registration Statement on Form S-8, and incorporated herein by reference.
(7) Filed as an exhibit to the Registrant's Annual Meeting Proxy Statement dated 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 September 30, 2005, and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: June 8, 2007

By: /s/ Patrick Sheaffer
Patrick Sheaffer
Chairman of the Board and
Chief Executive Officer
(Duly Authorized
Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

Date: June 8, 2007

By: /s/ Ronald A. Wysaske
Ronald A. Wysaske
President and Chief Operating
Officer
Director

Date: June 8, 2007

By: /s/ Ronald L. Dobyns
Ronald L. Dobyns
Senior Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

Date: June 8, 2007

By: /s/ Paul L. Runyan
Paul L. Runyan
Vice Chairman of the Board
and Director

Date: June 8, 2007

By: /s/ Robert K. Leick
Robert K. Leick
Director

Date: June 8, 2007

By: /s/ Gary R. Douglass
Gary R. Douglass
Director

Date: June 8, 2007

By: /s/ Edward R. Geiger
Edward R. Geiger
Director

Date: June 8, 2007

By: /s/ Michael D. Allen
Michael D. Allen
Director

Date: June 8, 2007

By: /s/ Jerry C. Olson

Jerry C. Olson
Director

Date: June 8, 2007

EXHIBIT INDEX

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Exhibit 21

Subsidiaries of the Registrant

Parent

Riverview Bancorp, Inc.

Subsidiaries (a)	Percentage Owned	State of Incorporation
Riverview Community Bank	100%	Federal
Riverview Services, Inc. (b)	100%	Washington
Riverview Asset Management Corp. (b)	85%	Washington

(a) The operation of the Registrant's wholly and majority owned subsidiaries are included in the Registrant's Financial Statements contained in Item 8 of this Form 10-K.

(b) This corporation is a subsidiary of Riverview Community Bank.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Nos. 333-66049, 333-38887, and 333-109894 on Form S-8 of our reports dated June 12, 2007, relating to the consolidated financial statements of Riverview Bancorp, Inc. & Subsidiary and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Riverview Bancorp, Inc. for the year ended March 31, 2007.

/s/Deloitte & Touche LLP

June 12, 2007

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements Nos. 333-66049, 333-38887 and 333-109894 on Form S-8 of Riverview Bancorp, Inc., of our report dated June 10, 2005 relating to our audit of the consolidated statements of income, shareholders' equity and cash flows, which appear in this Annual Report on Form 10-K of Riverview Bancorp, Inc. for the year ended March 31, 2005.

/s/McGladrey & Pullen, LLP

McGladrey & Pullen, LLP
June 12, 2007

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Exhibit 31.1

Certification Required
By Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934

I, Patrick Sheaffer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Riverview Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement

of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)-4 and 15d-15(e)-4) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2007

/S/ Patrick Sheaffer

Patrick Sheaffer
Chairman and Chief Executive Officer

Exhibit 31.2

Certification Required
By Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934

I, Ronald L. Dobyns, certify that:

1. I have reviewed this Annual Report on Form 10-K of Riverview Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)-4 and 15d-15(e)-4) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board

of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2007

/S/ Ronald L. Dobyns

Ronald L. Dobyns
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned herby certifies in his capacity as an officer of Riverview Bancorp, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 and in connection with this Annual Report on Form 10-K that:

1. the report fully complies with the requirements of sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. the information contained in the report fairly presents, in all material respects, the company's financial condition and results of operations as of the dates and for the periods presented in the financial statements included in such report.

/S/ Patrick Sheaffer	/S/ Ronald L. Dobyns
Patrick Sheaffer	Ronald L. Dobyns
Chief Executive Officer	Chief Financial Officer

Dated: June 8, 2007