

REFINITIV

DELTA REPORT

10-K

RVSB - RIVERVIEW BANCORP INC

10-K - MARCH 31, 2024 COMPARED TO 10-K - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 6894

█ **CHANGES** 688

█ **DELETIONS** 1267

█ **ADDITIONS** 4939

[Table of Contents](#)

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

FORM 10-K

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

For the Fiscal Year Ended March 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 **FOR THE TRANSITION PERIOD FROM _____ TO _____**

Commission File Number: 000-22957

RIVERVIEW BANCORP, INC.

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation or organization)

91-1838969

(I.R.S. Employer I.D. Number)

900 Washington St., Ste. 900, Vancouver, Washington

(Address of principal executive offices)

98660

(Zip Code)

Registrant's telephone number, including area code:

(360) 693-6650

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, Par Value \$0.01 per share

Trading Symbol(s)

RVSB

Name of each exchange on which registered

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

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 Select Market System under the symbol "RVSB" on September 30, 2022 September 30, 2023 was \$136,570,288 (21,507,132 \$117,459,943 (21,125,889 shares at \$6.35 \$5.56 per share). As of June 14, 2023 June 14, 2024, there were 21,118,086 21,111,043 shares issued and outstanding of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's Definitive Proxy Statement for the 2023 2024 Annual Meeting of Stockholders (Part III), which will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

[Table of Contents](#)

[Table of Contents](#)

	PAGE
<u>PART I</u>	
<u>Item 1. Business</u>	4
<u>Item 1A. Risk Factors</u>	32 30
<u>Item 1B. Unresolved Staff Comments</u>	45 42
<u>Item 1C. Cybersecurity</u>	42
<u>Item 2. Properties</u>	45 43
<u>Item 3. Legal Proceedings</u>	45 43
<u>Item 4. Mine Safety Disclosures</u>	45 44
<u>PART II</u>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	46 45
<u>Item 6. [Reserved]</u>	46 45
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	47 46
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	61 60
<u>Item 8. Financial Statements and Supplementary Data</u>	63 62
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	107 108
<u>Item 9A. Controls and Procedures</u>	107 108

Item 9B.	Other Information	107 108
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	107 108
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	108 109
Item 11.	Executive Compensation	108 109
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	108 109
Item 13.	Certain Relationships and Related Transactions, and Director Independence	109 110
Item 14.	Principal Accounting Accountant Fees and Services	109 110
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	110 111
Item 16.	Form 10-K Summary	110 111
Signatures		111 112

[Table of Contents](#)

References in this document to "Riverview" refer to Riverview Bancorp, Inc. and references to the "Bank" refer to Riverview Bank. References to "we," "our," "us," or the "Company" refer to Riverview and its consolidated subsidiaries, including the Bank, unless the context indicates otherwise.

[Forward-Looking Statements](#)

"Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995 ("PSLRA"): When used in this Form 10-K, the words "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook," or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could," or similar expressions are intended to identify "forward-looking statements" within the meaning of the PSLRA. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions, future economic performance and projections of financial items. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by our forward-looking statements, including, but not limited to: potential adverse impacts to economic conditions in our local market areas, other markets where the Company has lending relationships, or other aspects of the Company's business operations or financial markets, including, without limitation, as a result of employment levels, labor shortages and the effects of inflation, a potential recession, [the failure of the U.S. Congress to increase the debt ceiling](#), or slowed economic growth caused by increasing political instability from acts of war; changes in the interest rate environment, including the recent increases in the Board of war including Russia's invasion of Ukraine, as well as supply chain disruptions, recent the Federal Reserve System ("Federal Reserve") benchmark rate and duration at which such increased interest rate levels are maintained, which could adversely affect our revenues and expenses, the value of assets and obligations, and the availability and cost of capital and liquidity; the impact of continuing high inflation and the current and future monetary policies of the Federal Reserve in response thereto; the effects of any federal government shutdown; the impact of bank failures or adverse developments at other banks, and any governmental or societal responses thereto; the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in the Company's allowance for [loan credit losses \("ACL"\)](#) and provision for [loan credit losses](#) that may be impacted by deterioration in the housing and commercial real estate markets; changes in the levels of general interest rates, and the relative differences between short and long-term interest rates, deposit interest rates, the Company's net interest margin and funding sources; [the transition away from London Interbank Offered Rate \("LIBOR"\) toward new interest rate benchmarks](#); fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in the Company's market areas; secondary market conditions for loans and the Company's ability to originate loans for sale and sell loans in the secondary market; results of examinations of the Bank by the Federal Deposit Insurance Corporation ("FDIC") and the Washington State Department of Financial Institutions, Division of Banks ("WDFI"), and of the Company by the [Board of Governors of the Federal Reserve System \("Federal Reserve"\)](#), or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require

the Company to increase its allowance for loan losses, ACL, write-down assets, reclassify its assets, change the Bank's regulatory capital position or affect the Company's ability to borrow funds or maintain or increase deposits, which could adversely affect its liquidity and earnings; legislative or regulatory changes that adversely affect the Company's business including changes in banking, securities and tax law, and in regulatory policies and principles, or the interpretation of regulatory capital or other rules; the Company's ability to attract and retain deposits; the unexpected outflow of uninsured deposits that may require us to sell investment securities at a loss; the Company's ability to control operating costs and expenses; the use of estimates in determining fair value of certain of the Company's assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans on the Company's consolidated balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect the Company's workforce and potential associated charges; disruptions, security breaches or other adverse events, failures or interruptions in or attacks on our information technology systems or on the third-party vendors who perform several of our critical processing functions; the Company's ability to retain key members of its senior management team; costs and effects of litigation, including settlements and judgments; the Company's ability to implement its business strategies; the Company's ability to successfully integrate any assets, liabilities, customers, systems, and management personnel it may acquire into its operations and the Company's ability to realize related revenue synergies and cost savings within expected time frames; future goodwill impairment due to changes in Riverview's business, changes in market conditions, or other factors; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; the Company's ability to pay dividends on its common stock; the quality and composition of our securities portfolio and the impact of and adverse changes in the securities markets, including market liquidity; inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting standards; the effects of climate change, severe weather events, natural disasters, pandemics, epidemics and other public health crises, acts of war or terrorism, civil unrest, and other external events on our business; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company's operations, pricing, products and services, and the other risks described from time to time in our reports filed with and furnished to the U.S. Securities and Exchange Commission ("SEC").

The Company cautions readers not to place undue reliance on any forward-looking statements. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to the Company. The Company does not undertake and specifically disclaims any obligation to revise any forward-looking statements included in this report or the reasons why actual results could differ from those contained in such statements, whether as a result of new information or to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. These risks could cause our actual results for fiscal 2024 2025 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us and could negatively affect the Company's consolidated financial condition and consolidated results of operations as well as its stock price performance.

[Table of Contents](#)

PART I

Item 1. Business

General

Riverview Bancorp, Inc., a Washington corporation, is the bank holding company of Riverview Bank. At March 31, 2023 March 31, 2024, the Company had total assets of \$1.6 billion \$1.52 billion, total deposits of \$1.3 billion \$1.23 billion and total shareholders' equity of \$155.2 million \$155.6 million. The Company's executive offices are located in Vancouver, Washington. The Bank has two subsidiaries Riverview Trust Company (the "Trust Company") and Riverview Services, Inc. ("Riverview Services"). The Trust Company is a trust and financial services company located in downtown Vancouver, Washington, and provides full-service brokerage activities, trust and asset management services. Riverview Services acts as a trustee for deeds of trust on mortgage loans granted by the Bank and receives a reconveyance fee for each deed of trust.

Substantially all of the Company's business is conducted through the Bank, which until April 28, 2021, was a federal savings bank subject to extensive regulation by the Office of the Comptroller of the Currency ("OCC"). The Bank converted from a federally chartered savings bank to a Washington state-chartered commercial bank on April 28, 2021. As a Washington state-chartered commercial bank, the Bank's regulators are the Washington State Department of Financial Institutions ("WDFI") WDFI and the Federal Deposit Insurance Corporation ("FDIC") FDIC, the insurer of its deposits. The Bank's deposits are insured up to applicable limits by the FDIC. The Board of Governors of the Federal Reserve System ("Federal Reserve") remains the primary federal regulator for the Company. In connection with the Bank's charter conversion, the Company converted from a Savings and Loan

Holding Company to a Bank Holding Company. The Bank is also a member of the Federal Home Loan Bank of Des Moines ("FHLB") which is one of the 11 regional banks in the Federal Home Loan Bank System ("FHLB System").

As a progressive, community-oriented financial services company, the Company emphasizes local, personal service to residents of its primary market area. The Company considers Clark, Klickitat and Skamania counties of Washington, and Multnomah, Washington and Marion counties of Oregon as its primary market area. The Company is engaged predominantly in the business of attracting deposits from the general public and using such funds in its primary market area to originate commercial business, commercial real estate, multi-family real estate, land, real estate construction, residential real estate and other consumer loans. The Company's loans receivable, net, totaled **\$1.01 billion at March 31, 2024** compared to \$993.5 million at March 31, 2023 **compared to \$975.9 million at March 31, 2022.**

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

Our strategic plan also stresses increased emphasis on non-interest income, including increased fees for asset management through the Trust Company and deposit service charges. The strategic plan is designed to enhance earnings, reduce interest rate risk and provide a more complete range of financial services to customers and the local communities the Company serves. We believe we are well positioned to attract new customers and to increase our market share through our 17 branch locations, including, among others, 10 in Clark County, three in the Portland metropolitan area and three lending centers.

[Table of Contents](#)

Market Area

The Company conducts operations from its home office in Vancouver, Washington and 17 branch offices located in Camas, Washougal, Stevenson, White Salmon, Battle Ground, Goldendale, Ridgefield and Vancouver, Washington (six branch offices), and Portland, Gresham, Tualatin and Aumsville, Oregon. The Trust Company has two locations, one in downtown Vancouver, Washington and one in Lake Oswego, Oregon, providing full-service brokerage activities, trust and asset management services. Riverview Mortgage, a mortgage broker division of the Bank, originates mortgage loans for various mortgage companies predominantly in the Vancouver/Portland metropolitan areas, as well as for the Bank. The Bank's Business and Professional Banking Division, with two lending offices located in Vancouver and one in Portland, offers commercial and business banking services.

Vancouver is located in Clark County, Washington, which is just north of Portland, Oregon. Many businesses are located in the Vancouver area because of the favorable tax structure and lower energy costs in Washington as compared to Oregon. Companies located in the Vancouver area include: Sharp Microelectronics, Hewlett Packard, Georgia Pacific, Underwriters Laboratory, WaferTech, **Nautilus**, Barrett Business Services, PeaceHealth and Banfield Pet Hospitals, as well as several support industries. In addition to this industry base, the Columbia River Gorge Scenic Area and the Portland metropolitan area are sources of tourism.

Lending Activities

General. At **March 31, 2023** **March 31, 2024**, the Company's net loans receivable totaled **\$993.5 million** **\$1.01 billion**, or **62.5%** **66.3%** of total assets at that date. The principal lending activity of the Company is the origination of loans collateralized by commercial properties and commercial business 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. The Company's lending activities are subject to the written, non-discriminatory, underwriting standards and loan origination procedures established by the Bank's Board of Directors ("Board") and management. The customary sources of loan originations are realtors, walk-in customers, referrals and existing customers. The Bank also uses commissioned loan brokers and print advertising to market its products and services. Loans are approved at various levels of management, depending upon the amount of the loan. Our current loan policy generally limits the maximum amount of loans we can make to one borrower 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). The regulatory limit of loans we can make to

one borrower is 20% of total risk-based capital, or **\$36.4 million** **\$35.5 million**, at **March 31, 2023** **March 31, 2024**. At this date, the Bank's largest lending relationship with one borrower was **\$29.5 million** **\$28.7 million**, which consisted of a multi-family loan of **\$17.6 million** **\$17.2 million** and a commercial real estate loan of **\$11.9 million** **\$11.5 million**, both of which were performing in accordance with their original payment terms at **March 31, 2023** **March 31, 2024**.

Loan Portfolio Analysis. The following table sets forth the composition of the Company's loan portfolio, excluding loans held for sale, by type of loan at the dates indicated (dollars in thousands):

	At March 31,				At March 31,			
	2023		2022		2024		2023	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial and construction:								
Commercial business	\$ 232,868	23.08 %	\$ 228,091	23.03 %	\$ 229,404	22.40 %	\$ 232,868	23.08 %
Commercial real estate	564,496	55.95	582,837	58.85	583,501	56.98	564,496	55.95
Land	6,437	0.64	11,556	1.16	5,693	0.56	6,437	0.64
Multi-family	55,836	5.54	60,211	6.08	70,771	6.91	55,836	5.54
Real estate construction	47,762	4.73	24,160	2.44	36,538	3.57	47,762	4.73
Total commercial and construction	907,399	89.94	906,855	91.56	925,907	90.42	907,399	89.94
Consumer:								
Real estate one-to-four family	99,673	9.88	82,006	8.28	96,366	9.41	99,673	9.88
Other installment	1,784	0.18	1,547	0.16	1,740	0.17	1,784	0.18
Total consumer	101,457	10.06	83,553	8.44	98,106	9.58	101,457	10.06
Total loans	1,008,856	100.00 %	990,408	100.00 %	1,024,013	100.00 %	1,008,856	100.00 %
Less:								
Allowance for loan losses	15,309		14,523					
ACL / Allowance for loan and lease losses ("ALLL")								
Total loans receivable, net	\$ 993,547		\$ 975,885		\$ 1,008,649		\$ 993,547	

[Table of Contents](#)

Loan Portfolio Composition. The following tables set forth the composition of the Company's commercial and construction loan portfolio based on loan purpose at the dates indicated (in thousands):

	Other				Commercial and				Commercial			
					Commercial				Commercial			
	Commercial		Real Estate		Real Estate		Construction		Commercial	Real Estate	Commercial	Real Estate
	Commercial	Business	Real Estate	Mortgage	Real Estate	Construction	Construction	Total	Business	Mortgage	Construction	Total
March 31, 2023												
March 31, 2024												
Commercial business	\$ 232,859	\$ —	\$ —	\$ —	\$ 232,859	\$ 229,404	\$ —	\$ —	\$ 229,404	\$ —	\$ —	\$ 229,404
SBA PPP	9	—	—	—	9	—	—	—	—	—	—	—
Commercial construction	—	—	29,565	—	29,565	—	—	—	—	20,388	—	20,388
Office buildings	—	117,045	—	—	117,045	—	114,714	—	—	—	114,714	—

Warehouse/industrial	—	106,693	—	106,693	—	106,649	—	106,649
Retail/shopping centers/strip malls	—	82,700	—	82,700	—	89,448	—	89,448
Assisted living facilities	—	396	—	396	—	378	—	378
Single purpose facilities	—	257,662	—	257,662	—	272,312	—	272,312
Land	—	6,437	—	6,437	—	5,693	—	5,693
Multi-family	—	55,836	—	55,836	—	70,771	—	70,771
One-to-four family construction	—	—	18,197	18,197	—	—	16,150	16,150
Total	\$ 232,868	\$ 626,769	\$ 47,762	\$ 907,399	\$ 229,404	\$ 659,965	\$ 36,538	\$ 925,907

March 31, 2022

March 31, 2023

Commercial business	\$ 225,006	\$ —	\$ —	\$ 225,006	\$ 232,868	\$ —	\$ —	\$ 232,868
SBA PPP	3,085	—	—	3,085	—	—	—	—
Commercial construction	—	—	12,741	12,741	—	—	29,565	29,565
Office buildings	—	124,690	—	124,690	—	117,045	—	117,045
Warehouse/industrial	—	100,184	—	100,184	—	106,693	—	106,693
Retail/shopping centers/strip malls	—	97,192	—	97,192	—	82,700	—	82,700
Assisted living facilities	—	663	—	663	—	396	—	396
Single purpose facilities	—	260,108	—	260,108	—	257,662	—	257,662
Land	—	11,556	—	11,556	—	6,437	—	6,437
Multi-family	—	60,211	—	60,211	—	55,836	—	55,836
One-to-four family construction	—	—	11,419	11,419	—	—	18,197	18,197
Total	\$ 228,091	\$ 654,604	\$ 24,160	\$ 906,855	\$ 232,868	\$ 626,769	\$ 47,762	\$ 907,399

Commercial Business Lending. At **March 31, 2023** **March 31, 2024**, the commercial business loan portfolio totaled **\$232.9 million** **\$229.4 million**, or **23.1% 22.4%** of total loans. Commercial business loans are typically secured by business equipment, accounts receivable, inventory or other property. The Company's commercial business 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 usually 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 business lending typically involves risks that are different from those associated with residential and commercial real estate lending. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment because accounts receivable may be uncollectible and inventories may be obsolete or of limited use, among other things. Accordingly, the repayment of commercial business loans depends primarily on the cash flow and creditworthiness of the borrower and secondarily on the underlying collateral provided by the borrower. Additionally, the borrower's cash flow may be unpredictable and collateral securing these loans may fluctuate in value. At **March 31, 2024**, the Company had one commercial business loan totaling **\$58,000** on non-accrual status compared to two commercial business loans totaling **\$97,000** at **March 31, 2023**.

Table of Contents

Other Real Estate Mortgage Lending. The Company originates other real estate mortgage loans secured by office buildings, warehouse/industrial, retail, assisted living facilities and single-purpose facilities (collectively "commercial real estate loans" or "CRE") and land and multi-family loans primarily located in its market area, collectively referred to herein as the "other real estate mortgage loan portfolio". At **March 31, 2023** **March 31, 2024**,

the other commercial real estate and multi-family real estate mortgage loan portfolio portfolios totaled \$564.5 million \$583.5 million and \$70.8 million, or 56.0% 57.0% and 6.9% of total loans, loans, respectively. At March 31, 2023 March 31, 2024, owner occupied properties accounted for 27.8% 25.1% and non-owner occupied properties accounted for 72.2% 74.9% of the Company's commercial real estate loans.

Commercial real estate and multi-family loans typically have higher loan balances, are more difficult to evaluate and monitor, and involve a higher degree of risk than residential one-to-four family loans. As a result, commercial real estate and multi-family loans are generally priced at a higher rate of interest than residential one-to-four family 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. 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. The Company seeks to minimize these risks by generally limiting the maximum loan-to-value ratio to 80% and strictly scrutinizing the financial condition of the borrower, the quality of the collateral and the management of the property securing the loan. Loans are secured by first mortgages and often require specified debt service coverage ("DSC") ratios depending on the characteristics of the collateral. The Company generally imposes a minimum DSC ratio of 1.20 for loans secured by income producing properties. Rates and other terms on such loans generally depend on our assessment of credit risk after considering such factors as the borrower's financial condition and credit history, loan-to-value ratio, DSC ratio and other factors.

The Company actively pursues commercial real estate loans. Loan demand within the Company's market area was competitive in fiscal year 2023 as economic conditions and competition for strong credit-worthy borrowers remained high. At March 31, 2023, the Company had one commercial real estate loan of \$79,000 and \$100,000 on non-accrual status. At March 31, 2022, the Company had one commercial real estate loan of \$122,000 on non-accrual status, status at March 31, 2024 and 2023, respectively. For more information concerning risks related to commercial real estate loans, see Item 1A. "Risk Factors – Risks Related to Our Lending Activities – Commercial and multi-family real estate lending involves higher risks than one-to-four family real estate and other consumer lending, which exposes us to increased lending risks."

Land loans represent loans made to developers for the purpose of acquiring raw land and/or for the subsequent development and sale of residential lots. Such loans typically finance land purchases and infrastructure development of properties (e.g., roads, utilities, etc.) with the aim of making improved lots ready for subsequent sales to consumers or builders for ultimate construction of residential units. The primary source of repayment is generally the cash flow from developer sale of lots or improved parcels of land, secondary sources and personal guarantees, which may provide an additional measure of security for such loans.

At March 31, 2023 March 31, 2024, land loans totaled \$6.4 million \$5.7 million, or 0.64% 0.6% of total loans, compared to \$11.6 million \$6.4 million, or 1.16% 0.6% of total loans at March 31, 2022 March 31, 2023. The largest land loan had an outstanding balance at March 31, 2023 March 31, 2024 of \$1.8 million \$2.4 million and was performing according to its original payment terms. At March 31, 2023 March 31, 2024, all of the land loans were secured by properties located in Washington and Oregon. At March 31, 2023 March 31, 2024 and 2022, 2023, the Company had no land loans on non-accrual status.

Real Estate Construction. The Company originates three types of residential construction loans: (i) speculative construction loans, (ii) custom/presold construction loans and (iii) construction/permanent loans. The Company also originates construction loans for the development of business properties and multi-family dwellings. All of the Company's real estate construction loans were made on properties located in Washington and Oregon.

[Table of Contents](#)

The composition of the Company's construction loan portfolio, including undisbursed funds, was as follows at the dates indicated (dollars in thousands):

	At March 31,				At March 31,			
	2023		2022		2024		2023	
	Amount (1)	Percent	Amount (1)	Percent	Amount (1)	Percent	Amount (1)	Percent
Speculative construction	\$ 16,224	19.23 %	\$ 16,561	26.22 %	\$ 15,358	16.61 %	\$ 16,224	19.23 %
Commercial/multi-family construction	63,973	75.85	37,429	59.27	75,095	81.22	63,973	75.85

Custom/presold construction	4,149	4.92	9,160	14.51	2,003	2.17	4,149	4.92
Total	\$ 84,346	100.00 %	\$ 63,150	100.00 %	\$ 92,456	100.00 %	\$ 84,346	100.00 %

(1) Includes undisbursed funds of \$55.9 million and \$36.6 million at March 31, 2024 and \$39.0 million at March 31, 2023 and 2022, respectively.

At March 31, 2023 March 31, 2024, the balance of the Company's construction loan portfolio, including undisbursed funds, was \$84.3 million \$92.5 million compared to \$63.2 million \$84.3 million at March 31, 2022 March 31, 2023. The \$21.1 million \$8.1 million increase was primarily due to a \$26.5 million \$11.1 million increase in commercial/multi-family construction loans, partially offset by a decrease of \$5.0 million \$2.1 million in custom/presold construction loans. The Company plans to continue to proactively manage its construction loan portfolio in fiscal year 2024 2025 while continuing to originate new construction loans to selected customers.

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 service the speculative construction loan and finance real estate taxes and other carrying costs of the completed home for a significant period of time after the completion of construction until a home buyer is identified. The largest speculative construction loan at March 31, 2023 March 31, 2024 was a loan to finance the construction of 36 townhomes totaling \$8.1 million \$8.2 million that is secured by property located in the Company's market area. The average balance of loans in the speculative construction loan portfolio at March 31, 2023 March 31, 2024 was \$959,000, \$907,000. At March 31, 2023 March 31, 2024 and 2022, 2023, the Company had no speculative construction loans on non-accrual status.

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. Presold construction loans are generally originated for a term of 12 months. At March 31, 2023 March 31, 2024 and 2022, 2023, presold construction loans totaled \$4.1 million \$2.0 million and \$4.5 million \$4.1 million, respectively.

The composition of land and speculative/presold construction loans by geographical area is as follows at the dates indicated (in thousands):

	Northwest				Southwest				Other				Northwest	Southwest	Other			
	Oregon	Washington	Washington	Total	Oregon	Washington	Washington	Total	Oregon	Washington	Washington	Total						
March 31, 2023																		
March 31, 2024																		
Land	\$ 1,884	4,553	\$ —	\$ 6,437	\$ —	5,338	\$ 355	\$ 5,693										
Speculative and presold construction	—	17,105	1,092	18,197	—	15,158	992	16,150										
Total	\$ 1,884	\$ 21,658	\$ 1,092	\$ 24,634	\$ —	\$ 20,496	\$ 1,347	\$ 21,843										
March 31, 2022																		
March 31, 2023																		
Land	\$ 2,111	9,445	\$ —	\$ 11,556	\$ 1,884	4,553	\$ —	\$ 6,437										
Speculative and presold construction	—	10,989	430	11,419	—	17,105	1,092	18,197										
Total	\$ 2,111	\$ 20,434	\$ 430	\$ 22,975	\$ 1,884	\$ 21,658	\$ 1,092	\$ 24,634										

Unlike speculative and presold construction loans, custom construction loans are made directly to the homeowner. 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

[Table of Contents](#)

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 adjustable rate mortgage ("ARM") loan or use its mortgage

[Table of Contents](#)

brokerage capabilities to obtain permanent financing for the customer with another lender. For adjustable rate loans, the interest rates adjust on their first adjustment date. See "Mortgage Brokerage" and "Mortgage Loan Servicing" below for more information. At **March 31, 2023** **March 31, 2024**, the Company had no construction/permanent loans.

The Company provides construction financing for non-residential business properties and multi-family dwellings. At **March 31, 2023** **March 31, 2024**, commercial construction loans totaled **\$29.6 million** **\$20.4 million**, or **61.9%** **55.8%** of total real estate construction loans, and **2.9%** **2.0%** of total loans. Borrowers may be the business owner/occupier of the building who intends to operate their business from the property upon construction, or non-owner developers. The expected source of repayment of these loans is typically the sale or refinancing of the project upon completion of the construction phase. In certain circumstances, the Company may provide or commit to take-out financing upon construction. Take-out financing is subject to the project meeting specific underwriting guidelines. No assurance can be given that such take-out financing will be available upon project completion. These loans are secured by office buildings, retail rental space, mini storage facilities, assisted living facilities and multi-family dwellings located in the Company's market area. At **March 31, 2023** **March 31, 2024**, the largest commercial construction loan had a balance of **\$6.6 million** **\$4.7 million** and was performing according to its original repayment terms. The average balance of loans in the commercial construction loan portfolio at **March 31, 2023** **March 31, 2024** was **\$2.1 million** **\$1.5 million**. At **March 31, 2023** **March 31, 2024** and **2022**, the Company had no commercial construction loans on non-accrual status.

The Company has originated construction and land acquisition and development loans where a component of the cost of the project was the interest required to service the debt during the construction period of the loan, sometimes known as interest reserves. The Company allows disbursements of this interest component as long as the project is progressing as originally projected and if there has been no deterioration in the financial standing of the borrower or the underlying project. If the Company **makes a determination** **determines** that there is such deterioration, or if the loan becomes nonperforming, the Company halts any disbursement of those funds identified for use in paying interest. In some cases, additional interest reserves may be taken by use of deposited funds or through credit lines secured by separate and additional collateral. For additional information concerning the risks related to construction lending, see Item 1A. "Risk Factors – Risks Related to our Lending Activities – Our real estate construction **loans are based upon estimates of costs and the value of the completed project, and as with** **land acquisition and development loans expose us** **may be more difficult to risk liquidate, if necessary.**"

Consumer Lending. Consumer loans totaled **\$101.5 million** **\$98.1 million** at **March 31, 2023** **March 31, 2024** and were comprised of **\$88.8 million** **\$82.4 million** of real estate one-to-four family loans, **\$10.3 million** **\$13.5 million** of home equity lines of credit, **\$552,000** **\$452,000** of land loans to consumers for the future construction of one-to-four family homes and **\$1.8 million** **\$1.7 million** of other secured and unsecured consumer loans.

The majority of our real estate one-to-four family loans are located in the Company's primary market area. Underwriting standards require that real estate one-to-four family loans generally be owner occupied and that originated loan amounts not exceed 80% (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. At **March 31, 2023** **March 31, 2024**, the Company had **one residential real estate loan totaling \$36,000** **on non-accrual status compared to** three residential real estate loans totaling **\$86,000** **on non-accrual status compared to** two residential real estate loans totaling **\$51,000** at **March 31, 2022** **March 31, 2023**. All of these loans were secured by properties located in Oregon and Washington. The Company no longer originates real estate one-to-four family loans. **During the fiscal year 2023, the Company purchased \$26.8 million real estate one-to-four family loans as a way to supplement loan originations in this category.**

The Company also originates a variety of installment loans, including loans for debt consolidation and other purposes, automobile loans, boat loans and savings account loans. At **March 31, 2023** **March 31, 2024** and **2022**, the Company had no installment loans on non-accrual status. The Company did not purchase any automobile loans during fiscal years **2023** **2024** and **2022** **2023** and does not have plans to purchase any additional automobile loan pools.

Installment 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. In these cases, we face the risk that any collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance. Thus, the recovery and sale of such property could be insufficient to compensate us for the principal outstanding on these loans as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower's continuing financial stability and are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit our ability to recover on such loans.

[Table of Contents](#)

Loan Maturity. The following table sets forth certain information at **March 31, 2023** **March 31, 2024** regarding the dollar amount of loans maturing in the loan portfolio based on their contractual terms to maturity, but does not include potential prepayments. Demand

[Table of Contents](#)

loans, loans having no stated schedule of repayments or stated maturity and overdrafts are reported as due in one year or less. Loan balances are reported net of deferred fees (in thousands):

	Within	Between 1-5	Between 5-15	Beyond 15	Total	Within	Between 1-5	Between 5-15	Beyond 15	Total
	1 Year	Years	Years	Years		1 Year	Years	Years	Years	
Commercial and construction:										
Commercial business	\$10,646	\$ 28,033	\$ 100,415	\$ 93,774	\$ 232,868	\$ 7,523	\$ 24,806	\$ 92,014	\$ 105,061	\$ 229,404
Commercial real estate	13,862	145,950	397,232	7,452	564,496	19,352	170,446	389,298	4,405	583,501
Land	3,284	1,885	1,268	—	6,437	—	4,146	1,547	—	5,693
Multi-family	83	5,199	48,639	1,915	55,836	50	2,842	65,371	2,508	70,771
Real estate construction	9,103	7,106	31,553	—	47,762	5,698	2,761	28,079	—	36,538
Total commercial and construction	36,978	188,173	579,107	103,141	907,399	32,623	205,001	576,309	111,974	925,907
Consumer:										
Real estate one-to-four family	—	596	3,552	95,525	99,673	24	458	2,998	92,886	96,366
Other installment	49	1,274	461	—	1,784	69	1,507	130	34	1,740
Total consumer	49	1,870	4,013	95,525	101,457	93	1,965	3,128	92,920	98,106

Total loans	\$37,027	\$ 190,043	\$ 583,120	\$ 198,666	\$ 1,008,856	\$32,716	\$ 206,966	\$ 579,437	\$ 204,894	\$ 1,024,013
-------------	----------	------------	------------	------------	--------------	----------	------------	------------	------------	--------------

The following table sets forth the dollar amount of loans due after one year from March 31, 2023 March 31, 2024, which have fixed and adjustable interest rates (in thousands):

	Adjustable			Adjustable		
	Fixed Rate	Rate	Total	Fixed Rate	Rate	Total
Commercial and construction:						
Commercial business	\$ 138,306	\$ 83,916	\$ 222,222	\$ 128,844	\$ 93,037	\$ 221,881
Commercial real estate	295,059	255,575	550,634	303,035	261,114	564,149
Land	2,528	625	3,153	2,434	3,259	5,693
Multi-family	46,865	8,888	55,753	48,398	22,323	70,721
Real estate construction	20,994	17,665	38,659	12,876	17,964	30,840
Total commercial and construction	503,752	366,669	870,421	495,587	397,697	893,284
Consumer:						
Real estate one-to-four family	86,864	12,809	99,673	80,532	15,810	96,342
Other installment	1,355	380	1,735	1,217	454	1,671
Total consumer	88,219	13,189	101,408	81,749	16,264	98,013
Total loans	\$ 591,971	\$ 379,858	\$ 971,829	\$ 577,336	\$ 413,961	\$ 991,297

Loan Commitments. The Company issues commitments to originate commercial loans, other real estate mortgage loans, construction loans, real estate one-to-four family ("home equity") loans and other installment 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 originate loans are conditional and are honored for up to 45 days subject to the Company's usual terms and conditions. Collateral is not required to support commitments. At March 31, 2023 March 31, 2024, the Company had outstanding commitments to originate loans of \$12.5 million \$10.0 million compared to \$20.0 million \$12.5 million at March 31, 2022 March 31, 2023.

Mortgage Brokerage. The Company employs commissioned brokers who originate mortgage loans (including construction loans) for various mortgage companies. The loans 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 1.5% to 2.0% of the loan amount that it shares with the commissioned broker. Loans previously brokered to the Company are closed on the Company's books and the commissioned broker receives a portion of the origination fee. Beginning in fiscal year 2021, the Company transitioned to a model where it no longer originates and sells mortgage loans to the Federal Home Loan Mortgage Company ("FHLMC") as all mortgage loan originations are instead brokered to various third-party mortgage companies. The Company does, however, continue to service its existing FHLMC portfolio. Brokered loans totaled \$22.0 million \$21.3 million and \$58.1 million \$22.0 million as of March 31, 2023 March 31, 2024 and 2022 2023, respectively. There were no loans brokered to the Company for the fiscal year ended March 31, 2023 March 31, 2024 and 2022 2023. Gross fees of \$213,000 and \$346,000, including brokered loan fees, were earned in the fiscal year ended March 31, 2023 March 31, 2024 and 2022 2023. For the fiscal year ended March 31, 2022, gross fees earned were \$1.1 million, which included brokered loan fees March 31, 2024 and fees for loans sold to the FHLMC 2023. 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

[Table of Contents](#)

of loan fees generally decrease as a result of decreased 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 the FHLMC. Prior to the fiscal year ended March 31, 2021, the Company historically sold its fixed-rate residential one-to-four family mortgage loans that it originated with maturities of 15 years or more and balloon mortgages to the FHLMC as part of its asset/liability strategy. Mortgage loans were sold to the FHLMC on a non-recourse basis whereby foreclosure losses are the responsibility of the FHLMC and not the Company. Upon sale, the Company continues to collect payments on the loans, supervise foreclosure

proceedings, and otherwise service the loans. At **March 31, 2023** **March 31, 2024**, total loans serviced for others were **\$63.4 million** **\$67.3 million**, of which **\$36.5 million** **\$31.4 million** were serviced for the FHLMC.

Nonperforming Assets. Nonperforming assets were **\$178,000** or **0.01%** of total assets at **March 31, 2024** compared with **\$1.9 million** or **0.12%** of total assets at **March 31, 2023** compared with **\$22.1 million** or **1.27%** of total assets at **March 31, 2022**. The Company had net recoveries totaling **\$13,000** and **\$36,000** during fiscal **2024** and **2023**, compared to net charge-offs of **\$30,000** during fiscal **2022**, respectively. The decrease in nonperforming assets is attributed to the progress made in resolving the delay in servicing transfer between two third-party servicers of SBA and United States Department of Agriculture ("USDA") government guaranteed loans, as further discussed below. Non-performing SBA and USDA government guaranteed loans totaled **\$5,000** at **March 31, 2024** compared to **\$1.6 million** at **March 31, 2023** compared to **\$21.8 million** at **March 31, 2022**.

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

The Company continues to proactively manage its residential construction and land acquisition and development loan portfolios. At **March 31, 2023** **March 31, 2024**, the Company's residential construction and land acquisition and development loan portfolios were **\$18.2 million** **\$16.2 million** and **\$6.4 million** **\$5.7 million**, respectively, as compared to **\$11.4 million** **\$18.2 million** and **\$11.6 million** **\$6.4 million**, respectively, at **March 31, 2022** **March 31, 2023**. At **March 31, 2023** **March 31, 2024** and **2022, 2023**, there were no nonperforming loans in the residential construction loan portfolio or the land acquisition and development portfolio. For the years ended **March 31, 2023** **March 31, 2024** and **2022, 2023**, there were no charge-offs or recoveries in the residential construction and land acquisition and development loan portfolios.

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

	March 31, 2023		March 31, 2022		March 31, 2024		March 31, 2023	
	Number of Loans	Balance	Number of Loans	Balance	Number of Loans	Balance	Number of Loans	Balance
Commercial business	1	\$ 79	1	\$ 100	1	\$ 58	1	\$ 79
Commercial real estate	1	100	1	122	1	79	1	100
Consumer	3	86	2	51	1	36	3	86
Subtotal	5	265	4	273	3	173	5	265
SBA and USDA Government								
Guaranteed	6	1,587	66	21,826	1	5	6	1,587
Total	11	\$ 1,852	70	\$ 22,099	4	\$ 178	11	\$ 1,852

The Company continues its efforts to work out problem loans, seek full repayment or pursue foreclosure proceedings and has made significant progress in regards to the SBA and USDA government guaranteed loan servicing transfer. At **March 31, 2023**, the Bank holds approximately **\$1.6 million** of the government guaranteed portion of SBA and USDA loans originated by other banks that, when purchased, were placed into a Direct Registration Certificate ("DRC") program by the SBA's former fiscal transfer agent, Colson Inc. ("Colson") that remain to be reconciled. Under the DRC program, Colson was required to remit monthly payments to the investor holding the guaranteed balance, whether or not a payment had actually been received from the borrower. In 2020, Colson did not successfully retain its existing contract as the SBA's fiscal transfer agent and began transitioning servicing over to a new company called Guidehouse. In late 2021, Guidehouse, under their contract with the SBA, declined to continue the DRC program. After declining to continue the DRC program, all payments under the DRC program began to be held by Guidehouse or Colson until the DRC program could be unwound and the DRC holdings converted into normal pass through certificates. As part of unwinding the DRC program, Colson has requested investors who had received payments in advance of the borrower actually remitting payment return advanced funds before they will process the conversion of certificates. The Bank

continues to work with Colson on the reconciliation and transfer of the two remaining loans. The Bank expects the reconciliation and unwinding process to continue and until these processes are completed for all loans being transferred, with such loans continuing to be reflected as past due. These nonperforming government guaranteed loans are not considered non-accrual loans because there is no concern of the collectability of the full principal and interest given the Company purchased the guaranteed portion of these loans which is backed by government guaranteed interest certificates. At **March 31, 2023** **March 31, 2024**, all of the Company's nonperforming loans exclusive of the SBA and USDA government guaranteed loans are to borrowers with properties located in Southwest Washington. At **March 31, 2023** **March 31, 2024**, 9.69% 79.0% of the Company's nonperforming loans, totaling \$179,000 \$137,000 were measured individually evaluated for impairment loss reserves. These loans have been charged down to the estimated fair market value of the collateral less selling costs or carry a specific reserve to reduce the net carrying value. There were no reserves associated with these nonperforming loans that were measured for impairment individually evaluated at **March 31, 2023** **March 31, 2024**. At **March 31, 2023** **March 31, 2024**, the largest single nonperforming loan was a USDA government guaranteed loan for \$879,000. The largest single nonperforming loan exclusive of the SBA and USDA government guaranteed loans was a commercial real estate loan for \$100,000 at **March 31, 2023** **March 31, 2024**.

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

	At March 31,		March 31, 2024		March 31, 2023	
	2023	2022				
Loans accounted for on a non-accrual basis:						
Commercial business (1)	\$ 97	\$ 118	\$ 58	\$ 97		
Commercial real estate	100	122	79	100		
Consumer	86	51	36	86		
Total	283	291	173	283		
Accruing loans which are contractually past due 90 days or more (2)	1,569	21,808	5	1,569		
Total nonperforming loans	1,852	22,099	178	1,852		
Real estate owned ("REO")	—	—	—	—		
Total nonperforming assets	\$ 1,852	\$ 22,099	\$ 178	\$ 1,852		
Foregone interest on non-accrual loans	\$ 14	\$ 24	\$ 10	\$ 14		

(1) Includes \$18,000 of SBA and USDA government guaranteed loans at March 31, 2023.

(2) Consists entirely of SBA and USDA government guaranteed loans at both March 31, 2024 and 2023.

The following tables set forth information regarding the Company's nonperforming assets by loan type and geographical area at the dates indicated (in thousands):

	Southwest Washington			Southwest Washington		
	Other	Total	Other	Total	Other	Total
March 31, 2023						
March 31, 2024						
Commercial business	\$ 79	\$ —	\$ 79	\$ 58	\$ —	\$ 58
Commercial real estate	100	—	100	79	—	79
Consumer	86	—	86	36	—	36
Subtotal	265	—	265	173	—	173
SBA and USDA Government Guaranteed	—	1,587	1,587	—	5	5
Total nonperforming assets	\$ 265	\$ 1,587	\$ 1,852	\$ 173	\$ 5	\$ 178
March 31, 2022						

Commercial business	\$ 100	\$ —	\$ 100
Commercial real estate	122	—	122
Consumer	51	—	51
Subtotal	273	—	273
SBA and USDA Government Guaranteed	—	21,826	21,826
Total nonperforming assets	\$ 273	\$ 21,826	\$ 22,099

March 31, 2023					
Commercial business	\$ 79	\$ —	\$ 79		
Commercial real estate	100	—	100		
Consumer	86	—	86		
Subtotal	265	—	265		
SBA and USDA Government Guaranteed	—	1,587	1,587		
Total nonperforming assets	\$ 265	\$ 1,587	\$ 1,852		

12

[Table of Contents](#)

Other loans of concern, which are classified as substandard loans At March 31, 2024 and are not presently included in the non-accrual category, consist of loans where the borrowers have cash flow problems, or the collateral securing the respective loans may be inadequate. In either or both of these situations, the borrowers may be unable to comply with the present loan repayment terms, and the loans may subsequently be included in the non-accrual category. Management considers the allowance for loan losses to be adequate at March 31, 2023, to cover the probable losses inherent in these and other loans.

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

	March 31, 2023		March 31, 2022	
	Number of		Number of	
	Loans	Balance	Loans	Balance
Commercial business	1	\$ 38	1	\$ 45
Commercial real estate	2	2,344	3	6,087
Total	3	\$ 2,382	4	\$ 6,132

At March 31, 2023 and 2022, loans delinquent 30 – 89 days were 0.20% 0.17% and 0.81% 0.20% of total loans, respectively. At March 31, 2023, loans 30 – 89 days past due were comprised of SBA government guaranteed loans (which are included in commercial business), commercial business and consumer loans. The SBA government guaranteed loans comprise a substantial amount of the total loans 30-89 days past due at March 31, 2023. At March 31, 2022, loans 30 – 89 days past due were comprised of SBA government guaranteed loans, residential real estate construction and consumer loans. There were no commercial real estate ("CRE") CRE loans 30 – 89 days past at March 31, 2023 March 31, 2024 or March 31, 2022 March 31, 2023. At March 31, 2023 March 31, 2024, CRE loans represent the largest portion of our loan portfolio at 55.95% 57.0% of total loans and commercial business loans represent 23.08% 22.4% of total loans.

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

TDRs are considered impaired loans when a loan is deemed to be impaired, the amount of the impairment is measured using discounted cash flows and the original note rate, except when the loan is collateral dependent. In these cases, the estimated fair value of the collateral (less any selling costs, if applicable) is used. Impairment is recognized as a specific component within the allowance for loan losses if the estimated value of the impaired loan is less than the recorded investment in the loan. When the amount of the impairment represents a confirmed loss, it is charged-off against the allowance for loan losses. At March 31, 2023, the Company had TDRs totaling \$629,000, of which \$450,000 were on accrual status. The \$179,000 of TDRs accounted for on a non-accrual basis at March 31, 2023 are included as nonperforming loans in the nonperforming asset table above. All of the Company's TDRs were paying as agreed at March 31, 2023. The related amount of interest income recognized on these TDR loans was \$24,000 for the fiscal year ended March 31, 2023.

The Company has determined that, in certain circumstances, it is appropriate to split a loan into multiple notes. This typically includes a nonperforming charged-off loan that is not supported by the cash flow of the relationship and a performing loan that is supported by the cash flow. These may also be split into multiple notes to align portions of the loan balance with the various sources of repayment when more than one exists. Generally, the new loans are restructured based on customary underwriting standards. In situations where they are not, the policy exception qualifies as a concession, and if the borrower is experiencing financial difficulties, the loans are accounted for as TDRs. At March 31, 2023, no loans had been restructured in this manner.

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

In accordance with the Company's policy guidelines, unsecured loans are generally charged-off when no payments have been received for three consecutive months unless an alternative action plan is in effect. Consumer installment loans delinquent six months or more that have not received at least 75% of their required monthly payment in the last 90 days are charged-off. In addition, loans discharged in bankruptcy proceedings are charged-off. Loans under bankruptcy protection with no payments

[Table of Contents](#)

received for four consecutive months are charged-off. The outstanding balance of a secured loan that is in excess of the net realizable value is generally charged-off if no payments are received for four to five consecutive months. However, charge-offs are postponed if alternative proposals to restructure, obtain additional guarantors, obtain additional assets as collateral or a potential sale of the underlying collateral would result in full repayment of the outstanding loan balance. Once any other potential sources of repayment are exhausted, the impaired portion of the loan is charged-off. Regardless of whether a loan is unsecured or collateralized, once an amount is determined to be a confirmed loan loss it is promptly charged-off.

Asset Classification. Federal regulations provide for the classification of lower quality loans and other assets (such as other real estate owned and repossessed property), debt and equity securities, as substandard, doubtful or loss. An asset is considered substandard if it is inadequately protected by the current net worth and pay capacity of the borrower or of any collateral pledged. Substandard assets have a well-defined weakness and include those characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified substandard with the additional characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When the Company classifies problem assets as either substandard or doubtful, we may determine that the loan is impaired and establish a specific allowance in an amount we deem prudent to address the risk specifically or we may allow the loss to be addressed in the general allowance. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been specifically allocated to particular problem assets. When a problem asset is classified by us as a loss, we are required to charge off the asset in the period in which it is deemed uncollectible.

The aggregate amount of the Company's classified loans (comprised entirely of substandard loans), general loss allowances, specific loss allowances and net charge-offs (recoveries) recoveries were as follows at the dates indicated (in thousands):

	At or For the Year Ended March 31,		At or For the Year Ended March 31,	
	2023	2022	2024	2023
Classified loans	\$ 2,647	\$ 6,405	\$ 723	\$ 2,647
General loss allowances	15,303	14,515	15,364	15,303
Specific loss allowances	6	8	—	6
Net charge-offs (recoveries)	(36)	30		
Net recoveries			(13)	(36)

All loans on non-accrual status as of **March 31, 2023** **March 31, 2024** were categorized as classified loans with the exception of one commercial business loan for \$18,000 which is fully guaranteed by the SBA loans. Classified loans at **March 31, 2023** **March 31, 2024** were comprised of **three** two commercial business loans totaling \$117,000, three \$58,000, two commercial real estate loans totaling \$2.4 million (the largest of which was \$1.5 million) \$599,000, two multi-family real estate loans totaling \$29,000 and **three** one one-to-four family real estate loans totaling \$86,000. loan for \$36,000. The net decrease in classified loans is primarily attributed to the upgrade payoff of one commercial real estate loan totaling \$3.6 million. As discussed earlier, nonperforming SBA and USDA government guaranteed loans totaled \$1.6 million. These nonperforming government guaranteed loans are not considered classified as there is no well-defined weakness and do not include the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected in regard to these loans. The Company purchased the guaranteed portion of these loans which is backed by government guaranteed interest certificates and expects to receive all principal and interest on these loans. for \$1.5 million during fiscal 2024.

Allowance for Loan Losses, ACL. The Company maintains an allowance for loan losses ACL to provide for probable expected credit losses inherent in the loan portfolio consistent with accounting principles generally accepted in the United States of America ("GAAP") guidelines. The adequacy of the allowance ACL is evaluated monthly to maintain the allowance at levels sufficient to provide for inherent expected credit losses existing at the balance sheet date. The key components to the evaluation are the Company's internal loan review function by its credit administration, which reviews and monitors the risk and quality of the loan portfolio; as well as the Company's external loan reviews and its loan classification systems. Credit officers are expected to monitor their loan portfolios and make recommendations to change loan grades whenever changes are warranted. Credit administration approves any changes to loan grades and monitors loan grades. For additional discussion of the Company's methodology for assessing the appropriate level of the allowance for loan losses ACL see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates."

1413

[Table of Contents](#)

In accordance with GAAP, loans acquired from MBank during The Company recorded no provision or recapture of credit losses for the fiscal year ended March 31, 2017 were recorded at their estimated fair value, which resulted in a net discount to the loans' contractual amounts, of which a portion reflects a discount for possible credit losses. Credit discounts are included in the determination of fair value, and, as a result, no allowance for loan losses is recorded for acquired loans at the acquisition date. The discount recorded on the acquired loans is not reflected in the allowance for loan losses or related allowance coverage ratios. However, we believe it should be considered when comparing certain financial ratios of the Company calculated in periods after the MBank transaction, **March 31, 2024** compared to the same financial ratios of the Company in periods prior to the MBank transaction. The net discount on these acquired loans was \$228,000 and \$371,000 at March 31, 2023 and 2022, respectively.

The Company recorded a provision for loan losses of \$750,000 for the fiscal year ended March 31, 2023 compared. This was primarily due to a recapture credit upgrades, payoffs of higher credit risk loans, updates to economic forecasts, changes in loan losses of \$4.6 million for the fiscal year ended March 31, 2022. The increase in the allowance for loan losses in fiscal year 2023 is mainly attributed to an isolated downgrade of a commercial real estate loan for \$15.9 million that occurred in the fourth quarter. portfolio balances, composition, and characteristics.

At March 31, 2023 March 31, 2024, the Company had an allowance for loan losses ACL was \$15.4 million, or 1.50% of total loans, compared to \$15.3 million, or 1.52% of total loans compared to \$14.5 million, or 1.47% of total loans at March 31, 2022 March 31, 2023. Net recoveries totaled \$36,000 \$13,000 for the fiscal year ended March 31, 2023 March 31, 2024, compared to net charge-offs of \$30,000 in \$36,000 for the prior fiscal year. The coverage ratio of ACL to nonperforming loans was 8631.46% at March 31, 2024 compared to 826.62% at March 31, 2023. The Company's general valuation allowance to pooled or "collectively evaluated" loans was 1.50% and 1.52% at March 31, 2024 and 2023, respectively.

Criticized loans, which are comprised of watch and special mention loans, increased \$11.3 million \$17.6 million to \$36.7 million at March 31, 2024 from \$19.1 million at March 31, 2023 from \$7.8 million at March 31, 2022. Classified loans decreased \$3.8 million to \$2.6 million at March 31, 2023 compared to \$6.4 million at March 31, 2022. The net increase in criticized loans is mainly attributed to the downgrade of the \$15.9 million five commercial real estate loans totaling \$15.0 million, the largest of which was \$5.3 million, and one commercial business loan for \$2.5 million. Two of the downgraded commercial real estate loans totaling \$8.0 million, including the previously mentioned above offset by the upgrade \$5.3 million loan, were to a pass rating of related borrower. The remaining four loans downgraded in fiscal 2024 totaling \$7.9 million were to another related borrower. The \$7.9 million includes the previously mentioned \$2.5 million commercial business loan along with a \$6.6 million \$3.8 million commercial real estate loan. The criticized loan balance at March 31, 2024 includes a \$15.6 million commercial real estate loan that was part of downgraded to special mention in fiscal year 2023. The increases in the criticized total at March 31, 2022. Additionally, the criticized loans balance at March 31, 2024 compared to March 31, 2023 includes three commercial business were partially offset by normal paydowns, payoffs and grade changes totaling \$1.9 million.

Classified loans and one commercial real estate loan totaling \$1.3 million decreased \$1.9 million to a related borrower that were downgraded in the third quarter. \$723,000 at March 31, 2024 compared to \$2.6 million at March 31, 2023. The decrease in classified loans is mainly due to the upgrade to a pass rating payoff of a \$3.6 million \$1.5 million commercial real estate loan. The coverage ratio of allowance for loan losses to nonperforming loans that was 826.62% classified at March 31, 2023 compared to 65.72% at March 31, 2022, and excluding SBA and USDA government guaranteed loans was 5777.0% at March 31, 2023. The Company's general valuation allowance to non-impaired loans was 1.52% and 1.47% at March 31, 2023 and 2022, respectively.

Management considers the allowance for loan losses ACL to be adequate at March 31, 2023 March 31, 2024 to cover probable expected credit losses inherent in the loan portfolio based on the assessment of various factors affecting the loan portfolio, and the Company believes it has established its existing allowance for loan losses ACL in accordance with GAAP. However, a decline in national and local economic conditions (including a possible recession and continued inflationary pressures), results of examinations by the Company's banking regulators, or other factors could result in a material increase in the allowance for loan losses ACL and may adversely affect the Company's future financial condition and results of operations. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses ACL will be adequate or that substantial increases will not be necessary should the quality of any loans deteriorate or should collateral values decline as a result of the factors discussed elsewhere in this document.

Table of Contents

The following table sets forth the breakdown of the allowance for loan losses ACL by loan category as of the dates indicated (dollars in thousands):

	At March 31,				At March 31,			
	2023		2022		2024		2023	
	Loan Category		Loan Category		Loan Category		Loan Category	
	as a Percent	as a Percent						
	Amount	of Total Loans						
Commercial and construction:								
Commercial business	\$ 3,123	23.08 %	\$ 2,422	23.03 %	\$ 5,280	22.40 %	2.30 %	\$ 3,123

Commercial										
real estate	8,894	55.95	9,037	58.85	7,391	56.98	1.27	8,894	55.95	1.58
Land	93	0.64	168	1.16	106	0.56	1.86	93	0.64	1.44
Multi-family	798	5.54	845	6.08	367	6.91	0.52	798	5.54	1.43
Real estate construction	764	4.73	393	2.44	636	3.57	1.74	764	4.73	1.60
Consumer:										
Real estate one-to-four family	1,087	9.88	905	8.28	1,557	9.41	1.62	1,087	9.88	1.09
Other installment	40	0.18	38	0.16	27	0.17	1.55	40	0.18	2.24
Unallocated	510	—	715	—	—	—	—	510	—	—
Total allowance for loan losses	\$15,309	100.00 %	\$14,523	100.00 %						
Total allowance for credit losses - loans			\$15,364		100.00 %	1.50 %	\$15,309		100.00 %	1.52 %

1614

[Table of Contents](#)

The following table shows certain credit ratios at and for the periods indicated and each component of the ratio's calculations.

	At or For the Year Ended March 31,		
	2023	2022	2021
Allowance for loan losses as a percentage of total loans outstanding at period end	1.52 %	1.47 %	2.03 %
Allowance for loan losses	\$ 15,309	\$ 14,523	\$ 19,178
Total loans outstanding	1,008,856	990,408	943,235
Non-accrual loans as a percentage of total loans outstanding at period end	0.03 %	0.03 %	0.04 %
Total non-accrual loans	\$ 283	\$ 291	\$ 395
Total loans outstanding	1,008,856	990,408	943,235
Allowance for loan losses as a percentage of non-accrual loans at period end	5,409.54 %	4,990.72 %	4,855.19 %
Allowance for loan losses	\$ 15,309	\$ 14,523	\$ 19,178
Total non-accrual loans	283	291	395
Net charge-offs/(recoveries) during period to average loans outstanding:			
Commercial business:	— %	0.03 %	— %
Net charge-offs/(recoveries)	\$ —	\$ 69	\$ (10)
Average loans receivable, net	233,884	225,677	268,363
Commercial real estate:	— %	— %	(0.06)%
Net charge-offs/(recoveries)	\$ —	\$ —	\$ (332)
Average loans receivable, net	568,999	559,275	526,965

Land:	— %	— %	— %
Net charge-offs/(recoveries)	\$ —	\$ —	—
Average loans receivable, net	8,486	13,498	13,765
Multi-family:	— %	— %	— %
Net charge-offs/(recoveries)	\$ —	\$ —	—
Average loans receivable, net	57,548	48,651	50,489
Real estate construction:	— %	— %	— %
Net charge-offs/(recoveries)	\$ —	\$ —	—
Average loans receivable, net	38,214	16,828	32,834
Consumer:	(0.04)%	(0.06)%	0.12 %
Net charge-offs/(recoveries)	\$ (36)	\$ (39)	88
Average loans receivable, net	99,914	70,813	73,654
Total loans:	— %	— %	(0.03)%
Total net recoveries/(recoveries)	\$ (36)	\$ 30	\$ (254)
Total average loans receivable, net	1,007,045	934,742	966,070

	At or For the Year Ended March 31,		
	2024	2023	2022
ACL/ALLL as a percentage of total loans outstanding at period end	1.50 %	1.52 %	1.47 %
ACL/ALLL	\$ 15,364	\$ 15,309	\$ 14,523
Total loans outstanding	1,024,013	1,008,856	990,408
Non-accrual loans as a percentage of total loans outstanding at period end	0.02 %	0.03 %	0.03 %
Total non-accrual loans	\$ 173	\$ 283	\$ 291
Total loans outstanding	1,024,013	1,008,856	990,408
ACL/ALLL as a percentage of non-accrual loans at period end	8,880.92 %	5,409.54 %	4,990.72 %
ACL/ALLL	\$ 15,364	\$ 15,309	\$ 14,523
Total non-accrual loans	173	283	291
Net charge-offs/(recoveries) during period to average loans outstanding:			
Commercial business:	— %	— %	0.03 %
Net charge-offs/(recoveries)	\$ —	\$ —	69
Average loans receivable, net	239,433	233,884	225,677
Commercial real estate:	— %	— %	— %
Net charge-offs/(recoveries)	\$ —	\$ —	—
Average loans receivable, net	563,023	568,999	559,275
Land:	— %	— %	— %
Net charge-offs/(recoveries)	\$ —	\$ —	—
Average loans receivable, net	6,692	8,486	13,498
Multi-family:	— %	— %	— %
Net charge-offs/(recoveries)	\$ —	\$ —	—
Average loans receivable, net	60,412	57,548	48,651
Real estate construction:	— %	— %	— %
Net charge-offs/(recoveries)	\$ —	\$ —	—
Average loans receivable, net	43,864	38,214	16,828
Consumer:	(0.01)%	(0.04)%	(0.06)%
Net charge-offs/(recoveries)	\$ (13)	\$ (36)	\$ (39)
Average loans receivable, net	97,996	99,914	70,813
Total loans:	— %	— %	— %
Total net recoveries/(recoveries)	\$ (13)	\$ (36)	\$ 30
Total average loans receivable, net	1,011,420	1,007,045	934,742

Investment Activities

The Board sets the investment policy of the Company. The Company's investment objectives are: to provide and maintain liquidity within regulatory guidelines; to maintain a balance of high quality, diversified investments to minimize risk; to provide collateral for pledging requirements; to serve as a balance to earnings; and to optimize returns. The policy permits investment in various types of liquid assets (generally debt and asset-backed securities) permissible under applicable regulations, which includes U.S. Treasury obligations, securities of various federal agencies, "bank qualified" municipal bonds, certain certificates of deposit of insured banks, repurchase agreements, federal funds, real estate mortgage investment conduits ("REMICs") and mortgage-backed securities ("MBS"), but does not permit investment in non-investment grade bonds. The policy also dictates the criteria for classifying investment securities into one of three categories: held to maturity, available for sale or trading. At **March 31, 2023** **March 31, 2024**, no investment securities were held for trading purposes. At **March 31, 2023** **March 31, 2024**, the Company's investment portfolio consisted of solely debt securities and no equity securities. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates."

15

[Table of Contents](#)

The Company primarily purchases agency securities and a combination of MBS backed by government agencies (FHLMC, Fannie Mae ("FNMA"), SBA or Ginnie Mae ("GNMA")). FHLMC and FNMA securities are not backed by the full faith and credit of the U.S. government, while SBA and GNMA securities are backed by the full faith and credit of the U.S. government. At **March 31, 2023** **March 31, 2024**, the Company owned no privately issued MBS. Our REMICS are MBS issued by FHLMC, FNMA and GNMA and our

17

[Table of Contents](#)

CRE MBS are issued by FNMA. The Company does not believe that it has any exposure to sub-prime lending in its investment securities portfolio. See Note 3 of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K for additional information.

The following table sets forth the investment securities portfolio and carrying values at the dates indicated (dollars in thousands):

	At March 31,				At March 31,			
	2023		2022		2024		2023	
	Carrying Value	Percent of Portfolio						
Available for sale (at estimated fair value):								
Municipal securities	\$ 40,261	8.84 %	\$ 39,604	9.45 %	\$ 35,136	9.43 %	\$ 40,261	8.84 %
Agency securities	85,907	18.87	40,705	9.72	43,577	11.69	85,907	18.87
REMICs	28,877	6.34	32,717	7.81	25,665	6.89	28,877	6.34
Residential MBS	15,471	3.40	16,945	4.05	12,551	3.37	15,471	3.40
Other MBS	40,983	9.00	35,811	8.55	26,267	7.05	40,983	9.00
	211,499	46.45	165,782	39.58	143,196	38.43	211,499	46.45
Held to maturity (at amortized cost):								

Municipal securities	10,344	2.27	10,368	2.47	10,321	2.77	10,344	2.27
Agency securities	53,941	11.85	45,277	10.81	54,123	14.52	53,941	11.85
REMICs	35,186	7.73	39,394	9.40	31,752	8.52	35,186	7.73
Residential MBS	123,773	27.18	137,343	32.79	112,834	30.27	123,773	27.18
Other MBS	20,599	4.52	20,718	4.95	20,480	5.49	20,599	4.52
	243,843	53.55	253,100	60.42	229,510	61.57	243,843	53.55
Total investment securities	\$ 455,342	100.00 %	\$ 418,882	100.00 %	\$372,706	100.00 %	\$455,342	100.00 %

The following table sets forth the maturities and weighted average yields in the securities portfolio at **March 31, 2023** **March 31, 2024** (dollars in thousands):

	After One Year								After Five Years								After One Year											
	One Year or Less				Through Five Years				Through Ten Years				After Ten Years				One Year or Less				Through Five Years				After One Year			
	Weighted		Weighted		Weighted		Weighted		Weighted		Weighted		Weighted		Weighted		Weighted		Weighted		Weighted		Weighted		Weighted			
	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)		
Available for sale:																												
Municipal securities	\$ —	— %	\$ 3,970	3.29 %	\$ 8,874	2.74 %	\$ 27,417	2.04 %	\$ 4,176	4.76 %	\$ 2,564	2.35 %	\$ 9,988															
Agency securities	8,890	3.01	61,647	2.60	15,370	1.26	—	—	14,738	3.33	26,247	1.12	2,592															
REMICs	1	5.86	—	—	544	2.09	28,332	1.73	—	—	—	—	639															
Residential MBS	—	—	624	1.95	5,870	1.78	8,977	2.99	—	—	—	—	4,867															
Other MBS	3,370	2.82	11,963	4.23	16,556	1.73	9,094	2.96	278	3.47	5,059	1.80	13,952															
Total available for sale	\$ 12,261	2.96 %	\$ 78,204	2.88 %	\$ 47,214	1.76 %	\$ 73,820	2.13 %	\$ 19,192	3.64 %	\$ 35,484	1.35 %	\$ 32,038															
Held to maturity:																												
Municipal securities	\$ —	— %	\$ —	— %	\$ —	— %	\$ 10,344	2.34 %	\$ —	— %	\$ —	— %	\$ —															
Agency securities	—	—	38,937	1.84	11,913	1.42	3,091	0.80	11,900	2.22	36,217	1.59	2,964															
REMICs	—	—	—	—	—	—	35,186	1.76	—	—	—	—	—															
Residential MBS	4	3.84	—	—	2,473	1.20	121,296	1.77	—	—	—	—	2,081															
Other MBS	—	—	3,274	1.95	15,309	1.48	2,016	1.33	—	—	—	—	15,235															
Total held to maturity	\$ 4	3.84 %	\$ 42,211	1.85 %	\$ 29,695	1.43 %	\$ 171,933	1.78 %	\$ 11,900	2.22 %	\$ 39,448	1.62 %	\$ 20,280															

(1) The weighted average yields are calculated by multiplying each amortized cost value by its yield and dividing the sum of these results by the total amortized cost values. Yields on tax-exempt investments are not calculated on a fully tax equivalent basis.

Management reviews investment securities quarterly for the presence of other than temporary impairment ("OTTI"), to determine if an ACL is required, taking into consideration current market conditions, the extent and nature of changes in estimated fair value, issuer rating changes and trends, financial condition of the underlying issuers, current analysts' evaluations, the Company's ability and intent to hold investments

[Table of Contents](#)

until a recovery of estimated fair value, which may be maturity, as well as other factors. There was no ACL and OTTI charge recorded for investment securities for the years ended March 31, 2023, 2022 or 2021. March 31, 2024 and 2023, respectively. See Note 3 of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for additional information regarding investment securities.

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, savings accounts, certificates of deposit and retirement savings plans. The Company has focused on building customer relationship deposits which include both business and consumer depositors. Deposit account terms vary according to, among other factors, the minimum balance required, the time periods the funds must remain on deposit and the interest rate. 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 following table sets forth the average balances and interest rates of deposit accounts held by the Company at the dates indicated (dollars in thousands):

	Year Ended March 31,						Year Ended March 31,					
	2023		2022		2021		2024		2023		2022	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest-bearing demand	\$ 480,029	0.00 %	\$ 476,203	0.00 %	\$ 387,579	0.00 %	\$ 376,694	0.00 %	\$ 480,029	0.00 %	\$ 476,203	0.00 %
Interest-bearing checking	286,627	0.03	279,053	0.03	225,579	0.04	243,904	0.32	286,627	0.03	279,053	0.03
Savings accounts	308,840	0.07	318,885	0.08	257,285	0.16	217,538	0.06	308,840	0.07	318,885	0.08
Money market accounts	266,795	0.16	272,161	0.06	204,931	0.07	233,749	1.22	266,795	0.16	272,161	0.06
Certificates of deposit	103,484	0.75	117,391	0.80	129,928	1.45	157,126	2.87	103,484	0.75	117,391	0.80
Total	<u>\$1,445,775</u>	0.10 %	<u>\$1,463,693</u>	0.10 %	<u>\$1,205,302</u>	0.21 %	<u>\$1,229,011</u>	0.67 %	<u>\$1,445,775</u>	0.10 %	<u>\$1,463,693</u>	0.10 %

Deposit accounts totaled \$1.2 billion at March 31, 2024 compared to \$1.3 billion at March 31, 2023 compared to \$1.5 billion at March 31, 2022. The Company did not have any wholesale-brokered deposits at March 31, 2023 March 31, 2024 and 2022 2023. The Company continues to focus on core deposits and growth generated by customer relationships as opposed to obtaining deposits through the wholesale markets, although the Company continued to experience competition for customer deposits within its market area during fiscal year 2023 2024. Core branch deposits (comprised of all demand, savings, interest checking accounts and all time deposits certificates of deposit, excluding wholesale-brokered deposits, trust account deposits, Interest on Lawyer Trust Accounts ("IOLTA"), public funds, and internet based internet-based deposits) at March 31, 2023 March 31, 2024 decreased \$250.1 million \$26.9 million since March 31, 2022 March 31, 2023 due to deposit pricing pressures in our market and customers seeking higher yielding investment alternatives. At March 31, 2023 March 31, 2024, the Company had \$22.8 million \$39.6 million, or 1.80% 3.22% of total deposits, in Certificate of Deposit Account Registry Service ("CDARS") and Insured Cash Sweep ("ICS") deposits, which were gathered from customers within the Company's primary market-area. CDARS and ICS deposits allow customers access to FDIC insurance on deposits exceeding the \$250,000 FDIC insurance limit.

At March 31, 2023 March 31, 2024 and 2022, 2023, the Company also had \$21.3 million \$13.2 million and \$25.9 million \$21.3 million, respectively, in deposits from public entities located in the States of Washington and Oregon, all of which were fully covered by FDIC insurance or secured by pledged collateral.

The Company is enrolled in an internet deposit listing service. Under this listing service, the Company may post certificates of deposit rates on an internet site where institutional investors have the ability to deposit funds with the Company. At March 31, 2023 March 31, 2024 and 2022, 2023, the Company did not have any deposits through this listing service as the Company chose not to utilize these

17

[Table of Contents](#)

internet-based deposits. Although the Company did not originate any internet based deposits during the fiscal year ended March 31, 2023 March 31, 2024, the Company may do so in the future consistent with its asset/liability objectives.

19

[Table of Contents](#)

Deposit growth remains a key strategic focus for the Company and our ability to achieve deposit growth, particularly in core deposits, is subject to many risk factors including the effects of competitive pricing pressures, changing customer deposit behavior, and increasing or decreasing interest rate environments. Adverse developments with respect to any of these risk factors could limit the Company's ability to attract and retain deposits and could have a material negative impact on the Company's future financial condition, results of operations and cash flows.

As of March 31, 2023 March 31, 2024 and 2022, 2023, approximately \$225.7 million \$297.2 million and \$320.0 million \$225.7 million, respectively, of our deposit portfolio was uninsured. The uninsured amounts are estimates based on the methodologies and assumptions used for the Bank's regulatory reporting requirements. The following table presents the maturity period and amount of certificates of deposit greater than \$250,000 at March 31, 2023 March 31, 2024 (dollars in thousands):

<u>Maturity Period</u>	<u>Amount</u>	<u>Amount</u>
Three months or less	\$ 1,741	\$22,405
Over three through six months	5,195	16,283
Over six through 12 months	19,592	14,860
Over 12 months	13,787	2,125
Total	\$ 40,315	\$55,673

For more information, see also Note 87 of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Borrowings. The Company relies upon advances from the FHLB and borrowings from the Federal Reserve Bank of San Francisco ("FRB"), as needed, to supplement its supply of lendable funds and to meet deposit withdrawal requirements. Advances from the FHLB and borrowings from the FRB are typically secured by the Bank's commercial business loans, commercial real estate loans, and one-to-four family real estate one-to-four family loans, loans, and pledged securities. At March 31, 2023 March 31, 2024, the Bank had FHLB advances totaling \$123.8 million \$88.3 million and no FRB borrowings. At March 31, 2022, the Bank did not have any borrowings compared to \$123.8 million in FHLB advances or and no FRB borrowings, borrowings at March 31, 2023.

The FHLB functions as a central reserve bank providing credit for 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 (primarily securities which are obligations of, or guaranteed by, the U.S.) provided certain standards related to credit-worthiness have been met. The FHLB determines specific lines of credit for each member institution and the Bank has a line of credit with the FHLB equal to 45% of its total assets to the extent the Bank provides qualifying collateral and holds sufficient FHLB stock. At March 31, 2023 March 31, 2024, the Bank had an available credit capacity of \$718.9 million \$714.8 million, subject to sufficient collateral and stock investment.

The Bank also has a borrowing arrangement with the FRB with an available credit facility of \$57.4 million \$284.5 million, subject to pledged collateral, as of March 31, 2023 March 31, 2024. The following table sets forth certain information concerning the Company's borrowings for the periods indicated (dollars in thousands):

	Year Ended March 31,			Year Ended March 31,		
	2023	2022	2021	2024	2023	2022
Maximum amounts of FHLB advances outstanding at any month end	\$ 123,754	\$ —	\$ 30,000	\$ 180,454	\$ 123,754	\$ —
Average FHLB advances outstanding	21,045	3	15,044	146,555	21,045	3
Weighted average rate on FHLB advances	4.88 %	0.31 %	0.31 %	5.40 %	4.88 %	0.31 %
Maximum amounts of FRB borrowings outstanding at any month end	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Average FRB borrowings outstanding	13	3	—	10	13	3
Weighted average rate on FRB borrowings	4.62 %	0.25 %	— %	5.40 %	4.62 %	0.25 %

[Table of Contents](#)

At March 31, 2023 March 31, 2024, the Company had three wholly-owned subsidiary grantor trusts totaling \$26.9 million \$27.0 million that were established for the purpose of issuing trust preferred securities and common securities. The trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in each trust agreement. The trusts used the net proceeds from each of the offerings to purchase a like amount of junior subordinated debentures (the "Debentures") of the Company. The Debentures are the sole assets of the trusts. The Company's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The trust preferred securities are mandatorily

[Table of Contents](#)

redeemable upon maturity of the Debentures or upon earlier redemption as provided in the indentures. The Company has the right to redeem the Debentures in whole or in part on or after specific dates, at a redemption price specified in the indentures governing the Debentures plus any accrued but unpaid interest to the redemption date. The Company also has the right to defer the payment of interest on each of the Debentures for a period not to exceed 20 consecutive quarters, provided that the deferral period does not extend beyond the stated maturity. During such deferral period, distributions on the corresponding trust preferred securities will also be deferred and the Company may not pay cash dividends to the holders of shares of the Company's common stock. The common securities issued by the grantor trusts are held by the Company, and the Company's investment in the common securities of \$836,000 at both **March 31, 2023** **March 31, 2024** and **2022** **2023** is included in prepaid expenses and other assets in the Consolidated Balance Sheets included in the Consolidated Financial Statements contained in Item 8 of this Form 10-K. For more information, see also Note **10** **9** of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Taxation

For details regarding the Company's taxes, see Note **11** **10** of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Employees and Human Capital

As of **March 31, 2023** **March 31, 2024**, the Company had **229** **226** full-time equivalent employees, none of whom are represented by a collective bargaining unit. The Company believes its relationship with its employees is good.

To **facilitate** **attract** and **retain** talent, **attraction** and **retention**, we strive to **make** the **Bank** **create** an inclusive, safe and healthy workplace, with opportunities for our employees to grow and develop in their careers, supported by competitive compensation and benefits programs. **Approximately** **65.8%** **Our** **workforce** **is** **comprised** of **our** **workforce** **was** **female** **approximately** **66.8%** **women** and **34.2%** **male**, **33.2%** **men**, **with** **58.0%** **of** **our** **management** **roles** **were** **held** **by** **females** **women** and **42.0%** **were** **held** **by** **males** and **our** **men**. The average tenure **was** **seven** **of** **our** **employees** **is** **7.4** **years**. The ethnicity of our workforce was **84.0%** **80.9%** **White**, **5.4%** **5.8%** **Asian**, **4.6%** **5.8%** **Hispanic** or **Latinx**, **1.3%** **2.5%** **African American** or **Black**, **2.1%** **two** **or** **more** **races**, **1.7%** **American Indian** or **Alaskan Native**, **1.3%** **and** **1.2%** **Native Hawaiian** or **Pacific Islander** and **1.7%** **African American** or **Black**. **Islander**. Benefit programs include quarterly or annual incentive opportunities, a Company sponsored Employee Stock Ownership Plan ("ESOP"), a Company-matched 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, and employee assistance programs including educational reimbursement opportunities.

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety, and wellness of our employees. In support of our commitment, we have onsite gym facilities at our operations center to promote health and wellness. In response to the COVID-19 pandemic, we implemented significant operating environment changes that we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with government regulations. We continue to utilize a hybrid work model which is supported by technology that promotes flexibility to work remotely while also recognizing the benefits of in-person collaboration.

The Company recognizes that the skills and knowledge of its employees are critical to the success of the organization, and promotes training and continuing education as an ongoing function for its employees. The Bank's compliance training program provides required annual training courses to assure that all employees know the rules applicable to their jobs.

21 **19**

[**Table of Contents**](#)

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 **Company's Annual Report Reports** on Form 10-K, **quarterly reports** **Quarterly Reports** on Form 10-Q and **current reports** **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 ("SEC")**, **SEC**.

Subsidiary Activities

Riverview has one operating subsidiary, the Bank. The Bank has two wholly-owned subsidiaries, Riverview Services and the Trust Company.

Riverview Services acts as a trustee for deeds of trust on mortgage loans granted by the Bank and receives a reconveyance fee for each deed of trust. Riverview Services had net income of **\$21,000** **\$12,000** for the fiscal year ended **March 31, 2023** **March 31, 2024** and total assets of **\$1.3 million** at **March 31, 2023** **March 31, 2024**. Riverview Services' operations are included in the Consolidated Financial Statements of the Company contained in Item 8 of this Form 10-K.

The Trust Company is an asset management company providing trust, estate planning and investment management services. The Trust Company had net income of **\$860,000** **\$2.0 million** for the fiscal year ended **March 31, 2023** **March 31, 2024** and total assets of **\$9.0 million** **\$10.8 million** at **March 31, 2023** **March 31, 2024**. The Trust Company earns fees on the management of assets held in fiduciary or agency capacity. At **March 31, 2023** **March 31, 2024**, total assets under management were **\$890.6 million** **\$961.8 million**. The Trust Company's operations are included in the Consolidated Financial Statements of the Company contained in Item 8 of this Form 10-K.

2220

[Table of Contents](#)

Information about our Executive Officers. The following table sets forth certain information regarding the executive officers of the Company and its subsidiaries:

Name	Age ⁽¹⁾	Position
Kevin J. Lycklama	45	President and Chief Executive Officer
David Lam	46	Acting President/Chief Executive Officer and Chief Operating Officer
David Lam	47	Executive Vice President and Chief Financial Officer
Daniel D. Cox	45	Executive Vice President and Chief Credit Officer
Tracie L. Jellison	54	Executive Vice President and Chief Retail Banking Credit Officer
Steven P. Plambeck	60	Executive Vice President and Chief Lending Officer
Evan Sowers	45	46
		President and Chief Executive Officer of Riverview Trust C

⁽¹⁾ At **March 31, 2023** **March 31, 2024**

Kevin J. Lycklama Daniel D. Cox is President and Acting President/Chief Executive Officer and Chief Operating Officer of the Company, positions he has held since April 2018. Prior to assuming Company. Mr. Cox joined the role of President Bank in August 2002 and Chief Executive Officer, Mr. Lycklama served spent five years as a commercial lender and progressed through the credit administration function, most recently serving as Executive Vice President and Chief Operating Officer of the Company, positions he had held since July 2017. Prior to July 2017, Credit Officer. Mr. Lycklama served as Executive Vice President and Chief Financial Officer of the Company since 2008 and Vice President and Controller of the Bank since 2006. Prior to joining Riverview, Mr. Lycklama spent five years with a local public accounting firm advancing to the level of audit manager. He Cox holds a Bachelor of Arts degree in Business Administration with a major emphasis in Finance from Washington State University is a and was an Honor Roll graduate of the Pacific Coast Banking School School. Mr. Cox is an active mentor in the local schools and is a certified public accountant (CPA). Mr. Lycklama is a member was the Past Treasurer and Endowment Chair for the Washougal Schools Foundation and Past Board Member of the Washington State University Vancouver Advisory Council, Camas-Washougal Chamber of Commerce.

David Lam is Executive Vice President and Chief Financial Officer of the Company, positions he has held since July 2017. Prior to July 2017, Mr. Lam served as Senior Vice President and Controller of the Bank since 2008. He is responsible for accounting, SEC reporting and treasury functions for the

Bank and the Company. Prior to joining Riverview, Mr. Lam spent ten years working in the public accounting sector advancing to the level of audit manager. Mr. Lam holds a Bachelor of Arts degree in business administration with an emphasis in accounting from Oregon State University. Mr. Lam is a CPA, certified public accountant (CPA), holds a chartered global management accountant designation and is a member of both the American Institute of CPAs and Oregon Society of CPAs.

Daniel D. Cox Robert Benke is Executive Vice President and Chief Credit Officer of the Bank and is responsible for credit administration related to the Bank's commercial, mortgage and consumer loan activities. Previously, Mr. Cox Benke was Senior Vice President/Senior Credit Administrator, a position he has held since March 2016. Mr. Benke joined the Bank Riverview in August 2002 July 2004 and spent five years as a commercial lender and progressed through the credit administration function starting in 2012 most recently serving as Senior Vice President of Credit Administration. He is responsible for credit administration related to the Bank's commercial, and consumer loan activities. He holds a Masters of Business Administration (MBA) from Washington State University, a Bachelor of Arts degree in Physics from Washington State University Whitman College, and was an Honor Roll is a 2015 graduate of the Pacific Coast Banking School. Mr. Cox Benke is an active mentor in board member of the local schools and was the Past Treasurer and Endowment Chair for the Washougal Schools Foundation and Past Board Member of Camas-Washougal Chamber of Commerce, Washington State University – Vancouver MAP Program.

Tracie L. Jellison Michael Sventek is Executive Vice President and Chief Retail Banking Officer of the Bank, a position she has held since June 2022. Mrs. Jellison is responsible for the oversight of the bank's retail branches. Prior to June 2022, Mrs. Jellison served as Senior Vice President and Commercial Lending Team Leader of the Portland Commercial Lending Team. Mrs. Jellison has spent her entire professional career working in banking and is passionate about delivering high level service to all clients. Mrs. Jellison attended The University of San Diego, studying music, and is a graduate of Flight Safety.

Steven P. Plambeck is Executive Vice President and Chief Lending Officer of the Bank, a position he Bank. Mr. Sventek has held since March 2018. Mr. Plambeck is responsible for all loan production including commercial, consumer, mortgage and builder/developer construction loans. Mr. Plambeck joined the Bank over 32 years of experience in January 2011 as Director of Medical Banking. For the past two years Mr. Plambeck community banking, having most recently served as Senior Vice Commercial Banking Market Director for Umpqua Bank. Prior to that, he served as Commercial Banking President for BBVA USA. Throughout his career, Mr. Sventek served as a highly visible finance leader for community banks and Team Leader for the Portland Commercial Team. brings a vast amount of experience in commercial banking and lending. Mr. Plambeck holds Sventek graduated with a Bachelor of Science degree in Accounting Computer Science Engineering from the Northern Arizona University of Wyoming and is also a graduate of the Pacific Coast Banking School. Mr. Plambeck is a board member for the Providence St. Vincent Council of Trustees, Providence Heart and Vascular Institute and the Providence Brain and Spine Institute. Mr. Plambeck is also a member of the Medical and Dental Advisory Team.

Evan Sowers is President and Chief Executive Officer of the Trust Company, a wholly-owned subsidiary of the Bank. Mr. Sowers joined the Trust Company in 2022, after having spent twenty-two years working in trusts and investments. Mr. Sowers was managing director of private banking and wealth management and led the region for a large trust company in the Midwest. Mr. Sowers holds an MBA in Finance, Accounting and Investment Banking from Washington University and an undergraduate degree from the University of Missouri.

2321

[Table of Contents](#)

REGULATION

General.

On April 28, 2021, the Bank converted from a federally chartered savings bank to a Washington state-chartered commercial bank. As a Washington state-chartered commercial bank, the Bank's regulators are the WDFI and the FDIC, rather than the OCC. The Company converted from a Savings and Loan Holding Company to a Bank Holding Company and the Federal Reserve remained its primary federal regulator.

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 ("Congress") or the Washington State Legislature that may affect the Company's and Bank's operations. In addition, the regulations governing the Company and the Bank may be amended from time to time by the WDFI, the FDIC, the Federal Reserve or the SEC, as appropriate. Any such legislation or regulatory changes in the future could have an adverse effect on our operations and financial condition. We cannot predict whether any such changes may occur.

The WDFI and FDIC have extensive enforcement authority over all Washington state-chartered commercial banks, including the Bank. The Federal Reserve has the same type of authority over Riverview.

Regulation and Supervision of the Bank

General. As a state-chartered commercial bank, the Bank is subject to applicable provisions of Washington state law and regulations of the WDFI in addition to federal law and regulations of the FDIC applicable to state banks that are not members of the Federal Reserve System. State law and regulations govern the Bank's ability to take deposits and pay interest, to make loans on or invest in residential and other real estate, to make consumer loans, to invest in securities, to offer various banking services to its customers and to establish branch offices. Under state law, commercial banks in Washington also generally have all of the powers that national banks have under federal laws and regulations. The Bank is subject to periodic examination by and reporting requirements of the WDFI and FDIC.

Capital Requirements. Federally insured financial institutions, such as the Bank and their holding companies, are required to maintain a minimum level of regulatory capital. The Bank is subject to capital regulations adopted by the FDIC, which establish minimum required ratios for a common equity Tier 1 ("CET1") capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets ratio and a Tier 1 capital to total assets leverage ratio. The capital standards require the maintenance of the following minimum capital ratios: (i) a CET1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6%; (iii) a total capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4%. Consolidated regulatory capital requirements identical to those applicable to subsidiary banks generally apply to bank holding companies. However, the Federal Reserve has provided a "Small Bank Holding Company" exception to its consolidated capital requirements, and bank holding companies with less than \$3.0 billion of consolidated assets are not subject to the consolidated holding company capital requirements unless otherwise directed by the Federal Reserve.

The Economic Growth, Regulatory Relief and Consumer Protection Act ("EGRRCPA"), enacted in May 2018, required the federal banking agencies, including the FDIC, to establish for institutions with assets of less than \$10 billion a "community bank leverage ratio" or "CBLR" of between 8 to 10%. Institutions with capital meeting or exceeding the ratio and otherwise complying with the specified requirements (including off-balance sheet exposures of 25% or less of total assets and trading assets and liabilities of 5% or less of total assets) and electing the alternative framework are considered to comply with the applicable regulatory capital requirements, including the risk-based requirements. The CBLR was established at 9% Tier 1 capital to total average assets, effective January 1, 2020. A qualifying institution may opt in and out of the community bank leverage ratio framework on its quarterly call report. An institution that temporarily ceases to meet any qualifying criteria is provided with a two- quarter grace period to again achieve compliance. Failure to meet the qualifying criteria within the grace period or maintain a leverage ratio of 8% or greater requires the institution to comply with the generally applicable capital requirements. The Bank has not elected to use the CBLR framework as of **March 31, 2023** **March 31, 2024**.

24.22

[Table of Contents](#)

Certain changes in what constitutes regulatory capital, including the phasing out of certain instruments as qualifying capital, are subject to transition periods, most of which have expired. The Bank does not have any such instruments. Because of the Bank's asset size, the Bank elected to take a one-time option to permanently opt-out of the inclusion of unrealized gains and losses on available for sale debt and equity securities in its capital calculations.

The Bank also must maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum risk-based capital levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses.

In order to be considered well-capitalized under the prompt corrective action regulations described below, the Bank must maintain a CET1 risk-based ratio of 6.5%, a Tier 1 risk-based ratio of 8%, a total risk-based capital ratio of 10% and a leverage ratio of 5%, and the Bank must not be subject to an individualized order, directive or agreement under which its primary federal banking regulator requires it to maintain a specific capital level. As of **March 31, 2023** **March 31, 2024**, the Bank met the requirements to be "well capitalized" and met the fully phased-in capital conservation buffer requirement. For

a complete description of the Bank's required and actual capital levels on **March 31, 2023** **March 31, 2024**, see Note **13** **12** of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

The Financial Accounting Standards Board ("FASB") has On April 1, 2023, the company adopted a new accounting standard for GAAP that is effective for us for our first fiscal year beginning after December 15, 2022. This standard, referred to as Current Expected Credit Loss ("CECL") which requires FDIC-insured institutions and their holding companies (banking organizations) to recognize credit losses expected over the life of certain financial assets. CECL covers a broader range of assets than the **current prior method of recognizing credit losses and generally results in earlier recognition of credit losses. Upon adoption of CECL, a banking organization must record a one-time adjustment to its credit loss allowances as of the beginning of the fiscal year of adoption equal to the difference, if any, between the amount of credit loss allowances under the **current** **previous** methodology and the amount required under CECL. For a banking organization, implementation of CECL may reduce retained earnings, and to affect other items, in a manner that reduces its regulatory capital. The Company recorded a one-time adjustment to its allowance for credit losses of \$42,000 with the adoption of CECL.**

The federal banking regulators (the Federal Reserve, the OCC and the FDIC) have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital. **The Company elected this option.**

Prompt Corrective Action. Federal statutes establish a supervisory framework for FDIC-insured institutions based on five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. An institution's category generally depends upon where its capital levels are in relation to relevant capital measures, which include risk-based capital measures, a leverage ratio capital measure, and certain other factors. An institution that is not well capitalized is subject to certain restrictions on brokered deposits, including restrictions on the rates it can offer on its deposits generally. Any institution which is neither well capitalized nor adequately capitalized is considered undercapitalized. The previously referenced final rule establishing an elective "community bank leverage ratio" regulatory capital framework provides that a qualifying institution whose capital exceeds the CBLR and opts to use that framework will be considered "well capitalized" for purposes of prompt corrective action.

Undercapitalized institutions are subject to certain prompt corrective action requirements, regulatory controls and restrictions which become more extensive as an institution becomes more severely undercapitalized. Failure by the Bank to comply with applicable capital requirements would, if unremedied, result in progressively more severe restrictions on its activities and lead to enforcement actions, including, but not limited to, the issuance of a capital directive to ensure the maintenance of required capital levels and, ultimately, the appointment of the FDIC as receiver or conservator. Banking regulators will take prompt corrective action with respect to depository institutions that do not meet minimum capital requirements. Additionally, approval of any regulatory application filed for their review may be dependent on compliance with capital requirements.

Federal Home Loan Bank System. The Bank is a member of the FHLB, which is one of 11 regional Federal Home Loan Banks that administer the home financing credit function of savings institutions, each of which serves as a reserve or central bank for its members within its assigned region. **It** **The FHLB** is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. **It makes loans** **Loans** or advances are made 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 Agency. 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

23

[Table of Contents](#)

Funds – Borrowings." As a member, the Bank is required to purchase and maintain stock in the FHLB. At **March 31, 2023** **March 31, 2024**, the Bank held **\$6.9 million**

25

[Table of Contents](#)

\$4.9 million in FHLB stock, which is comprised of \$1.9 million \$953,000 of membership stock and \$5.0 million \$4.0 million of activity stock from borrowing activities. At March 31, 2023 March 31, 2024, the Bank is in compliance with FHLB stock requirements. During the fiscal year ended March 31, 2023 March 31, 2024, the Bank redeemed \$102,000 \$964,000 of FHLB membership stock at par due to the decrease in the Bank's consolidated assets at December 31, 2022 December 31, 2023 as compared to December 31, 2021 December 31, 2022 along with a reduction of capital stock requirement percentage from 0.12% to 0.06% of the Bank's consolidated assets.

The FHLB continues 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 adversely affected 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 the value of the Bank's FHLB stock may result in a decrease in net income and possibly capital.

Insurance of Accounts and Regulation by the FDIC. The Bank's deposits are insured up to \$250,000 per separately insured deposit ownership right or category by the Deposit Insurance Fund ("DIF") of the FDIC. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of, and to require reporting by, FDIC-insured institutions. The FDIC assesses deposit insurance premiums quarterly on each FDIC-insured institution applied to its deposit base, which is their average consolidated total assets minus its Tier 1 capital. No institution may pay a dividend if it is in default on its federal deposit insurance assessment. Total base assessment rates currently range from 32.5 to 30.32 basis points subject to certain adjustments, adjustments for institutions considered a "Small Bank" like the Bank.

Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the DIF reserve ratio to decline below the statutory minimum of 1.35 percent as of June 30, 2020. In September 2020, the FDIC Board of Directors adopted a Restoration Plan to restore the reserve ratio to at least 1.35 percent within eight years, absent extraordinary circumstances, as required by the Federal Deposit Insurance Act. The Restoration Plan maintained the assessment rate schedules in place at the time and required the FDIC to update its analysis and projections for the deposit insurance fund balance and reserve ratio at least semiannually. In the semiannual update for the Restoration Plan in June 2022, the FDIC projected that the reserve ratio was at risk of not reaching the statutory minimum of 1.35 percent by September 30, 2028, the statutory deadline to restore the reserve ratio. Based on this update, the FDIC Board approved an Amended Restoration Plan, and concurrently proposed an increase in initial base deposit insurance assessment rate schedules uniformly by two basis points, applicable to all insured depository institutions. In October 2022, the FDIC Board finalized the increase with an effective date of January 1, 2023, applicable to the first quarterly assessment period of 2023. The revised assessment rate schedules are intended to increase the likelihood that the reserve ratio of the DIF reaches the statutory minimum level of 1.35 percent by September 30, 2028. Revised assessment rate schedules will remain in effect unless and until the reserve ratio meets or exceeds two percent, absent further action by the FDIC Board. A significant increase in insurance premiums or a special assessment levied by the FDIC could likely have an adverse effect on the operating expenses and results of operations of the Bank. There can be no prediction as to what changes in insurance assessment rates may be made in the future. For the fiscal year ended March 31, 2023 March 31, 2024, the Bank's FDIC deposit insurance premiums totaled \$534,000. \$708,000.

The FDIC also may prohibit any insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the DIF. The FDIC also has the authority to take enforcement actions against banks and savings associations. Management is not aware of any existing circumstances which would result in termination of the Bank's deposit insurance.

Activities and Investments of Insured State-Chartered Financial Institutions. Federal law generally limits the activities and equity investments of FDIC-insured, state-chartered banks to those that are permissible for national banks. An insured state bank is not prohibited from, among other things, (1) acquiring or retaining a majority interest in a subsidiary, (2) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets, (3) acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors', trustees' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions and (4) acquiring or retaining the voting shares of a depository institution owned by another FDIC-insured institution if certain requirements are met.

Washington State has enacted a law regarding financial institution parity. Primarily, the law affords Washington state-chartered commercial banks the same powers as Washington state-chartered savings banks and provides that Washington state-chartered commercial banks may exercise any of the powers that the Federal Reserve has determined to be closely related to the business of banking and the powers of national banks, subject to the approval of the Director of the WDFI in certain situations. Finally, the law provides additional flexibility for Washington state-chartered commercial and savings banks with respect to interest rates on

loans and other extensions of credit. Specifically, they may charge the maximum interest rate allowable for loans and other extensions of credit by federally-chartered financial institutions to Washington residents.

[Table of Contents](#)

Transactions with Affiliates. Riverview and the Bank are separate and distinct legal entities. The Bank is an affiliate of Riverview and any non-bank subsidiary of Riverview, federal laws strictly limit the ability of banks to engage in certain transactions with their affiliates. Transactions deemed to be a "covered transaction" under Section 23A of the Federal Reserve Act between a bank and an affiliate are limited to 10% of a bank's capital and surplus and, with respect to all affiliates, to an aggregate of 20% of a bank's capital and surplus. Further, covered transactions that are loans and extensions of credit generally are required to be secured by eligible collateral in specified amounts. Federal law also requires that covered transactions and certain other transactions listed in Section 23B of the Federal Reserve Act between a bank and its affiliates be on terms as favorable to a bank as transactions with non-affiliates.

Community Reinvestment Act. The Bank is subject to the provisions of the Community Reinvestment Act of 1977 ("CRA"), which require the appropriate federal bank regulatory agency to assess a bank's performance under the CRA in meeting the credit needs of the community serviced by the Bank, including ~~low low-~~ and ~~moderate income~~ moderate-income neighborhoods. The regulatory agency's assessment of the Bank's record is made available to the public. Further, a bank's CRA performance must be considered in connection with a bank's application, to among other things, establish a new branch office that will accept deposits, relocate an existing office or merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution. An unsatisfactory rating may be the basis for denial of certain applications. The Bank received a "satisfactory" rating during its most recent CRA examination.

On ~~May 5, 2022~~ October 24, 2023, the FDIC and other federal ~~bank regulatory~~ banking agencies ~~overhauled the CRA and jointly~~ issued a proposal ~~final rule~~ to strengthen and modernize ~~regulations implementing the CRA~~. CRA regulations. The proposed regulations included major changes from the current regulation and will be effective on the first day of the first calendar quarter that begins at least 60 days after the publication date of the final rules. The new rules as proposed are intended designed to (1) provide expanded encourage banks to expand access to credit, investment, and basic banking services in low- and moderate-income communities, (2) address adapt to changes in the banking industry, including mobile and internet ~~and mobile~~ banking, (3) yield provide greater clarity and consistency in the application of the CRA regulations and transparency, (4) tailor CRA evaluations and data collection to bank size and ~~type~~, type. The final rule establishes a revised regulatory framework for the CRA that, like the current framework, is based on bank asset size and (5) maintain a unified approach amongst business model. Under the ~~regulating agencies~~ final rule, banks (such as the Bank) with assets of at least \$600 million as of December 31 in both of the prior two calendar years and less than \$2 billion as of December 31 in either of the prior two calendar years will be an "intermediate bank." Intermediate banks will be evaluated under the new Retail Lending Test, and either the current rule's community development test or, at the Bank's option, the new Community Development Financing Test. The applicability date for the majority of the provisions in the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027.

Dividends. The amount of dividends payable by the Bank to Riverview depends upon the Bank's earnings and capital position, and is limited by federal and state laws, regulations and policies. Under Washington law, the Bank may not declare or pay a cash dividend on its capital stock if it would cause its net worth to be reduced below (1) the amount required for liquidation accounts or (2) the net worth requirements, if any, imposed by the Director of the WDFI. In addition, dividends may not be declared or paid if the Bank is in default in payment of any assessments due to the FDIC. Dividends on the Bank's capital stock may not be paid in an aggregate amount greater than the aggregate retained earnings of the Bank, without the approval of the Director of the WDFI.

The amount of dividends actually paid during any one period is affected by the Bank's policy of maintaining a strong capital position. Federal law further restricts dividends payable by an institution that does not meet the capital conservation buffer requirement and provides that no insured depository institution may pay a cash dividend if it would cause the institution to be "undercapitalized," as defined in the prompt corrective action regulations. Moreover, the federal bank regulatory agencies also have the general authority to limit the dividends paid by insured banks if such payments are deemed to constitute an unsafe and unsound practice.

Standards for Safety and Soundness. Each federal banking agency, including the FDIC, has adopted guidelines establishing general standards relating to internal controls, information and internal audit systems; loan documentation; credit underwriting; interest rate risk exposure; asset growth; asset quality; earnings; and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices

to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal shareholder. If the FDIC determines that an institution fails to meet any of these guidelines, it may

25

[Table of Contents](#)

require an institution to submit to the FDIC an acceptable plan to achieve compliance. Management of the Bank is not aware of any conditions relating to these safety and soundness standards which would require submission of a plan of compliance.

Federal Reserve System. The Federal Reserve requires all depository institutions to maintain reserves at specified levels against their transaction accounts, primarily checking accounts. In response to the COVID-19 pandemic, the Federal Reserve reduced

27

[Table of Contents](#)

reserve requirement ratios to zero percent effective on March 26, 2020, to support lending to households and businesses. At March 31, 2023 March 31, 2024, the Bank was not required to maintain any reserve balances.

The Bank is authorized to borrow from the Federal Reserve Bank of San Francisco's "discount window." An eligible institution need not exhaust other sources of funds before going to the discount window, nor are there restrictions on the purposes for which the institution can use primary credit. At March 31, 2023 March 31, 2024, the Bank had no outstanding borrowings from the Federal Reserve.

Commercial Real Estate Lending Concentrations. The federal banking agencies have issued guidance on sound risk management practices for concentrations in commercial real estate lending. The particular focus is on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be sensitive to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is not to limit a bank's commercial real estate lending but to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance directs the FDIC and other federal bank regulatory agencies to focus their supervisory resources on institutions that may have significant commercial real estate loan concentration risk. A bank that has experienced rapid growth in commercial real estate lending, has notable exposure to a specific type of commercial real estate loan, or is approaching or exceeding the following supervisory criteria may be identified for further supervisory analysis with respect to real estate concentration risk:

- Total reported loans for construction, land development and other land represent 100% or more of the bank's capital; or
- Total commercial real estate loans (as defined in the guidance) represent 300% or more of the bank's total capital or the outstanding balance of the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months.

The guidance provides that the strength of an institution's lending and risk management practices with respect to such concentrations will be taken into account in supervisory guidance on evaluation of capital adequacy.

Environmental Issues Associated with Real Estate Lending. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), is a federal statute that generally imposes strict liability on all prior and present "owners and operators" of sites containing hazardous waste. However, Congress acted 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 potentially hazardous waste contamination (such as petroleum contamination) could be subject to liability for cleanup costs, which could substantially exceed the value of the collateral property.

Anti-Money Laundering and Customer Identification. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA PATRIOT Act") was signed into law on October 26, 2001. The USA PATRIOT Act and the Bank Secrecy Act requires financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts, and, effective in 2018, the beneficial owners of accounts. Bank regulators are directed to consider a holding company's effectiveness in combating money laundering when ruling on Bank Holding Company Act and Bank Merger Act applications.

Privacy Standards and Cybersecurity. The Gramm-Leach-Bliley Financial Services Modernization Act of 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. Federal banking agencies, including the FDIC, have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of the board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services.

26

[Table of Contents](#)

These regulations require the Bank to disclose its privacy policy, including informing consumers of its information sharing practices and informing consumers of their rights to opt out of certain practices. In addition, Washington State and other federal and state cybersecurity and data privacy laws and regulations may expose the Bank to risk and result in certain risk management costs. In addition, on November 18, 2021, the federal banking agencies announced the adoption of a final rule providing for new

28

[Table of Contents](#)

notification requirements for banking organizations and their service providers for significant cybersecurity incidents. Specifically, the new rule requires a banking organization to notify its primary federal regulator as soon as possible, and no later than 36 hours after, the banking organization determines that a "computer-security incident" rising to the level of a "notification incident" has occurred. Notification is required for incidents that have materially affected or are reasonably likely to materially affect the viability of a banking organization's operations, its ability to deliver banking products and services, or the stability of the financial sector. Service providers are required under the rule to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect the banking organization's customers for four or more hours. Compliance with the new rule was required by May 1, 2022. Non-compliance with federal or similar state privacy and cybersecurity laws and regulations could lead to substantial regulatory imposed fines and penalties, damages from private causes of action and/or reputational **harm**.

In July 2023, the SEC adopted rules requiring registrants to disclose material cybersecurity incidents they experience and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy, and governance. The new rules require registrants to disclose on Form 8-K any cybersecurity incident they determine to be material and to describe the material aspects of the incident's nature, scope, and timing, as well as its material impact or reasonably likely material impact on the registrant.

Other Consumer Protection Laws and Regulations. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") established the Consumer Financial Protection Bureau ("CFPB") and empowered it to exercise broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws. The Bank is subject to consumer protection regulations issued by the CFPB, but as a financial institution with assets of less than \$10 billion, the Bank is generally subject to supervision and enforcement by the FDIC with respect to its compliance with federal consumer financial protection laws and CFPB regulations.

The Bank is subject to a broad array of federal and state consumer protection laws and regulations that govern almost every aspect of its business relationships with consumers. While not exhaustive, these laws and regulations include the Truth-in-Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Right to Financial Privacy Act, the Home Ownership and Equity Protection Act, the Consumer Leasing Act, the Fair Credit Billing Act, the Homeowners Protection Act, the Check Clearing for the 21st Century Act, laws governing flood insurance, laws governing consumer protections in connection with the sale of insurance, federal and state laws prohibiting unfair and deceptive business practices and various regulations that implement some or all of the foregoing. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans and providing other services. Failure to comply with these laws and regulations can subject the Bank to various penalties, including but not limited to, enforcement actions, injunctions, fines, civil liability, criminal penalties, punitive damages and the loss of certain contractual rights.

Regulation and Supervision of Riverview Bancorp, Inc.

General. Riverview as sole shareholder of the Bank, is a bank holding company registered with the Federal Reserve. Bank holding companies are subject to comprehensive regulation by the Federal Reserve under the Bank Holding Company Act of 1956, as amended ("BHCA"), and the regulations of the Federal Reserve. Accordingly, Riverview is required to file semi-annual reports with the Federal Reserve and provide additional information as the Federal Reserve may require. The Federal Reserve may examine Riverview, and any of its subsidiaries, and charge Riverview for the cost of the examination. The Federal Reserve also has extensive enforcement authority over bank holding companies, including, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to require that a holding company divest subsidiaries (including its bank subsidiaries). In general, enforcement actions may be initiated for violations of law and regulations and unsafe or unsound practices. Riverview, as a public company, is also required to file certain reports and otherwise comply with the rules and regulations of the SEC. See "Federal Securities Laws" below.

The Bank Holding Company Act. Under the BHCA, Riverview is supervised by the Federal Reserve. The Federal Reserve has a policy that a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary bank

27

[Table of Contents](#)

and may not conduct its operations in an unsafe or unsound manner. In addition, the Dodd-Frank Act and earlier Federal Reserve policy provide that a bank holding company should serve as a source of strength to its subsidiary bank by having the ability to provide financial assistance to its subsidiary bank during periods of financial distress to the bank. A bank holding company's failure to meet its obligation to serve as a source of strength to its subsidiary bank will generally be considered by the Federal Reserve to be an unsafe and unsound banking practice or a violation of the Federal Reserve's regulations or both. No regulations have yet been proposed by the Federal Reserve to implement the source of strength provisions required by the Dodd-Frank Act. Riverview and any subsidiaries that it may control are considered "affiliates" within the meaning of the Federal Reserve Act, and transactions between the Bank and affiliates are subject to numerous restrictions. With some exceptions, Riverview and its

29

[Table of Contents](#)

subsidiaries are prohibited from tying the provision of various services, such as extensions of credit, to other services offered by Riverview or by its affiliates.

Acquisitions. The BHCA prohibits a bank holding company, with certain exceptions, from acquiring ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company and from engaging in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. Under the BHCA, the Federal Reserve may approve the ownership of shares by a bank holding

company in any company, the activities of which the Federal Reserve has determined to be so closely related to the business of banking or managing or controlling banks as to be a proper incident thereto. These activities include: operating a savings institution, mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; providing certain investment and financial advice; underwriting and acting as an insurance agent for certain types of credit-related insurance; leasing property on a full-payout, non-operating basis; selling money orders, travelers' checks and U.S. Savings Bonds; real estate and personal property appraising; providing tax planning and preparation services; and, subject to certain limitations, providing securities brokerage services for customers. The Federal Reserve must approve the acquisition (or acquisition of control) of a bank or other FDIC-insured depository institution by a bank holding company, and the appropriate federal banking regulator must approve a bank's acquisition (or acquisition of control) of another bank or other FDIC-insured institution.

Acquisition of Control of a Bank Holding Company. Under federal law, a notice or application must be submitted to the appropriate federal banking regulator if any person (including a company), or group acting in concert, seeks to acquire "control" of a bank holding company. An acquisition of control can occur upon the acquisition of 10% or more of the voting stock of a bank holding company or as otherwise defined by federal regulations. In considering such a notice or application, the Federal Reserve takes into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that acquires control becomes subject to regulation as a bank holding company. Depending on circumstances, a notice or application may be required to be filed with appropriate state banking regulators and may be subject to their approval or non-objection.

Regulatory Capital Requirements.

As discussed above, pursuant to the "Small Bank Holding Company" exception, effective August 30, 2018, bank holding companies with less than \$3 billion in consolidated assets were generally no longer subject to the Federal Reserve's capital regulations, which are generally the same as the capital regulations applicable to the Bank. At the time of this change, Riverview was considered "well capitalized" as defined for a bank holding company with a total risk-based capital ratio of 10.0% or more and a Tier 1 risk-based capital ratio of 8.0% or more, and was not subject to an individualized order, directive or agreement under which the Federal Reserve requires it to maintain a specific capital level.

Restrictions on Dividends. The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies which expresses its view that a bank holding company must maintain an adequate capital position and generally should not pay cash dividends unless the company's net income for the past year is sufficient to fully fund the cash dividends and that the prospective rate of earnings appears consistent with the company's capital needs, asset quality, and overall financial condition. The Federal Reserve policy statement also indicates that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Under Washington corporate law, Riverview generally may not pay dividends if after that payment it would not be able to pay its liabilities as they become due in the usual course of business, or its total assets would be less than its total liabilities. The capital conservation buffer requirement may also limit or preclude dividends payable by the Company. For additional information, see Item 1.A. "Risk Factors – Risks Related to Regulatory and Compliance Matters – Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or **sanctions**" **sanctions and limit our ability to get regulatory approval of acquisitions**" in this report.

30

[Table of Contents](#)

Stock Repurchases. A bank holding company, except for certain "well-capitalized" and highly rated bank holding companies, is required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding twelve months, is equal to 10% or more of its consolidated net worth. The Federal Reserve may

28

[Table of Contents](#)

disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order or any condition imposed by, or written agreement with, the Federal Reserve.

Federal Securities Laws. Riverview's common stock is registered with the SEC under Section 12(b) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Company is subject to information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.

[Table of Contents](#)

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. The risks below also include forward-looking statements. This report is qualified in its entirety by these risk factors.

Risks Related to Macroeconomic Conditions

Our business may be adversely affected by downturns in the national and the regional economies on which we depend.

Substantially all of our loans are to businesses and individuals in the states of Washington and Oregon. A decline in the economies of the seven counties in which we operate, including the Portland, Oregon metropolitan area, which we consider to be our primary market area, could have a materially adverse effect on our business, financial condition, results of operations and prospects. Weakness in the global economy and global supply chain issues have adversely affected many businesses operating in our markets that are dependent upon international trade. Changes in agreements or relationships between the U.S. and other countries may also affect these businesses, businesses and, by extension, our operations.

A deterioration downturn in economic conditions in the market areas we serve could result in the following consequences, any of which be it due to inflation, recessive trends, geopolitical conflicts, adverse weather, or other factors, could have a materially material adverse impact on our business, financial condition, liquidity and results of operations: operations, including but not limited to:

- Elevated instances of loan delinquencies, problem problematic assets, and foreclosures may increase;
- we may An increase in our allowance ACL for loan losses; loans
- Reduced demand for our products and services, may potentially leading to a decline possibly resulting in a decrease in our total overall loans or assets; assets.
- Depreciation in collateral for values linked to our loans, especially real estate, may decline in value, thereby reducing customers' future diminishing borrowing power, capacities and reducing the value of assets and collateral associated with asset values tied to existing loans; loans.
- the Reduced net worth and liquidity of loan guarantors, may decline, possibly impairing their ability to honor meet commitments to us; and us
- the amount of Reductions in our low-cost or non-interest bearing deposits may decrease, noninterest-bearing deposits.

Many of the loans in our portfolio are secured by real estate. A decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse. Deterioration Many of the loans in our portfolio are secured by real estate.

Any deterioration in the real estate markets where associated with the collateral for a securing mortgage loan is located loans could negatively affect the borrower's ability to repay the loan significantly impact borrowers' repayment capabilities and the value of the collateral securing the loan, collateral. Real estate values are affected by various other factors, including changes in general or regional economic conditions, governmental rules or

policies regulatory changes, and natural disasters such as earthquakes, flooding and tornadoes. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values, our financial condition and profitability could be adversely affected.

Inflationary pressures External economic factors, such as changes in monetary policy and rising prices inflation and deflation, may affect have an adverse effect on our business, financial condition and results of operations and financial condition. operations.

Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. Actions by monetary and fiscal authorities, including the Federal Reserve, could lead to inflation, deflation, or other economic phenomena that could adversely affect our financial performance. Inflation has risen sharply since the end of 2021 to and throughout 2022 at levels not seen in more than for over 40 years. Inflationary pressures, while easing recently, still remain elevated. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economies economics of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers clients to repay their loans may deteriorate and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to the Company to increase, which could adversely affect our results of operations and financial condition. Virtually all our assets and liabilities are monetary in nature. As a result, interest rates tend to have a more significant impact on our performance than general levels of inflation or deflation. Interest rates do not necessarily move in the same direction or by the same magnitude as the prices of goods and services.

30

[Table of Contents](#)

Risks Related to our Lending Activities

Our real estate construction loans are based upon estimates of costs and the value of the completed project, and as with land loans may be more difficult to liquidate, if necessary.

We make construction and land loans primarily to builders to finance the construction of single and multifamily homes, subdivisions, as well as commercial properties properties. We originate these loans regardless of whether the property used as collateral in under a portion of which are originated whether or not the collateral property underlying

32

[Table of Contents](#)

the loan is under contract for sale, sales contract. At March 31, 2023 March 31, 2024, real estate construction and land loans totaled \$54.2 million \$42.2 million, or 5.37% 4.13% of our total loan portfolio, and was were comprised of \$18.2 million \$16.2 million of speculative and presold construction loans, \$6.4 million \$5.7 million of land loans and \$29.6 million \$20.4 million of commercial/multi-family construction loans.

In general, construction and land lending involve additional risks when compared with other lending because of the inherent difficulty in estimating a property's value both before and at completion of the project, as well as the estimated cost of the project and the time needed to sell the property at completion. Construction costs may exceed original estimates as a result of increased materials, labor or other costs. 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 on real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. Changes in the demand, such as for new housing and higher than anticipated building costs may cause actual results to vary significantly from those estimated. For these reasons, this type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. A downturn in housing, or the real estate market, could increase loan delinquencies, defaults and foreclosures, and significantly impair the value of our collateral and our ability to sell the collateral upon foreclosure. Some of our builders have more than one loan outstanding with us and also have

residential mortgage loans for rental properties with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss.

Construction loans often involve the disbursement of funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. Moreover, during the term of most of our construction loans, no payment from the borrower is required since the accumulated interest is added to the principal of the loan through an interest reserve. If our appraisal of the value of a 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. Because construction loans require active monitoring of the building process, including cost comparisons and on-site inspections, these loans are more difficult and costly to monitor.

Increases in market rates of interest also may have a more pronounced effect on construction loans by rapidly increasing the end-purchasers' borrowing costs, thereby reducing the overall demand for the project. Properties under construction are often difficult to sell and typically must be completed in order to be successfully sold which also complicates the process of working out problem construction loans. This may require us to advance additional funds and/or contract with another builder to complete construction. Furthermore, in the case of speculative construction loans, there is the added risk associated with identifying an end-purchaser for the finished project.

Loans on land under development or raw land held for future construction, including lot loans made to individuals for the future construction of a residence also pose additional risk because of the lack of income being produced by the property and the potential illiquid nature of the collateral. These risks can be significantly impacted by supply and demand conditions. As a result, this type of lending often involves the disbursement of substantial funds with repayment dependent on the success of the ultimate project and the ability of the borrower to develop, sell or lease the property, rather than the ability of the borrower or guarantor to independently repay principal and interest. There were no non-performing real estate construction and land loans at **March 31, 2023** **March 31, 2024**. A material increase in non-performing real estate construction and land loans could have a material adverse effect on our financial condition and results of operation.

Commercial and multi-family real estate lending involves higher risks than real estate one-to-four family and other consumer lending, which exposes us to increased lending risks.

While Our current business strategy includes an emphasis on commercial and multi-family real estate lending. This type of lending is typically activity, while potentially more profitable than real estate one-to-four family lending, **it** is generally more sensitive to regional and local economic conditions, making loss levels more difficult to predict. Collateral evaluation and financial statement analysis in these

[Table of Contents](#)

types of loans requires a more detailed analysis at the time of loan underwriting and on an ongoing basis. At **March 31, 2023** **March 31, 2024**, we had **\$620.3 million** **\$654.3 million** of commercial and multi-family real estate loans, representing **61.49%** **63.9%** of our total loan portfolio.

Commercial and multi-family real estate loans typically involve higher principal amounts than other types of loans, and some of our commercial borrowers have more than one loan outstanding maintain multiple loans with us. Consequently, an adverse development with respect to one in any single loan or one credit relationship can expose us significantly heighten our exposure to potential losses, far more than the impact of a significantly greater risk of loss compared to an adverse similar development with respect to in a one-to-four family residential mortgage loan. Repayment on The repayment of these loans is dependent upon relies on income generated or expected to be generated, by from the property securing the loan in amounts sufficient to loan. This income must sufficiently cover operating operational expenses and debt service, which may be

[Table of Contents](#)

adversely affected by changes in service. Economic fluctuations or shifts in the economy or local market conditions. For example, if conditions may adversely affect the cash flow from the borrower's project is reduced as property's income, posing potential repayment challenges. Moreover, a result of leases not being obtained or renewed, the borrower's ability to repay the loan may be impaired. Commercial and multi-family mortgage loans also expose a lender to greater credit risk than loans secured by one-to-four family residential real estate because the collateral securing these loans typically cannot be sold as easily as residential real estate. In addition, many substantial portion of our commercial and multi-family real estate loans are do not fully amortizing amortize and contain large include substantial balloon payments upon maturity. Such These balloon payments may require the borrower to either sell or refinance the underlying property, in order to make the payment, which may increase potentially heightening the risk of default or on non-payment.

A secondary market for most types In the event of commercial real estate and multi-family loans is not readily liquid, so we have less opportunity to mitigate credit risk by selling part or all of our interest in these loans. As a result of these characteristics, if we foreclose foreclosure on a commercial or multi-family real estate loan, our holding period for the collateral typically is longer than for tends to be more extended compared to one-to-four family residential mortgage loans because there are fewer loans. This elongated holding period results from a limited pool of potential purchasers of for the collateral. Accordingly, charge-offs on

In recent years financial institutions have witnessed substantial growth in commercial and multi-family real estate loans may be larger on a per loan basis than those incurred markets, compounded by intensified competitive pressures that have led to historically low capitalization rates and surging property valuations. The economic disruption spurred by the COVID-19 pandemic has particularly affected commercial real estate markets. Additionally, the pandemic has accelerated the adoption of remote work options, potentially influencing the long-term performance of certain office properties within our commercial real estate portfolio. Moreover, the federal banking regulatory agencies have raised concerns about vulnerabilities within the current commercial real estate market, recognizing the risks associated with these assets. Failures in our residential or consumer loan portfolios, risk management policies, procedures, and controls could impede our ability to effectively manage this portfolio, potentially leading to increased delinquencies and higher losses, thereby materially impacting our business, financial condition, and operational performance.

Our business may be adversely affected by credit risk associated with residential property and declining property values.

At March 31, 2023 March 31, 2024, \$99.7 million \$96.4 million, or 9.88% 9.41% of our total loan portfolio, consisted of real estate one-to-four family loans and home equity loans. Our We primarily base our lending decisions on the borrower's repayment capacity and the collateral securing these loans, particularly with first-lien real estate one-to-four family loans are primarily made based on the repayment ability of the borrower and the collateral securing these loans. Home However, home equity lines of credit generally entail pose greater risk than do real estate one-to-four family loans where we are in the first-lien position. For risks, especially those home equity lines secured by a second mortgage, it is less likely that we will be successful in recovering all as the likelihood of our full loan proceeds recovery in the event of default, default diminishes. Our ability to foreclose on such loans depends upon the property's value which must cover both the primary mortgage and foreclosure on these loans requires that the value of the property be sufficient to cover the repayment of the first mortgage loan, as well as the costs associated with foreclosure, costs.

This type of lending is generally highly sensitive to regional and local economic conditions, that significantly impact the ability of borrowers making it challenging to meet their loan payment obligations, making loss levels difficult to predict. A downturn predict potential losses. Economic downturns or fluctuations in the economy or the housing market in our market areas or a rapid increase in interest rates may reduce the value of the real estate collateral securing these types of loans and increase could diminish property values, increasing the risk that we would incur of losses if borrowers default on their loans. Residential loans default. Loans with high combined loan-to-value ratios generally will be more sensitive loan -to -value-ratios are particularly vulnerable to declining property values, than those with lower combined loan-to-value ratios leading to higher default rates and therefore may experience a higher incidence of default and increased severity of losses. In addition, Moreover, if the borrowers sell their homes, the borrowers they may be unable struggle to repay their loans in full from the sale proceeds. As a result, these loans may experience higher elevated rates of delinquencies, defaults and losses which will in turn adversely affect negatively impacting our financial condition and results of operations.

Repayment of our commercial business 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, 2023 March 31, 2024, commercial business loans totaled \$232.9 million \$229.4 million, or 23.08% 22.4% of total loans. Our commercial business These loans are primarily made extended based on the borrower's cash flow, of the borrower and secondarily on the underlying with collateral provided by the borrower. The borrowers' borrower, serving as a secondary consideration. However, the predictability of the borrower's cash flow may be unpredictable, can vary, and the value of collateral securing these loans may fluctuate in value. This collateral may consist of fluctuate. Collateral for commercial business loans typically includes equipment, inventory, accounts receivable, or other business assets. In the case of For loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent relies heavily on the borrower's ability of the borrower to collect amounts due from its customers. Other Additionally, the value of other collateral, securing loans such as equipment, may depreciate over time, may and could be difficult challenging to appraise may be illiquid and may fluctuate in value or liquidate, varying based on the specific type nature of business and equipment. As a result, the business. Consequently, the availability of funds for the loan repayment of commercial business loans may be substantially dependent is significantly contingent on the success of the borrower's business, itself which in turn, is often

dependent in part upon general influenced by broader economic conditions and, secondarily on to a lesser extent, the underlying collateral value of provided by the borrower. collateral.

[Table of Contents](#)

Our allowance ACL for loan losses loans may prove to be insufficient to absorb losses in our loan portfolio. Future additions to our allowance for loan losses, ACL, as well as charge-offs in excess of reserves, will reduce our earnings.

Lending money is a substantial part of our business and each loan carries a certain risk risks, including that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- the The cash flow of the borrower and/or the project being financed; financed.
- in the case of For a collateralized loan, the changes and uncertainties as to the future value of the collateral; collateral.
- the The duration of the loan; loan.

[Table of Contents](#)

- the The credit history of a particular borrower; and the borrower.
- changes Changes in economic and industry conditions.

We To address these risks, we maintain an allowance ACL for loan losses, loans, which is a reserve established through a provision for loan credit losses on loans charged to expense, which we believe is appropriate to provide for probable lifetime expected credit losses in our loan portfolio. The amount appropriate level of this allowance the ACL for loans is determined by management through periodic reviews and consideration of several factors, including, but not limited to:

- our general Our collective loss reserve, for loans evaluated on a pool basis with similar risk characteristics based on our life of loan historical default and loss experience, and certain macroeconomic factors, based on reasonable and supportable forecasts, regulatory requirements, management's expectations of future events; events and certain qualitative factors; and
- our specific Our individual loss reserve, based on our evaluation of impaired individual loans that do not share similar risk characteristics and their present value of the expected future cash flows or the fair value of the underlying collateral or discounted cash flow; and
- an unallocated reserve to provide for other credit losses inherent in our loan portfolio that may not have been contemplated in the other loss factors. collateral.

The determination of the appropriate level of the allowance for loan losses ACL inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. If our estimates are incorrect, the allowance ACL for loan losses loans may not be sufficient to cover losses inherent in our loan portfolio, resulting in the need for increases in our allowance for loan losses ACL through the provision for credit losses on loans which is charged against income. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may Management also require an increase in the allowance for loan losses. Additionally, pursuant to our growth strategy, management recognizes that significant new growth in loan portfolios, new loan products and the refinancing of existing loans can result in portfolios comprised of unseasoned loans that may not perform in a historical or projected manner and will increase the risk that our allowance may be insufficient to absorb losses without significant additional provisions. Further, bank Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may also require an increase in the ACL.

Bank regulatory agencies also periodically review our allowance for loan losses ACL and may require an increase in the provision for possible loan credit losses or the recognition of further loan charge-offs based on their judgment about information available to them at the time of their examination.

In addition, If charge-offs in future periods exceed the FASB has adopted an accounting standard referred ACL, we may need additional provisions to as Current Expected Credit Loss, or CECL, which requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans and recognize the expected credit losses as allowances for credit losses. This will change the current method of providing allowances for credit losses only when they have been incurred and are probable, which is expected to require us to adjust our allowance for loan losses and greatly increase the types of data we need to collect and review to determine the appropriate level of the allowance for credit losses. This accounting pronouncement is applicable to us effective April 1, 2023. As of the adoption and day one measurement date of April 1, 2023, the Company expects to record a one-time cumulative-effect adjustment to retained earnings, net of income taxes, on the consolidated balance sheet. Also, as required by CECL, the Company reviewed the held-to-maturity debt securities portfolio and determined the expected losses were immaterial. The magnitude of the change in the Company's allowance for credit losses at the adoption date will depend upon the nature and characteristics of the portfolio at the adoption date, as well as macroeconomic conditions and forecasts at that time, other management judgements, and continued refinement and validation of the model and methodologies. See also, Note 1 of the Notes to Consolidated Financial Statements - Recently Issued Accounting Pronouncements contained in Item 8 of this report. The federal banking regulators, including the Federal Reserve and the FDIC, have adopted a rule that gives a banking organization the option to phase in over a three- year period the day-one adverse effects of CECL on its regulatory capital.

ACL. Any increases in the provision for loan losses ACL will result in a decrease in net income and may have a material adverse effect on our financial condition, results of operations, liquidity and capital.

Risks Related to Market and Interest Rate Changes

Changes in interest rates may reduce our net interest income and may result in higher defaults in a rising rate environment.

Our earnings and cash flows are largely dependent upon our net interest income, which is the difference, or spread, between the interest earned on loans, securities and other interest-earning assets and the interest paid on deposits, borrowings, and other interest-bearing liabilities. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the Federal Reserve. Since March 2022, in response to inflation, the Federal Open Market Committee ("FOMC") of the Federal Reserve has increased the target range for the federal funds rate by 475 basis points, including 50 basis points during the first quarter of 2023, fiscal 2024, to a range of 4.75% to 5.25% as of March 31, 2023. In May 2023, As inflation eases, the FOMC increased the target range for the federal funds rate another 25 basis

[Table of Contents](#)

points to a range of 5.00% to 5.25%. If decreases may be expected during 2024. However, if the FOMC further increases the targeted federal funds rates, overall interest rates will likely continue to rise, which will positively impact our net interest income but may negatively impact both the housing market by reducing refinancing activity and new home purchases, and the U.S. economy. In addition, as previously discussed, inflationary pressures will increase our operational costs and could have a significant negative effect on our borrowers, especially our business borrowers, and the values of collateral securing loans which could negatively affect our financial performance.

We principally manage interest rate risk by managing our volume and mix of our earning assets and funding liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. 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

[Table of operations could be materially affected. Contents](#)

Changes in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations or by reducing our margins and profitability. Our net interest margin is the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding. Changes in interest rates—up or down—could adversely affect our net interest margin and, as a result, our net interest income. Although the yields we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. As a result, when interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the yield catches up. Changes in the slope of the “yield curve”—or the spread between short-term and long-term interest rates—could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens or even inverts, we could experience pressure on our net interest margin as our cost of funds increases relative to the yield we can earn on our assets. Also, interest rate decreases can lead to increased prepayments of loans and mortgage-backed securities as borrowers refinance their loans to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk as we may have to redeploy such repayment proceeds into lower yielding investments, which would likely hurt our income.

A sustained increase in market interest rates could adversely affect our earnings. A significant portion of our loans have fixed interest rates and longer terms than our deposits and borrowings. As is the case with many financial institutions, we attempt to increase our emphasis on increasing the development proportion of core deposits those deposits that are non-interest bearing no or pay a relatively low rate of interest. However, attracting such deposits has been challenging with the current interest with no stated maturity date, has resulted in our having a significant amount of these deposits which have a shorter duration than our assets. At March 31, 2023 March 31, 2024, we had \$404.9 million \$349.1 million in non-interest bearing demand deposits and \$84.6 million \$179.2 million in certificates of deposit that mature within one year. We would incur a higher cost of funds to retain these deposits in a rising interest rate environment. Our net interest income could be adversely affected if the rates we pay on deposits and borrowings increase more rapidly than the rates we earn on loans, loans and other investments. In addition, a substantial amount of our home equity lines of credit have adjustable interest rates. As a result, these loans may experience a higher rate of default in a rising interest rate environment.

Changes in interest rates also affect the value of our securities portfolio. Generally, the fair value of fixed-rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale are reported as a separate component of stockholders' equity, net of tax. Decreases in the fair value of securities available for sale resulting from increases in interest rates could have an adverse effect on stockholders' equity. At March 31, 2023 March 31, 2024, we recorded an \$18.3 million \$16.1 million accumulated other comprehensive loss, which is reflected as a reduction to stockholders' equity.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our consolidated balance sheet or projected operating results. See Item 7A., “Quantitative and Qualitative Disclosures About Market Risk,” of this Form 10-K.

We may incur losses on our securities portfolio as a result of changes in interest rates.

Factors The fair value of our investment securities is susceptible to significant shifts due to factors beyond our control, can significantly influence the fair value of securities in our portfolio and can cause potential potentially leading to adverse changes to the fair value of these securities, in their valuation. These factors include, but are not limited to, rating agency actions in respect to of the

[Table of Contents](#)

securities, defaults by or other adverse events affecting, the issuer or with respect adverse events related to the underlying securities, capital market instability, and, changes as previously mentioned, fluctuations in market interest rates and continued instability in the capital markets, rates. Any of these factors, among others, could cause other-than-temporary impairments and realized and/or unrealized losses the fair value of these securities to be lower than the amortized cost basis resulting in future periods and declines in other comprehensive income, a credit loss, which could have a material effect on our business, financial condition and results of operations. The process for determining whether impairment We are required to maintain sufficient

liquidity to ensure a safe and sound operation, potentially requiring us to sell securities at a loss if our liquidity position falls below desirable level and all alternative sources of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security. There can be exhausted. In an environment where other market participants are also liquidating securities, our loss could be no assurance that the declines in market value will not result in other-than-temporary impairments of these assets, and would lead to accounting charges that could have a material adverse effect on our net income materially higher than expected, significantly adversely impacting liquidity and capital levels. For the fiscal year ended March 31, 2023, we did not incur any other-than-temporary impairments on our securities portfolio.

[Table of Contents](#)

Revenue from broker loan fees is sensitive to changes in economic conditions, decreased economic activity, a slowdown in the housing market, higher interest rates or new legislation which may adversely impact our financial condition and results of operations.

Our mortgage brokerage operations provide contribute additional non-interest income. The Company employs commissioned brokers who originate mortgage loans (including construction loans) for various mortgage companies. These 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 considered assets of the Company. In return, Instead, the Company receives a fee typically ranging from 1.5% to 2.0% of the loan amount, that it shares which is shared with the commissioned broker.

The prevailing interest rate environment has a strong influence on significantly influences both the loan volume of loans and amount of the fees generated from through our mortgage brokerage activity. In general, Generally, during periods of rising interest rates, the volume of loans and the amount of brokered loan fees included in non-interest income 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 brokered loan fees generally increase as a result of the increased mortgage loan demand.

A general decline in economic conditions may adversely affect the fees generated by our asset management company.

To the extent Should our asset management clients and their assets become be adversely affected impacted by weak unfavorable economic and stock market conditions, they may choose to withdraw their managed assets, or the amount value of these assets managed by us and the value of their assets may decline. Our Since our asset management revenues are based on directly linked to the value of the assets we manage. If our clients withdraw manage, any withdrawal of assets or the reduction in their value of their assets decline, would adversely affect the revenues generated by the Trust Company will be adversely affected Company.

Risks Related to Regulatory, Legal and Compliance Matters

The continued focus on increasing our commercial real estate loan portfolio may subject us to additional regulatory scrutiny.

The FDIC, the Federal Reserve and the OCC have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under this guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors (i) total reported loans for construction, land development, and other land represent 100% or more of total capital, or (ii) total reported loans secured by multi-family and non-farm residential properties, loans for construction, land development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300% or more of total capital. Based on these criteria, the Bank determined that it did not have has a concentration in commercial real estate lending as total loans for multifamily, non-farm/non-residential, construction, land development and other land represented 285% 314% of total risk-based capital at March 31, 2023 March 31, 2024. The particular focus of the guidance is on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. While we believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us.

[**Table of Contents**](#)

We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations.

The financial services industry is extensively regulated. Federal and state banking regulations are designed primarily to protect the deposit insurance funds and consumers, not to benefit a company's shareholders. These regulations may sometimes impose significant limitations on operations. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution's **allowance for loan losses**. **ACL**. These bank regulators also have the ability to impose conditions in the approval of merger and acquisition transactions. **The significant federal and state banking regulations that affect us are described under the heading "Item 1. Business-Regulation" in Item I**

[**Table of this Form 10-K Contents**](#)

These regulations, along with the currently existing tax, accounting, securities, insurance, and monetary laws, regulations, rules, standards, policies, and interpretations control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies, and interpretations are constantly evolving and may change significantly over time. Any new regulations or legislation, change in existing regulations or oversight, whether a change in regulatory policy or a change in a regulator's interpretation of a law or regulation, may require us to invest significant management attention and resources to make any necessary changes to operations to comply and could have an adverse effect on our business, financial condition and results of operations. Additionally, actions by regulatory agencies or significant litigation against us may lead to penalties that materially affect us. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent registered public accounting firm. These accounting changes could materially impact, potentially even retroactively, how we report our financial condition and results of our operations as could our interpretation of those changes.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions.

The USA PATRIOT Act and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. Failure to comply with these regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. **Recently, several banking institutions have received large fines for non-compliance with these laws and regulations.** While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a materially adverse effect on our business, financial condition, results of operations and growth prospects.

If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected.

Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing shareholder value. We have established processes and procedures intended to identify, measure, monitor, report, analyze and control the types of risk to which we are subject. These risks include, among others, liquidity, credit, market, interest rate, operational, legal and compliance, and reputational risk. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. We also maintain a compliance program to identify, measure, assess, and report on our adherence to applicable laws, policies and procedures. While we assess and improve these programs on an ongoing basis, there can be no assurance that our risk management or compliance programs, along with other related controls, will effectively mitigate risk under all circumstances, or that it will adequately mitigate any risk or loss to us. However, as with any risk management framework, there are inherent limitations to our risk management strategies as they may exist, or develop in the future, including risks that

we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and our business, financial condition, results of operations or growth prospects could be materially adversely affected. We may also be subject to potentially adverse regulatory consequences.

Climate change and related legislative and regulatory initiatives may materially affect the Company's business and results of operations.

Climate change continues to be a pressing concern, prompting heightened awareness and action on a global scale. Efforts include international agreements such as the Paris Agreement, with the United States rejoining, and ongoing initiatives at various governmental levels to address climate-related issues. Under the current administration, additional measures are anticipated, potentially impacting banks' risk management practices, stress testing, credit portfolio concentrations, and investment strategies. The effects lack of empirical data makes it challenging to predict the precise financial impact of climate change, continue to create an alarming level of concern though its physical effects such as more frequent weather disasters, could directly affect our real estate collateral and loan portfolios. Inadequate insurance coverage for the state of the global environment. As a result, the global business community has increased its political and social awareness surrounding the issue; borrowers may compound these risks, impacting our financial condition. Furthermore, climate change's broader economic effects could adversely affect our customers and the United States has entered into international agreements in an attempt to reduce communities we serve, potentially impacting our financial performance.

On March 6, 2024, the SEC implemented new climate-related disclosure rules for U.S. public companies and foreign private issuers. These rules introduce extensive disclosure requirements, increasing reporting costs, risks, and complexity. Challenges include short compliance timelines, interpretive issues, legal liabilities, and global temperatures, such as reentering the Paris Agreement. Further, regulatory overlaps. Lawsuits contesting these

38 36

Table of Contents

rules add further uncertainty. However, on March 15, 2024, the U.S. Congress, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives to supplement the global effort to combat climate change. Similar and even more expansive initiatives are expected under the current administration, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting Court of Appeals for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by Fifth Circuit granted an administrative stay, temporarily halting the effects of climate change. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it difficult, or even impossible, to predict how specifically climate change may impact our financial condition and results of operations; however, the physical effects of climate change may also directly impact us. Specifically, unpredictable and more frequent weather disasters may adversely impact the real property, and/or the value implementation of the real property, securing the loans in our portfolios. Additionally, if insurance obtained by our borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by SEC's climate change, natural disasters and related events, which could impact our financial condition and results of operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations, rules.

Risks Related to Cybersecurity, Data and Fraud

We are subject to certain risks in connection with our use of technology.

Our security measures may not be sufficient to mitigate the risk of a cyber-attack. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, fraudulent or unauthorized access, denial or degradation of service attacks, misuse, computer viruses, malware or other malicious code and cyber-attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our customers' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to

litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. We could also suffer significant reputational damage.

Further, Additionally, as our cardholders use their debit and credit cards to make purchases from for transactions with third parties or through third-party processing services. As such, services, we are subject to risk face additional risks from data breaches of such third-party's information systems in their system or their payment processors. Such a data security breach breaches could compromise expose our account information. The payment methods that we offer also subject us information, leading to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements liabilities for the payment methods we accept, or if payment-related data is compromised due to a breach or misuse of data, we may be liable for losses associated with reimbursing our clients for such fraudulent transactions, on clients' card accounts, as well as costs incurred by payment card issuing banks and other third parties or may be subject to fines, and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. We fees. Breaches may also incur other costs related to data security breaches, such as replacing cards associated with compromised card accounts. In addition, our customers could lose confidence erode customer trust, prompting shifts in certain payment types, which may result in a shift to other payment types or methods and potential changes to our payment systems, that may result in which could incur higher costs.

Breaches of information security also may occur through intentional or unintentional acts by those having access Despite ongoing efforts to enhance our systems or our clients' or counterparties' confidential information, including employees. The Company is continuously working to install new and upgrade its existing information technology systems and provide employee awareness training, around phishing, malware, and other cyber risks to further protect the Company against cyber risks and security breaches.

There continues to be a rise threats remain pervasive, particularly in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts, industry. We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop fortify our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of address unauthorized access, misuse, misuses, computer viruses, and other events that could have a security impact. Insider or employee cyber and security threats are increasingly a concern for

[Table of Contents](#)

companies, including ours. We are not aware that risks. While we have not experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a cyber-security breach or other act, however, significant breaches, some of our clients may have been affected by third-party breaches, which could increase potentially increasing their risks of identity theft credit card and fraud and other fraudulent activity that could involve involving their accounts with us.

Security breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third-party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our clients and underlying transactions. Any compromise of our security could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. Although we have developed and continue to invest in systems and processes that are designed to detect and prevent security breaches and cyber-attacks and periodically test our security, these precautions may not protect our systems from compromises or breaches of our security measures, and could result in losses to us or our clients, our loss of business and/or clients, damage to our reputation, the incurrence of additional expenses, disruption to our business, our inability to grow our online services or other businesses, additional regulatory scrutiny or penalties, or our exposure to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our security measures may not protect us from system failures or interruptions. While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing and other operational functions to certain third-party providers. While the Company selects third-party vendors carefully, it does not control their actions. If our third-party providers encounter difficulties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher transaction volumes, cyber-attacks and security breaches or if we otherwise have difficulty in communicating with them, our ability to adequately process and

account for transactions could be affected, and our ability to deliver products and services to our customers and otherwise conduct our business operations could be adversely impacted. Replacing these third-party vendors could also entail significant delay and expense. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

37

[Table of Contents](#)

We cannot assure **you** that such breaches, failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. We may not be insured against all types of losses as a result of third-party failures and insurance coverage may be inadequate to cover all losses resulting from breaches, system failures or other disruptions. 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 identify 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. Further, the occurrence of any systems failure or interruption could damage our reputation and result in a loss of customers and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a materially adverse effect on our financial condition and results of operations.

The board of directors oversees the risk management process, including the risk of cybersecurity, and engages with management on cybersecurity issues.

Our business may be adversely affected by an increasing prevalence of fraud and other financial crimes.

As a bank, we are **The Bank is** susceptible to fraudulent activity that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Nationally, reported incidents of fraud and other financial crimes have increased. We have also experienced losses due to apparent fraud and other financial crimes. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur.

40

[Table of Contents](#)

Risks Related to Accounting Matters

The Company's reported financial results depend on management's selection of accounting methods and certain assumptions and estimates, which, if incorrect, could cause unexpected losses in the future.

The Company's accounting policies and methods are fundamental to how the Company records and reports its financial condition and results of operations. The Company's management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management's judgment regarding the most appropriate manner to report the Company's financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances, yet might result in the Company's reporting materially different results than would have been reported under a different alternative.

Certain accounting policies, **most notably the ACL**, are critical to presenting the Company's financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. **These critical accounting estimates include, but are not limited to the allowance for loan losses, the valuation of investment securities, goodwill valuation and the calculation of income taxes, including tax provisions and realization of deferred tax assets; and the fair value of assets and liabilities. Because of the uncertainty of estimates involved in these matters, the Company may be required,**

among other things, to significantly increase the allowance for loan losses, sustain credit losses that are significantly higher than the reserve provided, and/or record a write-off of goodwill as a result of impairment. For more information, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" contained in this Form 10-K.

We may experience future goodwill impairment, which could reduce our earnings.

We performed our annual goodwill impairment test as of October 31, 2022. In accordance with GAAP, we record assets acquired and liabilities assumed in a business combination at their fair value with the test concluded that recorded goodwill was not impaired. Our assessment excess of the fair value of goodwill is based on an evaluation of current purchase transactions, discounted cash flows from forecasted earnings, our current market capitalization, and a valuation of our assets. Our evaluation of consideration over the fair value of goodwill involves a substantial amount of judgment. If our judgment was incorrect, or if events or circumstances change, and an impairment of goodwill was deemed to exist, we would be required to write down our goodwill net assets acquired resulting in the recognition of goodwill. As a charge result, acquisitions typically result in recording goodwill. We perform a goodwill evaluation at least annually to earnings, which would adversely affect our results of operations, perhaps materially; however, it would have no impact on our liquidity, operations or regulatory capital. We performed a qualitative assessment of test for goodwill at March 31, 2023 and concluded that recorded goodwill was not impaired. Our test of goodwill for potential impairment is based on a qualitative assessment by management that takes into consideration macroeconomic conditions, industry and market conditions, cost or margin factors, financial performance and share price. Our evaluation of the fair value of goodwill involves a substantial amount of judgement. If our judgement was incorrect, or if events or circumstances change, and an impairment of goodwill was deemed to exist, we would be required to record a non-cash charge to earnings in our financial statements during the period in which such impairment is determined to exist. Any such charge could have a material adverse effect on our results of operations.

38

[Table of Contents](#)

Risks Related to our Business and Industry General

We rely on other companies to provide key components of our business infrastructure.

We rely on numerous external vendors to provide us with products and services necessary to maintain our day-to-day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which in turn could have a material negative impact on our financial condition and results of operations.

We also could be adversely affected to the extent such an agreement is not renewed by the third-party vendor or is renewed on terms less favorable to us. Additionally, the bank regulatory agencies expect financial institutions to be responsible for all aspects of our vendors' performance, including aspects which they delegate a vendor delegates to third parties. Disruptions or failures in the physical infrastructure or operating systems that support our business and clients, or cyber-attacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in client attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

41

[Table of Contents](#)

We will be required to transition from the use of LIBOR in the future.

We have junior subordinated debentures indexed to LIBOR to calculate the interest rate. ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of the one-week and two-month U.S. Dollar ("USD") LIBOR tenors on December 31, 2021 and the remaining

USD LIBOR tenors will end publication in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR (with the exception of overnight repurchase agreements, which are expected to be based on the Secured Overnight Financing Rate, or SOFR). The language in our LIBOR-based contracts and financial instruments has developed over time and may have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments may give the calculation agent discretion over the substitute index or indices for the calculation of interest rates to be selected. The implementation of a substitute index or indices for the calculation of interest rates under our agreements may result in incurring significant expenses in effecting the transition, may result in reduced loan balances if the substitute index or indices is not accepted and may result in disputes or litigation with customers and creditors over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations.

Ineffective liquidity management could adversely affect our financial results and condition.

Liquidity is essential to our business. We rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, cash flows from loan payments and our securities portfolio. Borrowings also provide us with a source of funds to meet liquidity demands. An inability to raise funds through deposits, borrowings, the sale of loans or investment securities, or other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the Washington or Oregon markets in which our loans are concentrated, negative operating results, or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry or deterioration in credit markets. Any decline in available funding in amounts adequate to finance our activities or on acceptable terms which are acceptable could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill obligations such as repaying our borrowings or meeting deposit withdraw demands, any of which could, in turn, have a material adverse effect on our business, financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity" of this Form 10-K.

Additionally, collateralized public funds are bank deposits of state and local municipalities. These deposits are required to be secured by certain investment grade securities to ensure repayment, which on the one hand tends to reduce our contingent liquidity risk by making these funds somewhat less credit sensitive, but on the other hand reduces standby liquidity by restricting the potential liquidity of the pledged collateral. Although these funds historically have been a relatively stable source of funds for us, availability depends on the individual municipality's fiscal policies and cash flow needs.

Our branching strategy may cause our expenses to increase faster than revenues.

Since June 2020, we opened three new branches in Clark County, Washington and may open additional branches in our market area in the future. The success of our branch expansion strategy is contingent upon numerous factors, such as including our ability to secure managerial resources, hire recruit and retain qualified personnel, and implement execute effective marketing strategies. The However, the opening of new branches may not lead to an immediate or substantial increase the volume of our loans in loan and deposits deposit volumes as quickly or to the degree that we hope anticipated, and opening new branches it will increase inevitably raise our operating expenses. On average, Typically, de novo branches do not become profitable until take three to four years after opening. Further, to become profitable, and the projected timeline and the estimated dollar amounts involved in costs for opening de novo new branches could may significantly differ significantly from actual results. We may not successfully manage encounter challenges in managing the costs and implementation risks associated with our branching strategy. Accordingly, any As a result, new branch branches may negatively impact initially weigh on our earnings for some period of time until the branch reaches they achieve certain economies of scale. Finally, Moreover, there is a risk that our new branches will may not be successful even after they have been established, yield the desired success.

4239

[Table of Contents](#)

Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed or the cost of that capital may be very exceedingly high.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial condition and performance.

Accordingly, we cannot make assurances that we will be able to raise additional capital if needed on terms that are acceptable to us, or at all. If we cannot raise additional capital when needed, our ability to further expand our operations could be materially impaired and our financial condition and liquidity could be materially and adversely affected. In addition, any additional capital we obtain may result in the dilution of dilute the interests of existing holders of our common stock. Further, if we are unable to raise additional capital when required by our bank regulators, we may be subject to adverse regulatory action.

If we fail to meet the increasing scrutiny and evolving expectations of our from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance ("ESG") practices including those relating may impose additional costs on us or expose us to sustainability, it may have an adverse effect on our reputation and results of operation. new or additional risks.

Our reputation may also be negatively impacted by our diversity, equity and inclusion ("DEI") efforts if they fall short of expectations. In addition, various private third-party organizations have developed ratings processes for evaluating companies on their approach to ESG and DEI matters. These ratings may be used by some investors to assist with their investment and voting decisions. Any unfavorable ratings may lead to reputational damage and negative sentiment among our Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders. Furthermore, increased stakeholders related to their ESG related practices disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG-related compliance costs could result in increases to increase our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

Competition with other financial institutions could adversely affect our profitability.

Although we consider ourselves competitive in our market areas, we face intense competition in both making loans and attracting deposits. Price competition for loans and deposits might result in our earning less on our loans and paying more on our deposits, which reduces net interest income. Some of the institutions with which we compete have substantially greater resources than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability will depend upon our continued ability to compete successfully in our market areas.

Our ability to retain and recruit key management personnel and bankers is critical to the success of our business strategy and any failure to do so could impair our customer relationships and adversely affect our business and results of operations.

Competition for qualified employees and personnel in the banking industry is intense and there are a limited number of qualified persons with knowledge of, and experience in, the community banking industry where the Bank conducts its business. The process of recruiting personnel with the combination of skills and attributes required to carry out our strategies is often lengthy. Our success depends to a significant degree upon our ability to attract and retain qualified management, loan origination, finance, administrative, marketing and technical personnel and upon the continued contributions of our management and personnel. In particular, our success has been and continues to be highly dependent upon the abilities of key executives, including our President and Chief Executive Officer, and certain other employees. Our ability to retain and grow our loans, deposits, and fee income depends upon the business generation capabilities, reputation, and relationship management skills of our bankers. If we were to lose the services of any of our bankers, including successful bankers employed by banks that we may acquire, to a new or existing competitor, or otherwise, we may not be able to retain valuable relationships and some of our customers could choose to use the services of a competitor instead of our services. In addition, our success has been and continues to be highly dependent upon the services of our directors, many of whom are at or nearing retirement age, and we may not be able to identify and attract suitable candidates to replace such directors.

[Table of Contents](#)

Managing reputational risk is important to attracting and maintaining customers, investors and employees.

Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality or operational failures due to integration or conversion challenges as a result of acquisitions we undertake, compliance deficiencies, and questionable or fraudulent activities of our customers. We have policies and procedures in place to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding

our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation.

We rely on dividends from the Bank for substantially all of our revenue at the holding company level.

Riverview is a separate legal entity from its subsidiaries and does not have significant operations of its own. The long-term ability of Riverview to pay dividends to its stockholders and debt payments is based primarily upon the ability of the Bank to make capital distributions to Riverview, and also on the availability of cash at the holding company level. The availability of dividends from the Bank is limited by the Bank's earnings and capital, as well as various statutes and regulations. In the event the Bank is unable to pay dividends to us, we may not be able to pay dividends on our common stock or make payments on our outstanding

40

[Table of Contents](#)

debt. Consequently, the inability to receive dividends from the Bank could adversely affect our financial condition, results of operations, and future prospects. 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.

44 41

[Table of Contents](#)

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

Our cybersecurity risk management and strategy are integrated into our enterprise-wide risk management program, which leverages a "three lines of defense" model to manage risk within the organization. Such model incorporates 1) day-to-day/operational activities and controls that are managed at the business unit level; 2) identification, measurement and mitigation of inherent security risks via the use of internal control and cybersecurity maturity frameworks, operating policies, independent monitoring, risk management and compliance oversight; and 3) internal audit designed to provide objective and independent validation of the design and operating effectiveness of cybersecurity and information security controls. Technology risk (including cybersecurity and overall operational risk) is identified as a key risk area for the Company, and utilizes a combination of manual and automated methods as well as internal and external resources to monitor, measure and mitigate cybersecurity risks.

The ability to mitigate cybersecurity risks is dependent upon an effective risk assessment process that identifies, measures, controls, and monitors material risks stemming from cybersecurity threats. These threats include any potential unauthorized activities occurring through the Company's information systems that could adversely affect the confidentiality, integrity, or availability of the Company's information systems or the data contained therein. The Company's Information Security Program includes a comprehensive information security risk assessment process that incorporates the following elements:

- Identification of reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of confidential information or information systems.
- Assessment of the likelihood and potential damage of these threats, taking into consideration the sensitivity of confidential information.

- Assessment of the sufficiency of policies, procedures, information systems, and other arrangements in place to control risks.

The risk assessment process is designed to identify assets requiring risk reduction strategies and includes an evaluation of the key factors applicable to the operation. The Company conducts a variety of information security assessments throughout the year, both internally and through third-party specialists.

In designing our Information Security Program, we refer to established industry frameworks - in particular, the Federal Financial Institutions Examination Council (FFIEC) and guidance and best practices from the National Institute of Standards and Technology (NIST). The FFIEC framework offers a set of guidelines to help financial institutions effectively manage and mitigate cybersecurity risks. The framework focuses on ensuring the confidentiality, integrity, and availability of sensitive information and systems. NIST is part of the U.S. Department of Commerce and among other initiatives, develops cybersecurity standards, guidelines, and other resources to meet the needs of U.S. industry, federal agencies and the broader public. Activities range from producing specific information that organizations can put into practice immediately to longer-term research that anticipates advances in technologies and future challenges. The Company utilizes these frameworks to assist with the design of our Information Security Program, including risk mitigation controls and processes. While we believe our information security program is well-designed and appropriate for our organization, the sophistication of cyber threats continues to increase and no matter how well designed or implemented the Company's controls are, it may not be able to anticipate all cyber security breaches, and it may not be able to implement effective preventive measures against such security breaches in a timely manner. For more information on how cybersecurity risk may affect the Company's business strategy, results of operations or financial condition, please refer to Item 1A. Risk Factors - Risks Related to Cybersecurity, Data and Fraud.

The Company uses a cross-functional approach to identify, prevent, and mitigate cybersecurity threats and incidents. We have adopted controls and procedures that provide for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner. We have developed a formal cybersecurity incident response plan that summarizes the steps the Company will take to respond to a cybersecurity incident. The plan includes an Information Security Incident Response Team (ISIRT), which is responsible for

42

[Table of Contents](#)

addressing and coordinating all aspects of the Company's response to cybersecurity events. The ISIRT is supported by operating procedures and guidelines designed to outline the expectations and processes to be followed when responding to incidents of unauthorized access to confidential information maintained by the Company or its service providers. The ISIRT may consult legal counsel and other external experts in connection with their respective activities. An escalation process has been established for engaging other resources and appropriate reporting protocols at both the management and Board of Directors levels.

Governance

Our Board of Directors articulates the Company's attitude towards risk. Associated risk metrics are monitored quarterly by Management and reported to the Audit Committee of the Board and the Board of Directors. Management measures and reports inherent risk, mitigating controls, residual risk and emerging risk for various key risk categories, inclusive of cybersecurity and information security risks.

The Company's governance and oversight of cybersecurity risks are facilitated through our Information Security Program, which establishes administrative, technical, and physical safeguards designed to protect the confidential information and records of all the Bank's clients in accordance with FDIC regulations. Our Information Security Program, along with its associated policies and guidelines, takes into account FDIC and FFIEC regulations and guidance on sensitive information protection as well as information system security. It is tailored to align with the Company's risk assessment results, and the size, complexity, nature and scope of our activities.

We maintain relevant expertise within the Bank's management team to manage cybersecurity risks. In particular, the Board has appointed a Chief Information Security Officer. Together with the Risk and Audit Manager, they provide direction and oversight for information and cyber-security related activities across the Company—including existing and emerging initiatives, service provider arrangements, incident response, business continuity management, staff training, monitoring of key controls and adjusting the information security program in response to changes in operations and internal/external threats and vulnerabilities.

Our Information Security Management team, among other things, is responsible for conducting risk assessments, designing the Information Security Program to manage identified risks based on information sensitivity and the Company's operational complexity, overseeing service provider arrangements, establishing risk-based response programs for incidents of unauthorized access, providing staff training, conducting testing of key controls, systems, and procedures, and adjusting the program in response to changes in people, processes, technology, sensitive information, threats, and the business environment (e.g., mergers, acquisitions, alliances, joint ventures, or outsourcing arrangements).

The Board of Directors plays a crucial role, annually reviewing and approving our Information Security Program. The Board oversees efforts to develop, implement, and maintain an effective Information Security Program, including reviewing Management's reporting on program effectiveness. Additionally, the Board of Directors' Technology Committee considers information technology and cybersecurity expertise when assessing potential director candidates, to help ensure the Board of Directors has the capability to appropriately oversee Management's activities in these areas.

Item 2. Properties

The executive offices of the Company are located in downtown Vancouver, Washington at 900 Washington Street. The Company's operational center is also located in Vancouver, Washington (both offices are leased). At **March 31, 2023** **March 31, 2024**, the Bank **had operated** ten offices located in Clark County, Washington (**four** **three** of which are leased), two offices in Klickitat County, Washington and one office in Skamania County, Washington. The Bank also has two offices in Multnomah County, Oregon, one leased office in Washington County, Oregon and one office in Marion County, Oregon. In addition, at **March 31, 2023** **March 31, 2024**, the Trust Company had one office as part of the executive offices leased and one leased office in Clackamas County, Oregon. In the opinion of management, all properties are adequately covered by insurance, are in a good state of repair and are appropriately designed for their present and future use.

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** **litigation arising in the ordinary course of business**. In the opinion of management, these actions will not have a material adverse effect on the financial condition,

43

[Table of Contents](#)

results of operations, or liquidity of the Company. For additional information on the Company's litigation, see Note 16, Commitments and Contingencies – Litigation, of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K

Item 4. Mine Safety Disclosures

Not applicable.

45 44

[Table of Contents](#)

PART II

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

Market Information and Holders

The Company's common stock is traded on the Nasdaq Global Market under the symbol "RVSB." At **June 14, 2023** **June 14, 2024**, there were **554,547** stockholders of record and an estimated **2,999,2,823** holders in nominee or "street name" through various brokerage firms.

Dividends

Riverview has historically paid cash dividends to its common shareholders. Payments of future cash dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including our business, operating results and financial condition, capital requirements, current and anticipated cash needs, plans for expansion, any legal or contractual limitation on our ability to pay dividends and other relevant factors including required payments on our trust preferred securities. During fiscal 2024, our Board of Directors declared regular quarterly dividends of \$0.06 per share. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in future periods. Dividends on common stock from Riverview depend substantially upon receipt of dividends from the Bank, which is Riverview's predominant source of income. Management's projections show an expectation that cash dividends will continue for the foreseeable future.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

On November 17, 2022, the Company announced that its Board of Directors authorized a stock repurchase program (the "November 2022 repurchase program"). Under the November 2022 repurchase program, the Company was authorized to repurchase up to \$2.5 million of the Company's outstanding shares of common stock, in the open market or in privately negotiated transactions, over a period beginning on November 28, 2022 and continuing until the earlier of the completion of the authorized level of repurchases or May 28, 2023, depending upon market conditions. As of March 31, 2023, the Company had repurchased 285,172 shares, or \$1.9 million, of the Company's outstanding shares at an average price of \$6.74 per share. Shares repurchased under the November 2022 repurchase program are retired as settled.

The actual timing, number and value of shares repurchased under the November 2022 repurchase program will depend on a number of factors, including constraints specified in any Rule 10b5-1 plan, price, general business and market conditions, and alternative investment opportunities. The share repurchase program does not obligate us to acquire any specific number of shares in any period, and may be expanded, extended, modified or discontinued by our Board of Directors at any time.

The following table sets forth the Company's repurchases of its outstanding common stock **under for the November 2022 quarter ended March 31, 2024:**

Period			Total Dollar		Maximum Dollar Value	
	Number of		Value Purchased		of Shares that	
	Shares	Price	as Part of Publicly	Announced Stock	May Yet Be Purchased	Under the Stock
Purchased	Share		Repurchase Program	Announced Stock	Repurchase Program	Under the Stock
January 1, 2024 - January 31, 2024	—	\$ —	\$ —	—	\$ —	—
February 1, 2024 - February 29, 2024	—	\$ —	\$ —	—	\$ —	—
March 1, 2024 - March 31, 2024	—	\$ —	\$ —	—	\$ —	—
Total	—	\$ —	\$ —	—	\$ —	—

(1) The Company did not have a publicly announced stock repurchase program in place during the three months ended March 31, 2023.

Period			Total Dollar		Maximum Dollar Value	
	Number of		Value Purchased		of Shares that	
	Shares	Price	as Part of Publicly	Announced Stock	May Yet Be Purchased	Under the Stock
Purchased	Share		Repurchase Program	Announced Stock	Repurchase Program	Under the Stock
January 1, 2023	—	\$ —	\$ —	—	\$ 2,418,939	—
January 1, 2023 - January 31, 2023	42,814	\$ 7.33	\$ 313,862	—	2,105,077	—
February 1, 2023 - February 28, 2023	105,791	7.31	773,668	—	1,331,409	—
March 1, 2023 - March 31, 2023	125,770	6.00	754,000	—	577,409	—
Total	274,375	\$ 6.71	\$ 1,841,530	—	577,409	—

Equity Compensation Plan Information

The equity compensation plan information presented in Part III, Item 12 of this Form 10-K is incorporated herein by reference.

Item 6. [Reserved]

46 45

[Table of Contents](#)

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 Estimates

We prepare our consolidated financial statements in accordance with GAAP. In doing so, we have to make estimates and assumptions. Our critical accounting estimates are those estimates that involve a significant level of uncertainty at the time the estimate was made, and changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. Accordingly, actual results could differ materially from our estimates. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We have reviewed our critical accounting estimates with the audit committee of our Board of Directors.

The Company has identified policies that due to the significant level of judgement, estimation and assumptions inherent in those policies are critical to an understanding of the Company's consolidated financial statements. These policies include our accounting policies related to the methodology for the determination of the **allowance for loan losses**, **ACL**, the valuation of investment securities and goodwill valuations. The following is a discussion of the critical accounting estimates involved with those accounting policies.

Allowance for Loan Losses Credit Losses.

The **allowance for loan losses**, **ACL** is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the economic environment that could result in changes to the amount of the recorded **allowance for loan losses**, **ACL**. The provision for **loan credit** losses reflects the amount required to maintain the **allowance for loan losses**, **ACL** at an appropriate level based upon management's evaluation of the adequacy of general and specific loss reserves. Determining the amount of the **allowance for loan losses**, **ACL** involves a high degree of judgment. Among the material estimates required to establish the **allowance for loan losses**, **ACL** are: overall economic conditions; value of collateral; strength of guarantors; loss exposure at default; the amount and timing of future cash flows on **impaired loans**; and for loans that are **individually evaluated**; determination of loss factors to be applied to the various elements of the **portfolio**; and reasonable and supportable forecasts that affect the **collectability of the remaining cash flows over the contractual term of the financial assets**. All of these estimates are susceptible to significant change. Based on the analysis of the **allowance for loan losses**, **ACL**, the amount of the **allowance for loan losses**, **ACL** is increased by the provision for **loan credit** losses and decreased by a recapture of **loan credit** losses and are charged against current period earnings.

The **allowance for loan losses**, **ACL** is maintained at a level sufficient to provide for **probable expected credit** losses based on evaluating known and inherent risks in the loan portfolio and upon our continuing analysis of the factors underlying the quality of the loan portfolio. The **allowance for loan**

losses ACL is comprised of a general component and a specific component and an unallocated component. The general component is based on establishes a reserve rate using historical life-of-loan default rates, current loan portfolio information, economic forecasts, and business cycle data. Statistical analysis determines life-of-loan default and loss experience applied to loan segments adjusted by qualitative factors. These rates for the quantitative component, while qualitative factors include: lending policies adjust expected loss rates for current and procedures, including underwriting standards forecasted conditions. The qualitative factor methodology involves a blend of quantitative analysis and collection, charge-off, and recovery practices; national and local economic trends and conditions; nature and volume of the portfolio and terms of loans; experience, ability, and depth of lending management and staff; volume and severity of past due, classified and non-accrual loans as well as other loan modifications; quality of the Company's loan review system; existence and effect of any concentrations of credit and changes in the level of such concentrations; changes in the value of underlying collateral; and other external factors. judgment, reviewed quarterly. The specific component relates to loans that have been individually evaluated for impairment because all contractual amounts of principal and interest will not be paid as scheduled. Based on this impairment the individual analysis, a specific reserve may be established. An unallocated portion is established for uncertainties that may not be identified in either the general or specific component of the allowance for loan losses. The allowance for loan losses ACL is based upon factors and trends identified by us at the time financial statements are prepared. Although we use the best information available, future adjustments to the allowance for loan losses ACL may be necessary due to economic, operating, regulatory and other conditions beyond our control. While we believe the estimates and assumptions used in our determination of the adequacy of the allowance for loan losses ACL 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 our financial condition and results of operations.

47 46

[Table of Contents](#)

Valuation of Investment Securities.

The Company determines the estimated fair value of certain assets that are classified as Level 3 under the fair value hierarchy established under GAAP. These Level 3 assets are valued using significant unobservable inputs that are supported by little or no market activity and that are significant to the estimated fair value of the assets. These Level 3 assets are certain loans measured for impairment for which there is neither an active market for identical assets from which to determine fair value, nor is there sufficient, current market information about similar assets to use as observable, corroborated data for all significant inputs in a valuation model. Under these circumstances, the estimated fair values of these assets are determined using pricing models, discounted cash flow methodologies, appraisals, and other valuation methods in accordance with accounting standards, for which the determination of fair value requires significant management judgment or estimation.

Valuations using models or other techniques are dependent upon assumptions used for the significant inputs. Where market data is available, the inputs used for valuation reflect that information as of the valuation date. In periods of extreme volatility, lessened liquidity or in illiquid markets, there may be more variability in market pricing or a lack of market data to use in the valuation process. Judgment is then applied in formulating those inputs.

Certain loans included in the loan portfolio were deemed impaired evaluated individually for a loss reserve at March 31, 2023 March 31, 2024. Accordingly, loans measured for impairment evaluated individually were classified as Level 3 in the fair value hierarchy as there is no active market for these loans. Measuring impairment of a loan requires Loans that are individually evaluated require judgment and estimates, and the eventual outcomes may differ from those estimates. Impairment was measured A reserve for such loans is determined based on a number of factors, including recent independent appraisals which are further reduced for estimated selling costs or by estimating the present value of expected future cash flows, discounted at the loan's effective interest rate.

For additional information on our Level 1, 2 and 3 fair value measurements see Note 15 14 of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Goodwill Valuation

Goodwill is initially recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Goodwill is presumed to have an indefinite useful life and is tested, at least annually, for impairment at the reporting unit level. The Company has two reporting units, the Bank and the Trust Company, for purposes of evaluating goodwill for impairment. All of the Company's goodwill has been allocated to the Bank reporting unit. The Company performs an annual review in the third quarter of each fiscal year, or more frequently if indications of potential impairment exist, to determine if the recorded goodwill is impaired. If the fair value exceeds the carrying value, goodwill at the reporting unit level is not considered impaired and no additional analysis is necessary. If the carrying value of the reporting unit is greater than its fair value, there is an indication that impairment may exist and additional analysis must be performed to measure the amount of impairment loss, if any. The amount of impairment is determined by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, the Company would allocate the fair value to all of the assets and liabilities of the reporting unit, including unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

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

The Company performed its annual goodwill impairment test as of **October 31, 2022** **October 31, 2023**. The goodwill impairment test involves a two-step process. Step one of the goodwill impairment test estimates the fair value of the reporting unit utilizing the allocation of corporate value approach, the income approach, the whole bank transaction approach and the market approach in order to derive an enterprise value of the Company. The allocation of corporate value approach applies the aggregate market value of the Company and divides it among the reporting units. A key assumption in this approach is the control premium applied to the aggregate market value. A control premium is utilized as the value of a company from the perspective of a controlling interest is generally higher than the widely quoted market price per share. The Company used an expected control premium of 30%, which was based on comparable transactional history. The income approach uses a reporting unit's projection of estimated operating results and cash

47

[Table of Contents](#)

flows that are discounted using a rate that reflects current market conditions. The projection uses management's best estimates of

48

[Table of Contents](#)

economic and market conditions over the projected period including growth rates in loans and deposits, estimates of future expected changes in net interest margins and cash expenditures. Assumptions used by the Company in its discounted cash flow model (income approach) included an annual revenue growth rate that approximated **2.0%** **9.4%**, a net interest margin that approximated **3.7%** **3.2%** and a return on assets that ranged from **1.22%** **0.56%** to **1.30%** **1.23%** (average of **1.26%** **0.89%**). In addition to utilizing the above projections of estimated operating results, key assumptions used to determine the fair value estimate under the income approach were the discount rate of **18.33%** **15.32%** utilized for our cash flow estimates and a terminal value estimated at **1.43** **1.8** times the ending book value of the reporting unit. The Company used a build-up approach in developing the discount rate that included: an assessment of the risk-free interest rate, the rate of return expected from publicly traded stocks, the industry the Company operates in and the size of the Company. The whole bank transaction approach estimates fair value by applying key financial variables in transactions involving acquisitions of similar institutions. In applying the whole bank transaction approach method, the Company identified transactions that occurred during the calendar 2022 and other relevant published data utilizing a multiple of 1.25 times price to book value. The market approach estimates fair value by applying tangible book value multiples to the reporting unit's operating performance. The multiples are derived from comparable

publicly traded companies with similar operating and investment characteristics of the reporting unit. In applying the market approach method, the Company selected four publicly traded comparable institutions. After selecting comparable institutions, the Company derived the fair value of the reporting unit by completing a comparative analysis of the relationship between their financial metrics listed above and their market values utilizing a market multiple of **1.0 0.87** times book value, a market multiple of **1.10 0.93** times tangible book value and an earnings multiple of **109.3** times. The Company calculated a fair value of its reporting unit of **\$192.0 million** **\$150.0 million** using the corporate value approach, **\$169.2 million** **\$180.0 million** using the income approach, **\$181.0 million** using the whole bank transaction approach and **\$230.0 million** **\$171.0 million** using the market approach, with a final concluded value of **\$197.0 million** **\$177.0 million**, with **equal ten percent weight given to the income corporate value approach the and market approach and forty percent weight given to the corporate value whole bank transaction income approach**. The results of the Company's step one test indicated that the reporting unit's fair value was greater than its carrying value and therefore no impairment of goodwill exists.

The Company also completed a qualitative assessment of goodwill as of **March 31, 2023** **March 31, 2024** and concluded that it is more likely than not that the fair value of the Bank (the reporting unit), exceeds its carrying value at that date. Even though the Company determined that there was no goodwill impairment, a sustained decline in the value of its stock price as well as values of other financial institutions, declines in revenue for the Company beyond our current forecasts, significant adverse changes in the operating environment for the financial industry or an increase in the value of our assets without an increase in the value of the reporting unit may result in a future impairment charge.

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

For additional information concerning critical accounting policies, see Note 1 of the Notes to Consolidated Financial Statements contained in "Item 8. Financial Statements and Supplementary Data." and the following:

Operating Strategy and Selected Financial Information

Fiscal year 2024 **marks marked** the 100th anniversary for Riverview Bank, which opened for business in 1923. Our primary business strategy is to provide comprehensive banking and related financial services within our primary market area. The Company's goal is to deliver returns to shareholders by increasing higher-yielding assets (in particular, commercial real estate and commercial business loans), increasing core deposit balances, managing problem assets, reducing expenses, hiring experienced employees with a commercial lending focus and exploring expansion opportunities. The Company seeks to achieve these results by focusing on the following objectives:

Execution of our Business Plan. The Company is focused on increasing its loan portfolio, especially higher yielding commercial and construction loans, and its core deposits by expanding its customer base throughout its primary market areas. While the Company historically emphasized residential real estate lending, since 1998 it has been diversifying its loan portfolio through the expansion of its commercial and construction loan portfolios. **Moreover, in fiscal year 2021, the Company ceased originating residential real estate loans; however, it will from time to time purchase these loans consistent with asset/liability objectives.** At **March 31, 2023** **March 31, 2024**, commercial and construction loans represented **89.9% 90.4%** of total loans. Commercial lending, including commercial real estate loans, typically involves more credit risk than residential lending, justifying higher interest margins and fees on loans which can increase the loan portfolio's profitability. In addition, by emphasizing total relationship banking, the Company intends

[Table of Contents](#)

to deepen the relationships with its customers and increase individual customer profitability through cross-marketing programs, which allows the Company to better identify lending opportunities and services for customers. To build its core deposit base, the Company will continue to utilize additional product offerings, technology and a focus on customer service in working toward this goal. The Company will also continue to seek to expand its franchise through de novo branches, the selective acquisition of individual branches, loan purchases and whole bank

[Table of Contents](#)

transactions that meet its investment and market objectives. In this regard, the Company recently opened three new branches located in Clark County, Washington, to complement its existing branch network.

Maintaining Strong Asset Quality. The Company believes that strong asset quality is a key to long-term financial success. The Company has actively managed delinquent loans and nonperforming assets by aggressively pursuing the collection of consumer debts, marketing saleable properties upon foreclosure or repossession, and through work-outs of classified assets and loan charge-offs. The Company's approach to credit management uses well defined policies and procedures and disciplined underwriting criteria resulting in our strong asset quality and credit metrics in fiscal year 2023, 2024. Although the Company intends to prudently increase the percentage of its assets consisting of higher-yielding commercial real estate, real estate construction and commercial business loans, which offer higher risk-adjusted returns, shorter maturities and more sensitivity to interest rate fluctuations, the Company intends to manage credit exposure through the use of experienced bankers in these areas and a conservative approach to its lending.

Introduction of New Products and Services. The Company continuously reviews new products and services to provide its customers more financial options. All new technology and services are generally reviewed for business development and cost saving purposes. The Company continues to experience growth in customer use of its online banking services, where the Bank provides a full array of traditional cash management products as well as online banking products including mobile banking, mobile deposit, bill pay, e-statements, and text banking. new deposit products. The products are tailored to meet the needs of small to medium size businesses and households in the markets we serve. The Company intends to selectively add other products to further diversify revenue sources and to capture more of each customer's banking relationship by cross selling loan and deposit products and additional services, including services provided through the Trust Company to increase its fee income. Assets under management by the Trust Company totaled \$961.8 million and \$890.6 million at March 31, 2024 and \$1.3 billion at March 31, 2023 and March 31, 2022, respectively. The Company also offers a third-party identity theft product to its customers. The identity theft product assists our customers in monitoring their credit and includes an identity theft restoration service.

Attracting Core Deposits and Other Deposit Products. The Company offers personal checking, savings and money-market accounts, which generally are lower-cost sources of funds than certificates of deposit and are less likely to be withdrawn when interest rates fluctuate. To build its core deposit base, the Company has sought to reduce its dependence on traditional higher cost deposits in favor of stable lower cost core deposits to fund loan growth and decrease its reliance on other wholesale funding sources, including brokered deposits, FHLB advances and FRB borrowings. The Company believes that its continued focus on building customer relationships will help to increase the level of core deposits and locally-based retail certificates of deposit. In addition, the Company intends to increase demand deposits by growing business banking relationships through expanded product lines tailored to meet its target business customers' needs. The Company maintains technology-based products to encourage the growth of lower cost deposits, such as personal financial management, business cash management, and business remote deposit products, that enable it to meet its customers' cash management needs and compete effectively with banks of all sizes. Core branch deposits decreased \$250.1 million \$26.9 million at March 31, 2023 March 31, 2024 compared to March 31, 2022 March 31, 2023 due to deposit pricing pressures in our markets, resulting in the Company's use of higher costing FHLB advances during fiscal 2023, 2024. Core branch deposits accounted for 97.5% 98.0% of total deposits at March 31, 2023 March 31, 2024 compared to 96.8% 97.5% at March 31, 2022 March 31, 2023.

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

Selected Financial Data: The following financial condition data as of March 31, 2023 March 31, 2024 and 2022, 2023 and operating data and key financial ratios for the fiscal years ended March 31, 2023 March 31, 2024, 2022, 2023, and 2021, 2022 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 this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data" included in this Form 10-K.

	At March 31,	
	2024	2023
	(In thousands)	
FINANCIAL CONDITION DATA:		
Total assets	\$ 1,521,529	\$ 1,589,712
Loans receivable, net	1,008,649	993,547
Investment securities available for sale	143,196	211,499
Investment securities held to maturity	229,510	243,843
Cash and cash equivalents	23,642	22,044
Deposits	1,231,679	1,265,217
FHLB advances	88,304	123,754
Shareholders' equity	155,588	155,239

	Year Ended March 31,		
	2024	2023	2022
	(Dollars in thousands, except per share data)		
OPERATING DATA:			
Interest and dividend income	\$ 56,555	\$ 55,666	\$ 49,825
Interest expense	18,469	4,060	2,200
Net interest income	38,086	51,606	47,625
Provision for (recapture of) credit/loan losses	—	750	(4,625)
Net interest income after provision for (recapture of) credit/loan losses	38,086	50,856	52,250
Other non-interest income	10,242	12,194	12,744
Non-interest expense	43,727	39,371	36,718
Income before income taxes	4,601	23,679	28,276
Provision for income taxes	802	5,610	6,456
Net income	\$ 3,799	\$ 18,069	\$ 21,820
Earnings per share:			
Basic	\$ 0.18	\$ 0.84	\$ 0.98
Diluted	0.18	0.83	0.98
Dividends per share	0.240	0.240	0.215

[Table of Contents](#)

	At March 31,	
	2023	2022
	(In thousands)	
FINANCIAL CONDITION DATA:		

Total assets	\$ 1,589,712	\$ 1,740,096
Loans receivable, net	993,547	975,885
Investment securities available for sale	211,499	165,782
Investment securities held to maturity	243,843	253,100
Cash and cash equivalents	22,044	241,424
Deposits	1,265,217	1,533,878
FHLB advances	123,754	—
Shareholders' equity	155,239	157,249

	Year Ended March 31,		
	2023	2022	2021
	(Dollars in thousands, except per share data)		
OPERATING DATA:			
Interest and dividend income	\$ 55,666	\$ 49,825	\$ 48,344
Interest expense	4,060	2,200	3,427
Net interest income	51,606	47,625	44,917
Provision for (recapture of) loan losses	750	(4,625)	6,300
Net interest income after provision for (recapture of) loan losses	50,856	52,250	38,617
Other non-interest income	12,194	12,744	11,090
Non-interest expense	39,371	36,718	36,254
Income before income taxes	23,679	28,276	13,453
Provision for income taxes	5,610	6,456	2,981
Net income	<u>\$ 18,069</u>	<u>\$ 21,820</u>	<u>\$ 10,472</u>
Earnings per share:			
Basic	\$ 0.84	\$ 0.98	\$ 0.47
Diluted	0.83	0.98	0.47
Dividends per share	0.240	0.215	0.200

[Table of Contents](#)

	At or For the Years Ended March 31,			At or For the Years Ended March 31,		
	2023	2022	2021	2024	2023	2022
KEY FINANCIAL RATIOS:						
Performance Ratios:						
Return on average assets	1.08 %	1.31 %	0.74 %	0.24 %	1.08 %	1.31 %
Return on average equity	11.71	13.62	6.91	2.43	11.71	13.62
Dividend payout ratio (1)	28.92	21.94	42.55	133.33	28.92	21.94
Interest rate spread	3.12	2.95	3.27	2.00	3.12	2.95
Net interest margin	3.26	3.03	3.41	2.56	3.26	3.03
Non-interest expense to average assets	2.36	2.20	2.56	2.78	2.36	2.20
Efficiency ratio (2)	61.71	60.82	64.73	90.48	61.71	60.82
Average equity to average assets	9.25	9.58	10.71	9.91	9.25	9.58

Asset Quality Ratios:						
Allowance for loan losses to total loans at end of period	1.52	1.47	2.03			
Allowance for loan losses to nonperforming loans	826.62	65.72	3,358.67			
Allowance for credit losses to total loans at end of period				1.50	1.52	1.47
Allowance for credit losses to nonperforming loans				8,631.46	826.62	65.72
Net charge-offs (recoveries) to average outstanding loans during the period	—	—	(0.03)	—	—	—
Ratio of nonperforming assets to total assets	0.12	1.27	0.04	0.01	0.12	1.27
Ratio of nonperforming loans to total loans	0.18	2.23	0.06	0.02	0.18	2.23
Capital Ratios:						
Total capital to risk-weighted assets	16.94	16.38	17.35	16.32	16.94	16.38
Tier 1 capital to risk-weighted assets	15.69	15.12	16.09	15.06	15.69	15.12
Common equity tier 1 capital to risk-weighted assets	15.69	15.12	16.09	15.06	15.69	15.12
Leverage ratio	10.47	9.19	9.63	10.29	10.47	9.19

(1) Dividends per share divided by diluted earnings per share.

(2) Non-interest expense divided by the sum of net interest income and non-interest income.

5251

[Table of Contents](#)

Comparison of Financial Condition at March 31, 2023 March 31, 2024 and 2022

Cash and cash equivalents, including interest-earning accounts, deposits in other banks, totaled \$23.6 million at March 31, 2024 compared to \$22.0 million at March 31, 2023 compared to \$241.4 million at March 31, 2022. The Company's fluctuations in cash balances typically fluctuate based upon are typical due to funding needs, requirements, deposit activity and investment investments in securities purchases. Based on. In accordance with the Company's asset/liability management program and liquidity objectives, the Company surplus cash may deploy be used to acquire investment securities, contingent on prevailing interest rates and other factors. Additionally, a portion of excess cash balances to purchase investment securities depending on the rate environment and other considerations. As a part of this strategy, the Company also invests a portion of its excess cash is invested in short-term certificates of deposit held for investment purposes, all of which are fully insured by the FDIC. Certificates There were no certificates of deposits held for investment totaled at March 31, 2024 compared to \$249,000 at both March 31, 2023 and 2022.

Investment securities totaled \$372.7 million and \$455.3 million at March 31, 2024 and \$418.9 million at March 31, 2023 and 2022, 2023, respectively. The increase decrease was primarily due to investment purchases, partially offset by sales of \$46.2 million in the fourth quarter of fiscal year 2024 in addition to normal pay downs, calls and maturities. During the fiscal years ended March 31, 2023 and 2022, purchases There were no sales of investment securities totaled \$81.8 million and \$224.6 million, respectively. The Company primarily purchases a combination of securities backed by government agencies (FHLMC, FNMA, SBA or GNMA). At March 31, 2023, the Company determined that none of its for fiscal year 2023. There were no investment securities required an OTTI charge. In the third quarter of purchased during fiscal 2022, the Company reassessed and transferred \$85.8 million of U.S. government and agency securities from the available year 2024 compared to \$81.8 million for sale classification to the held to maturity classification. The net unrealized after tax gain of \$18,000 was deemed insignificant and the book balance of investment securities were transferred. No gains or losses were recognized at the time of the transfer. 2023. For additional information on the Company's investment securities, see Note 3 of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Loans receivable, net, totaled \$993.5 million \$1.01 billion at March 31, 2023 March 31, 2024, compared to \$975.9 million \$993.5 million at March 31, 2022 March 31, 2023, an increase of \$17.6 million \$15.1 million. The increase was primarily attributed to increases in commercial real estate

construction loans of \$23.6 million, commercial business \$19.0 million and multi-family loans of \$4.8 million and real estate one-to-four family loans of \$17.7 million \$14.9 million. The increases in commercial business loans and real estate one-to-four family loans were attributable to the purchase of \$28.7 million and \$26.8 million of such loans, respectively. These increases were partially offset by decreases in commercial real estate multi-family construction, commercial business, and land real estate one-to-four family loans of \$18.3 million \$11.2 million, \$4.4 million \$3.5 million, and \$5.1 million \$3.3 million, respectively, since March 31, 2022 March 31, 2023. In addition, these increases were offset by a decrease in SBA PPP loans related to forgiveness repayments. At March 31, 2023, SBA PPP loans, net of deferred fees which are included in the commercial business loan category were insignificant compared to \$3.1 million at March 31, 2022.

The Company no longer originates real estate one-to-four family loans and will from time to time purchase these loans consistent with its asset/liability objectives. Additionally, the Company will purchase commercial business loans to supplement loan originations and diversify the commercial loan portfolio. These Purchased loans were originated by a third-party located outside of the Company's primary market area and totaled \$27.2 million and \$26.2 million at March 31, 2024 and \$14.7 million at March 31, 2023 and 2022, respectively. The Company also purchases the guaranteed portion of SBA loans as a way to supplement loan originations, to further diversify its loan portfolio and earn a higher yield than earned on its cash or short-term investments. These SBA loans are originated through another financial institution located outside of the Company's primary market area and are purchased with servicing retained by the seller. At March 31, 2023 March 31, 2024, the Company's purchased SBA loan portfolio was \$55.5 million \$51.0 million compared to \$59.4 million \$55.5 million at March 31, 2022 March 31, 2023.

Goodwill was \$27.1 million at both March 31, 2023 March 31, 2024, and 2022, 2023. For additional information on our goodwill impairment testing, see "Goodwill Valuation" included in this Item 7.

Deposits decreased \$268.7 million \$33.5 million to \$1.2 billion at March 31, 2024 compared to \$1.3 billion at March 31, 2023 compared to \$1.5 billion at March 31, 2022 due to increased competition, pricing and an overall decrease in market liquidity. The decrease in deposits was attributable to reductions in non-interest-bearing accounts of \$89.9 million, regular savings accounts of \$84.9 million \$62.5 million, non-interest checking accounts of \$55.9 million and money market accounts of \$78.0 million and interest checking of \$33.3 million \$12.6 million. These decreases were partially offset by an increase in certificates of deposit of \$17.5 million \$62.1 million in certificates of deposit, deposit accounts and \$35.3 million in interest checking accounts. The Company had no wholesale-brokered deposits at March 31, 2023 March 31, 2024 and 2022, 2023. Core branch deposits accounted for 97.5% 98.0% of total deposits at March 31, 2023 March 31, 2024 compared to 96.8% 97.5% at March 31, 2022 March 31, 2023. The Company plans to continue its focus on core deposits and on building customer relationships as opposed to obtaining deposits through the wholesale markets.

53

[Table of Contents](#)

FHLB advances increased decreased \$35.5 million to \$88.3 million at March 31, 2024 compared to \$123.8 million at March 31, 2023, and was comprised of overnight advances. FHLB advances were \$123.8 million at March 31, 2023 and were comprised of overnight advances and a short-term borrowing of \$73.8 million and \$50.0 million, respectively. There were no outstanding FHLB advances at March 31, 2022. These FHLB advances were utilized to offset the decrease in deposit balances.

Shareholders' equity decreased \$2.0 million increased \$349,000 to \$155.6 million at March 31, 2024 from \$155.2 million at March 31, 2023 from \$157.2 million at March 31, 2022. The decrease increase was mainly attributable to the increase in the accumulated other comprehensive loss income related to the change in unrealized holding losses on securities available for sale, net of tax, of \$8.4 million, \$2.2 million and net income of \$3.8 million during fiscal year 2024. These increases were partially offset by cash dividend payments totaling \$5.1 million and the repurchase of 975,666 109,162 shares of common stock totaling \$6.7 million, and the payment of \$577,000.

52

[Table of cash dividends totaling \\$5.2 million. These decreases were partially offset by net income of \\$18.1 million.](#) [Contents](#)

Comparison of Operating Results for the Years Ended **March 31, 2023** **March 31, 2024** and **2022** **2023**

Net Income. Net income was decreased \$14.3 million or 79.0% to \$3.8 million, or \$0.18 per diluted share, for the fiscal year ended March 31, 2024, compared to \$18.1 million, or \$0.83 per diluted share, for the fiscal year ended March 31, 2023, compared to \$21.8 million, or \$0.98 per diluted share, for the fiscal year ended March 31, 2022. The Company's decrease was primarily due to a \$13.5 million decrease in net interest income decreased primarily as a result of a before provision for loan credit losses of \$750,000 for the fiscal year ended March 31, 2023 compared to a \$4.6 million recapture of loan losses for the fiscal year ended March 31, 2022. Non-interest expense increased to \$39.4 million for the fiscal year ended March 31, 2023, compared to \$36.7 million for the prior fiscal year as the Company recognized a \$1.0 million gain on sale of premises and equipment during the fiscal year ended March 31, 2022, that was not present during the fiscal year ended March 31, 2023, as well as year over year increases in salary and employee benefits, occupancy and depreciation, and advertising and marketing expense. In addition, non-interest income decreased \$550,000 as a result of a decrease in fees and service charges resulting from higher funding costs and a \$500,000 BOLI death benefit received during the fiscal year ended March 31, 2022 that was not present during the fiscal year ended March 31, 2023, \$4.4 million increase in non-interest expense, partially offset by a \$750,000 decrease in the provision for credit losses. Additionally, during the fourth quarter of fiscal 2024, the Company restructured a portion of the balance sheet by selling approximately \$46.2 million of its lower-yielding available for sale investment securities and utilizing the proceeds totaling \$43.5 million to repay higher-cost FHLB advances. The total pre-tax loss of this transaction was \$2.7 million, with a tax benefit of \$655,000, resulting in an increase in asset management fees, after-tax impact of \$2.1 million.

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

Net interest income for fiscal year 2023 increased \$4.0 million 2024 decreased \$13.5 million, or 8.4% 26.2%, to \$51.6 million \$38.1 million compared to \$47.6 million \$51.6 million in fiscal year 2022. 2023. The decrease was primarily due to increased interest expense on deposits and borrowings. The net interest margin for the fiscal year ended **March 31, 2023** **March 31, 2024** was 3.26% 2.56% compared to 3.03% 3.26% for the prior fiscal year. The increase decrease in the net interest margin was primarily attributable to both the higher average balance and yield on investment securities compared to the legacy investment securities portfolios and an increase in the interest expense, partially offset by a decrease in total average yield on interest-bearing deposits in other banks balances between the periods reflecting the lagging benefit of variable rate interest-earning assets beginning to reprice higher following recent increases in market interest rates, earning assets.

Interest and Dividend Income. Interest and dividend income increased \$5.8 million \$889,000 to \$56.6 million for the fiscal year ended March 31, 2024 from \$55.7 million for the fiscal year ended March 31, 2023 from \$49.8 million for the fiscal year ended March 31, 2022. The increase was primarily related to the increase in interest income and fees on the investment securities portfolio loans receivable due to the overall increase in the yield earned on loans and, to a lesser extent, an increase in the average balance of net loans. Interest and fees on loans receivable increased \$1.3 million to \$46.0 million during the year ended March 31, 2024 compared to \$44.7 million during the year ended March 31, 2023. The average yield on investment securities, non-mortgage loans increased 48 basis points to 4.56% while the average yield on mortgage loans decreased one basis point to 4.55% for the fiscal year ended March 31, 2024 compared to the fiscal year ended March 31, 2023. The average balance of loans receivable increased \$4.4 million to \$1.01 billion for the fiscal year ended March 31, 2024 compared to the prior fiscal year, with the average balance of non-mortgage loans increasing \$6.4 million to \$252.6 million and the average balance of mortgage loans decreasing \$2.0 million to \$758.8 million.

Interest income earned on investment securities increased \$3.8 million \$186,000, or 2.0%, to \$9.0 million at March 31, 2023 compared to \$5.2 million at March 31, 2022. This increase was also attributable to \$9.3 million for the increase of \$665,000 on interest and fees earned on loans receivable fiscal year ended March 31, 2024 from \$9.1 million for the fiscal year ended March 31, 2023 due to a nine basis point increase in the yield to 2.02%. As previously mentioned, the Company restructured a portion of its balance sheet during the fourth quarter of fiscal 2024 by selling approximately \$46.2 million of its lower-yielding available for sale investment securities and utilizing the proceeds from the sale to repay higher-cost FHLB advances. The average balance of investment securities was \$461.1 million during fiscal 2024 compared to \$472.4 million during fiscal 2023.

Interest earned on other earning assets increased \$623,000 due to the increase in the average yield earned on other earning assets, which increased 568 basis points to 8.47% for the year ended March 31, 2024 compared to 2.79% for the prior fiscal year. Additionally, the average balance of other earning assets increased to \$8.6 million for the year ended March 31, 2024 compared to \$3.7 million for the year ended March 31, 2023. The increase in the average balance of other assets was primarily due to the increase in the average balance of FHLB stock due to the required purchase of activity stock in connection with increases in average net loans, outstanding FHLB advances, resulting in higher dividends received from the FHLB.

Interest earned on interest-bearing deposits in other banks decreased \$1.2 million to \$566,000 for the year ended March 31, 2024 compared to \$1.8 million during the prior fiscal year. The impact of decrease was due to a decrease in the average balance to \$11.0 million during fiscal 2024 compared to \$100.7 during fiscal 2023, partially offset by a 340 basis point increase in the yield earned on such deposits to 5.16% for fiscal 2024 compared to

1.76% for fiscal 2023. The decrease in the average balance was primarily due to the decrease in excess cash held at the FRB due to the decrease in deposits, while the increase in the average net loans was offset by the decrease in the average yield on net loans by 28 basis points to 4.44% for the fiscal year ended March 31, 2023, predominantly from higher deferred SBA PPP loan fees recognized from SBA PPP loans that were forgiven. SBA PPP loans had a favorable impact on our loan yields when SBA PPP loans are forgiven and the remaining deferred fees are recognized which increase the average net loan yield for fiscal year ended March 31, 2022 that were not present for the fiscal year ended March 31, 2023. Interest and dividend income included \$102,000 and \$3.0 million of interest and fees related to SBA PPP loans for the fiscal years ended March 31, 2023 and 2022, respectively. The average balance of overnight cash balances positively impacted interest and dividend income due to the average yield on interest-bearing deposits at other banks which increased 161 basis points for fiscal year 2023 was due to 1.76% compared to 0.15% for fiscal year the increases in the federal funds target rate by the Federal Reserve that have occurred since March 2022.

5453

[Table of Contents](#)

Interest Expense. Interest expense for the fiscal year ended March 31, 2023 March 31, 2024 totaled \$4.1 million \$18.5 million, a \$1.9 million \$14.4 million or 84.5% 354.9% increase from \$2.2 million \$4.1 million for the fiscal year ended March 31, 2022 March 31, 2023. The increase was primarily the result of an 18 a 140 basis point increase in the weighted average interest rate on interest-bearing liabilities and a \$21.0 million \$125.5 million increase in the average balance of FHLB advances for the fiscal year ended March 31, 2023 March 31, 2024 compared to the prior fiscal year. The weighted average interest rate on interest-bearing deposits increased 81 basis points to 0.16% 0.97% for the fiscal year ended March 31, 2023 March 31, 2024 from 0.14% 0.16% for the prior fiscal year. The In addition, while the overall average balance of interest-bearing deposits decreased \$21.7 million \$113.4 million, or 11.7% to \$852.3 million for the fiscal year ended March 31, 2024 compared to \$965.7 million for the fiscal year ended March 31, 2023 compared, the average balance of higher costing certificates of deposit increased \$53.6 million or 51.9% to \$987.5 million \$157.1 million for the fiscal year ended March 31, 2022. Although March 31, 2024 compared to \$103.5 million for the weighted average interest rate increased on interest-bearing deposits due to the overall increase in the interest rate environment, this increase was partially offset by the decrease in the average balance of interest-bearing deposits. fiscal year ended March 31, 2023.

Interest expense on borrowings increased \$1.8 million \$7.6 million for the fiscal year ended March 31, 2023 March 31, 2024 compared to the prior fiscal year due primarily to an increase in the average balance of FHLB advances. The average balance of FHLB advances increased to \$21.0 million \$146.6 million for the fiscal year ended March 31, 2023 March 31, 2024 compared to \$3,000 \$21.0 million for the same period in the prior year. The weighted average interest rate on FHLB advances increased to 4.88% 5.40% for the fiscal year ended March 31, 2023 March 31, 2024 compared to 0.31% 4.88% for the prior fiscal year. The year. Similarly, the weighted average interest rate on the junior subordinated debentures increased 281 273 basis points to 5.09% 7.82% for the fiscal year ended March 31, 2023 March 31, 2024 compared to 2.28% 5.09% for the prior fiscal year.

Provision for Loan Losses, credit losses. The Company recorded no provision or recapture of credit losses for the fiscal year ended March 31, 2024 compared to a provision for loan losses of \$750,000 and a recapture of loan losses of \$4.6 million under the prior incurred loss method for the fiscal years year ended March 31, 2023 and 2022, respectively. The provision for loan losses for the fiscal year 2023 was due to an isolated loan downgrade that affected the allowance for loan losses. The recapture Company adopted the CECL methodology as of loan losses for fiscal year 2022 was primarily due April 1, 2023, which resulted in a one-time upward adjustment to the improving economic conditions associated with ACL of \$42,000, and an after-tax decrease to opening retained earnings of \$53,000. All amounts prior to April 1, 2023 were calculated using the COVID-19 pandemic since March 31, 2021. Any future decline in national and local economic conditions could result in a material increase in the previous incurred loss methodology to compute our allowance for loan losses, which is not directly comparable to the new CECL methodology. The lack of provision for credit losses for the fiscal year ended March 31, 2024 also reflects assumptions related to our forecast concerning the economic environment as a result of local, national and may adversely affect global events, including recent bank failures. In addition, expected loss estimates consider various factors, including customer-specific information, changes in risk ratings, projected delinquencies, and the Company's financial condition and results impact of operations, economic conditions on borrowers' ability to repay.

At March 31, 2023 March 31, 2024, the Company had an allowance for loan losses ACL of \$15.4 million, or 1.50% of total loans, compared to \$15.3 million, or 1.52% of total loans compared to \$14.5 million, or 1.47% of total loans at March 31, 2022 March 31, 2023. Net recoveries were \$36,000 totaled \$13,000 for the fiscal year ended March 31, 2023 March 31, 2024, compared to net charge-offs of \$30,000 \$36,000 for the prior fiscal

year ended March 31, 2022. Net recoveries and net charge-offs to average net loans were insignificant for the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, respectively.

Impaired Nonperforming loans are subjected were \$178,000 at March 31, 2024, compared to an impairment analysis to determine an appropriate reserve amount to be held against each loan. As of \$1.9 million at March 31, 2023, the Company had identified \$629,000 of impaired loans. Because the significant majority. The ratio of the impaired ACL for loans are collateral dependent, nearly all of the specific allowances are calculated based on the estimated fair value of the collateral. Of those impaired to nonperforming loans \$534,000 have no specific valuation allowance as their estimated net collateral value is equal was 8,631.46% at March 31, 2024 compared to or exceeds the carrying amount of the loan, which in some cases is the result of previous loan charge-offs. The remaining impaired loan of \$95,000 has a specific valuation allowance of \$6,000. Charge-offs on these impaired loans totaled \$85,000 from their original loan balances 826.62% at March 31, 2023. Based on a comprehensive analysis, management believes the allowance for loan losses ACL to be adequate to cover probable expected credit losses inherent in the loan portfolio at March 31, 2023 March 31, 2024. See Note 54 of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for additional information regarding the allowance for loan credit losses.

Non-Interest Income. Non-interest income decreased \$550,000 \$2.0 million or 16.4% to \$12.2 million \$10.2 million for the fiscal year ended March 31, 2023 March 31, 2024 from \$12.7 million \$12.2 million for fiscal year 2022, 2023. The decrease is primarily due to the \$2.7 million loss on sale of available for sale investment securities resulting from the Company's balance sheet restructuring in the fourth quarter of fiscal 2024. Other changes in non-interest income during the fiscal year ended March 31, 2024 compared to the same prior year period include a decrease in fees and service charges related of \$93,000 due to a decrease in brokered loan fees of \$723,000. These decreases are partially offset by an increase in asset management fees of \$627,000 \$594,000 due to an increase in custody fees of \$930,000 and \$277,000, irrevocable trust tax preparation fees of \$76,000 \$185,000 and living trust fees of \$126,000 partially offset by a decrease in irrevocable estate guardianship fee and trust tax prep fees of \$342,000 \$49,000 and agency fees of \$126,000 during the fiscal year ended March 31, 2023 \$37,000, respectively. In addition, income from BOLI increased \$70,000 and other non-interest income increased \$206,000 compared to the fiscal year ended March 31, 2022. Additionally, non-interest income also included a BOLI death benefit on a former employee of \$500,000 during the fiscal year ended March 31, 2022 that was not present for the fiscal year ended March 31, 2023 prior year.

55 54

[Table of Contents](#)

Non-Interest Expense. Non-interest expense increased \$2.7 million \$4.4 million or 11.2% to \$39.4 million \$43.7 million for the year ended March 31, 2023 March 31, 2024 from \$36.7 million \$39.4 million for fiscal year 2022, 2023. The increase was primarily due to an increase in salaries and employee benefits other expenses of \$347,000 \$2.6 million, which included litigation expenses of \$2.3 million. In connection with a proposed global settlement of some ongoing litigation, the Company recorded a \$2.3 million expense in other non-interest expense for the fourth fiscal year ended March 31, 2023 compared quarter of 2024, reflecting an estimate of litigation costs that exceed the Company's insurance coverage. The settlement of the litigation remains subject to the prior year and was mainly due to wage pressures, and approval of the competitive landscape for attracting and retaining employees in the Company's primary market court. Additionally, occupancy and depreciation expense for the fiscal year ended March 31, 2023 March 31, 2024 increased \$701,000 mainly due to an increase in rent expense, depreciation expense and repair and maintenance expense as the Company continues to update and modernize certain branch locations. In addition, the increase in non-interest expense is due to the recognition of a \$1.0 million gain on sale of premises and equipment related to a former branch building during the fiscal year ended March 31, 2022, that was not present in the current fiscal year. Advertising and marketing expense increased \$309,000 \$353,000 due to expenses related to implementing a high-performance growth deposit strategy and additional sponsorships and events as our local economy began to reopen when compared to the prior fiscal year. FDIC insurance premium expense Additionally, salaries and employee benefits increased \$95,000 compared to \$222,000 over the prior fiscal year primarily due to the increased FDIC assessment rate. These increases were partially offset by a decrease in data processing bonus expense of \$218,000 for fiscal year 2023 compared to the prior year due to a decreased cost associated with our core banking platform and retail incentives.

Income Taxes. The provision for income taxes was \$5.6 million \$802,000 and \$6.5 million \$5.6 million for the fiscal years ended March 31, 2023 March 31, 2024 and 2022, 2023, respectively. The effective tax rate was 17.4% for the fiscal year ended March 31, 2024 compared to 23.7% for the fiscal year ended March 31, 2023. The decrease in the provision for income taxes was due and effective tax rate is attributable to lower pre-tax income for the fiscal year ended March 31, 2023 March 31, 2024 compared to the same period in the prior year. The effective tax rate was 23.7% for the fiscal year ended

March 31, 2023 compared to 22.8% for the fiscal year ended March 31, 2022. The effective tax rate may be affected by the effects of apportioned income for state and local jurisdictions where we do business. The Company's effective tax rate for the fiscal year ended March 31, 2022 was lower than its historical effective tax rate due to a non-taxable BOLI death benefit of \$500,000 that was not present for the fiscal year ended March 31, 2023. At March 31, 2023 March 31, 2024, the Company had a deferred tax asset of \$10.3 million \$9.8 million. As of March 31, 2023 March 31, 2024, management deemed that a deferred tax asset valuation allowance related to the Company's deferred tax asset was not necessary. See Note 1110 of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K for further discussion of the Company's income taxes.

5655

[Table of Contents](#)

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 earned on average interest-earning assets and interest expense paid 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 daily average balances during such period. Non-accruing loans were included in the average loan amounts outstanding. Loan fees, net, of \$2.4 million \$1.3 million, \$5.5 million \$2.4 million and \$4.5 million \$5.5 million were included in interest income for the years ended March 31, 2023 March 31, 2024, 2022 2023 and 2021, 2022, respectively.

Years Ended March 31,												Years Ended March 31,											
2023			2022			2021			2024			2023			2024			2023			2024		
Interest			Interest			Interest			Interest			Interest			Interest			Interest			Interest		
Average	and	Yield/	Average	and	Yield/	Average	and	Yield/	Average	and	Yield/	Average	and	Yield/	Average	and	Yield/	Average	and	Yield/	Average	and	Yield/
Balance	Dividends	Cost	Balance	Dividends	Cost	Balance	Dividends	Cost	Balance	Dividends	Cost	Balance	Dividends	Cost	Balance	Dividends	Cost	Balance	Dividends	Cost	Balance	Dividends	Cost

												(Dollars in thousands)					
												(Dollars in thousands)					
Interest-earning assets:																	
Mortgage loans	\$ 760,821	\$ 34,694	4.56 %	\$ 696,700	\$ 33,280	4.78 %	\$ 681,999	\$ 33,989	4.98 %	\$ 758,809	\$ 34,523	4.55 %	\$ 760,821	\$ 34,694	4.56 %	\$ 696,700	
Non-mortgage loans	246,224	10,050	4.08	238,042	10,799	4.54	284,071	11,509	4.05	252,611	11,508	4.56	246,224	10,050	4.08	238,042	
Total net loans (1)	1,007,045	44,744	4.44	934,742	44,079	4.72	966,070	45,498	4.71	1,011,420	46,031	4.55	1,007,045	44,744	4.44	934,742	
Investment securities (2)	472,396	9,129	1.93	345,869	5,314	1.54	156,723	2,592	1.65	461,055	9,315	2.02	472,396	9,129	1.93	345,869	
Interest-bearing deposits in other banks	100,694	1,773	1.76	291,897	439	0.15	194,456	198	0.10	10,956	566	5.16	100,694	1,773	1.76	291,897	
Other earning assets	3,696	103	2.79	2,560	69	2.70	2,860	97	3.39	8,571	726	8.47	3,696	103	2.79	2,560	
Total interest-earning assets	1,583,831	55,749	3.52	1,575,068	49,901	3.17	1,320,109	48,385	3.67	1,492,002	56,638	3.80	1,583,831	55,749	3.52	1,575,068	
Non-interest-earning assets:																	
Office properties and equipment, net	19,621			18,933			18,469			23,337			19,621			18,933	
Other non-interest-earning assets	63,511			77,135			77,775			60,044			63,511			77,135	
Total assets	\$ 1,666,963			\$ 1,671,136			\$ 1,416,353			\$ 1,575,383			\$ 1,666,963			\$ 1,671,136	
Interest-bearing liabilities:																	
Savings accounts	\$ 308,840	\$ 219	0.07 %	\$ 318,885	\$ 247	0.08 %	\$ 257,285	\$ 418	0.16 %	\$ 217,538	\$ 132	0.06 %	\$ 308,840	\$ 219	0.07 %	\$ 318,885	
Interest checking accounts	286,627	89	0.03	279,053	87	0.03	225,579	85	0.04	243,904	785	0.32	286,627	89	0.03	279,053	
Money market accounts	266,795	415	0.16	272,161	150	0.06	204,931	153	0.07	233,749	2,860	1.22	266,795	415	0.16	272,161	
Certificates of deposit	103,484	779	0.75	117,391	940	0.80	129,928	1,888	1.45	157,126	4,508	2.87	103,484	779	0.75	117,391	
Total interest-bearing deposits	965,746	1,502	0.16	987,490	1,424	0.14	817,723	2,544	0.31	852,317	8,285	0.97	965,746	1,502	0.16	987,490	
Junior subordinated debentures	26,873	1,368	5.09	26,789	611	2.28	26,703	667	2.50	26,959	2,109	7.82	26,873	1,368	5.09	26,789	
FHLB advances	21,046	1,027	4.88	3	—	0.31	15,044	47	0.31	146,555	7,917	5.40	21,046	1,027	4.88	3	

Other interest-bearing liabilities	2,271	163	7.18	2,310	165	7.14	2,350	169	7.19	2,211	158	7.15	2,271	163	7.18	2,310
Total interest-bearing liabilities	1,015,936	4,060	0.40	1,016,592	2,200	0.22	861,820	3,427	0.40	1,028,042	18,469	1.80	1,015,936	4,060	0.40	1,016,592
Non-interest-bearing liabilities:																
Non-interest-bearing deposits	480,029			476,203			387,579			376,694			480,029			476,203
Other liabilities	16,757			18,186			15,304			14,510			16,757			18,186
Total liabilities	1,512,722			1,510,981			1,264,703			1,419,246			1,512,722			1,510,981
Shareholders' equity	154,241			160,155			151,650			156,137			154,241			160,155
Total liabilities and shareholders' equity	\$1,666,963			\$1,671,136			\$1,416,353			\$1,575,383			\$1,666,963			\$1,671,136
Net interest income	\$ 51,689			\$ 47,701			\$ 44,958			\$ 38,169			\$ 51,689			
Interest rate spread		3.12 %			2.95 %		3.27 %				2.00 %				3.12 %	
Net interest margin		3.26 %			3.03 %		3.41 %				2.56 %				3.26 %	
Ratio of average interest-earning assets to average interest-bearing liabilities		155.90 %			154.94 %		153.18 %				145.13 %				155.90 %	
Tax-Equivalent Adjustment (3)	\$ 83			\$ 76			\$ 41			\$ 83			\$ 83			

(1) Includes non-accrual loans.

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

(3) Tax-equivalent adjustment relates to non-taxable investment interest income calculated based on a combined federal and state tax rate of 24% for all three years.

5756

Table of Contents

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on net interest income of the Company for the fiscal year ended **March 31, 2024**, compared to the fiscal year ended **March 31, 2023**, and the fiscal year ended **March 31, 2023** compared to the fiscal year ended **March 31, 2022**, and the fiscal year ended **March 31, 2022** compared to the fiscal year ended **March 31, 2021**. 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). Variances that were

insignificant have been allocated based upon the percentage relationship of changes in volume and changes in rate to the total net change (in thousands). The changes noted in the table below include tax equivalent adjustments, and as a result, will not agree to the amounts reflected on the Company's consolidated statements of income for the categories that have been adjusted to reflect tax equivalent income.

	Year Ended March 31,						Year Ended March 31,					
	2023 vs. 2022			2022 vs. 2021			2024 vs 2023			2023 vs. 2022		
	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		
	Volume	Rate	(Decrease)	Volume	Rate	Increase	Volume	Rate	(Decrease)	Volume	Rate	
Interest Income:												
Mortgage loans	\$ 2,986	\$ (1,572)	\$ 1,414	\$ 705	\$ (1,414)	\$ (709)	\$ (94)	\$ (77)	\$ (171)	\$ 2,986	\$ (1,572)	
Non-mortgage loans	365	(1,114)	(749)	(2,000)	1,290	(710)	264	1,194	1,458	365	(1,114)	
Investment securities (1)	2,255	1,560	3,815	2,906	(184)	2,722	(226)	412	186	2,255	1,560	
Interest-bearing deposits in other banks	(464)	1,798	1,334	121	121	242						
Interest-earning deposits in other banks							(2,542)	1,335	(1,207)	(464)	1,798	
Other earning assets	32	2	34	(9)	(20)	(29)	245	378	623	32	2	
Total interest income	5,174	674	5,848	1,723	(207)	1,516	(2,353)	3,242	889	5,174	674	
Interest Expense:												
Regular savings accounts	(6)	(22)	(28)	78	(249)	(171)	(59)	(28)	(87)	(6)	(22)	
Interest checking accounts	2	—	2	23	(21)	2	(15)	711	696	2	—	
Money market accounts	(3)	268	265	26	(29)	(3)	(59)	2,504	2,445	(3)	268	
Certificates of deposit	(105)	(56)	(161)	(168)	(780)	(948)	577	3,152	3,729	(105)	(56)	
Junior subordinated debentures	2	755	757	2	(58)	(56)	4	737	741	2	755	
FHLB advances	1,027	—	1,027	(47)	—	(47)	6,770	120	6,890	1,027	—	
Other interest-bearing liabilities	(3)	1	(2)	(3)	(1)	(4)	(4)	(1)	(5)	(3)	1	

Total interest expense	914	946	1,860	(89)	(1,138)	(1,227)	7,214	7,195	14,409	914	946
Net interest income	\$ 4,260	\$ (272)	\$ 3,988	\$ 1,812	\$ 931	\$ 2,743	\$ (9,567)	\$ (3,953)	\$ (13,520)	\$ 4,260	\$ (272)

⁽¹⁾ Interest on municipal securities is presented on a fully tax-equivalent basis.

Comparison of Operating Results for the Years Ended March 31, 2023 and 2022

See Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, previously filed with the SEC.

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 originating and purchasing portfolio loans with interest rates subject to periodic adjustment to market conditions and fixed rate loans with shorter terms to maturity. The Company relies on retail deposits as its primary source of funds, but also has access to FHLB advances, FRB borrowings, and other wholesale facilities, as needed. 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.

57

[Table of Contents](#)

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~~ ⁽ⁱ⁾ originating adjustable rate loans; ⁽ⁱⁱ⁾ increasing commercial loans, consumer loans that are adjustable rate and other short-term loans as a portion of total net loans receivable because of their generally shorter terms and higher yields than real estate one-to-four family loans; ⁽ⁱⁱⁱ⁾ matching asset and liability maturities; and ^(iv) investing in short-term securities. The strategy for liabilities has been to shorten the maturities for both deposits and borrowings.

58

[Table of Contents](#)

The longer-term objective is to increase the proportion of non-interest-bearing demand deposits, low interest-bearing demand deposits, money market accounts, and savings deposits relative to certificates of deposit to reduce our overall cost of funds.

Consumer loans, such as home equity lines of credit and installment loans, commercial loans and construction loans typically have shorter terms and higher yields than real estate one-to-four family loans, and accordingly reduce the Company's exposure to fluctuations in interest rates. Adjustable interest rate loans totaled \$435.7 million or 42.55% of total loans at March 31, 2024, as compared to \$403.6 million or 40.00% of total loans at March 31, 2023 ~~as compared to \$438.1 million or 44.23% at March 31, 2022~~. 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. See Item 1. "Business - Lending Activities – Real Estate Construction" and "- Lending Activities - Consumer Lending."

The Company may also invest 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, 2023** **March 31, 2024**, the combined investment portfolio carried at **\$455.3 million** **\$372.7 million** had an average life of **6.16** years. Adjustable rate mortgage-backed securities totaled **\$2.8 million** at **March 31, 2024** compared to **\$3.7 million** at **March 31, 2023** compared to **\$5.5 million** at **March 31, 2022**. See Item 1. "Business – Investment Activities" for additional information.

Liquidity and Capital Resources

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

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

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

The Company must maintain an adequate level of liquidity to ensure the availability of sufficient funds for loan originations, deposit withdrawals and continuing operations, satisfy other financial commitments and take advantage of investment opportunities. During the fiscal year ended **March 31, 2023** **March 31, 2024**, the Bank used its sources of funds primarily to fund **deposit withdrawals resulting from increased competition and pricing pressure** and to fund **loan commitments and investment purchases**. At **March 31, 2023** **March 31, 2024**, cash and cash equivalents **certificates of deposit held for investment** and available for sale investment securities totaled **\$233.8 million** **\$166.8 million**, or **14.7%** **11.0%** of total assets. Management believes that the Company's security portfolio is of high quality and its securities would therefore be marketable. The levels of these assets are dependent on the Company's operating, financing, lending, and investing activities during any given period. The Bank generally maintains sufficient cash and short-term investments to meet short-term liquidity needs; however, its primary liquidity management practice is to manage short-term borrowings, consistent with its asset/liability objectives. In addition to these primary sources of funds, the Bank has several secondary borrowing sources available to meet potential funding

[Table of Contents](#)

requirements, including FRB borrowings and FHLB advances. At **March 31, 2023** **March 31, 2024**, the Bank had no advances from the FRB and maintains a credit facility with the FRB with available borrowing capacity of **\$57.4 million** **\$284.5 million**, subject to sufficient collateral. At **March 31, 2023** **March 31, 2024**, FHLB advances totaled **\$123.8 million** **\$88.3 million** and the Bank had an available borrowing capacity of **\$315.4 million** **\$299.5 million**, subject to sufficient collateral and stock investment. At **March 31, 2023** **March 31, 2024**, the Bank had sufficient unpledged collateral to allow it to utilize its available borrowing capacity from the FRB and the FHLB. Borrowing capacity may, however, fluctuate based on acceptability and risk rating of loan collateral and counterparties could adjust discount rates applied to such collateral at their discretion.

Table of Contents

The Bank Term Funding Program (BTFP) was created by the Federal Reserve to support and make additional funding available to eligible depository institutions to help banks meet the needs of their depositors. Riverview has registered and is eligible to utilize the BTFP. Riverview does not intend to utilize the BTFP, but could do so should the need arise.

During the fiscal **year****years** ended **March 31, 2023**, **March 31, 2024** and **2023**, deposits decreased **\$33.5 million** and **\$268.7 million**. During the fiscal **year****ended March 31, 2022**, deposits increased **\$187.8 million**, respectively. An additional source of wholesale funding includes brokered certificates of deposit. While the Company has utilized brokered deposits from time to time, the Company historically has not extensively relied on brokered deposits to fund its operations. At **March 31, 2023** **March 31, 2024** and **2022, 2023**, the Bank had no wholesale brokered deposits. The Bank also participates in the CDARS and ICS deposit products, which allow the Company to accept deposits in excess of the FDIC insurance limit for a depositor and obtain "pass-through" insurance for the total deposit. The Bank's CDARS and ICS balances were **\$39.6 million**, or 3.2% of total deposits, and **\$22.8 million**, or 1.8% of total deposits, at **March 31, 2024** and **\$66.3 million**, or 4.3% of total deposits, at **March 31, 2023** and **2022, 2023**, respectively. The combination of all the Bank's funding sources gives the Bank available liquidity of **\$702.5 million** **\$857.4 million**, or **44.2%** **56.4%** of total assets at **March 31, 2023** **March 31, 2024**.

At **March 31, 2023** **March 31, 2024**, the Company had total commitments of **\$144.4 million** **\$160.8 million**, which includes commitments to extend credit of **\$12.5 million** **\$10.0 million**, unused lines of credit totaling **\$93.7 million** **\$93.3 million**, undisbursed construction loans totaling **\$36.6 million** **\$55.9 million**, and standby letters of credit totaling **\$1.6 million**. For additional information regarding future financial commitments, see Note **17** **16** of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K. 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, 2023** **March 31, 2024** totaled **\$84.6 million** **\$179.2 million**. Historically, the Bank has been able to retain a significant amount of its deposits as they mature. **Offsetting** **Partially offsetting** these cash outflows are scheduled loan maturities of less than one year totaling **\$37.0 million** **\$32.7 million** at **March 31, 2023** **March 31, 2024**.

The Company incurs capital expenditures on an ongoing basis to expand and improve our product offerings, enhance and modernize our technology infrastructure, and to introduce new technology-based products to compete effectively in our markets. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impact on revenue growth, productivity, expenses, service levels and customer retention) and our expected return on investment. The amount of capital investment is influenced by, among other things, current and projected demand for our services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations. Based on our current capital allocation objectives, during fiscal **2024** **2025** we expect cash expenditures of approximately **\$3.7 million** **\$838,000** for capital investment in premises and equipment.

Riverview, as a separate legal entity from the Bank, must provide for its own liquidity. Sources of capital and liquidity for Riverview include distributions from the Bank and the issuance of debt or equity securities. Dividends and other capital distributions from the Bank are subject to regulatory notice. Management currently expects to continue the Company's current practice of paying quarterly cash dividends on its common stock subject to the Board of Directors' discretion to modify or terminate this practice at any time and for any reason without prior notice. The current quarterly common stock dividend rate is \$0.06 per share, as approved by the Board of Directors, which management believes is a dividend rate per share which enables the Company to balance our multiple objectives of managing and investing in the Bank, and returning a substantial portion of the Company's cash to its shareholders. Assuming continued payment during fiscal year **2024** **2025** at this rate of \$0.06 per share, average total dividends paid each quarter would be approximately \$1.3 million based on the number of the Company's outstanding shares at **March 31, 2023** **March 31, 2024**. At **March 31, 2023** **March 31, 2024**, Riverview had **\$5.5 million** **\$9.5 million** in cash to meet its liquidity needs.

Bank holding companies and federally-insured state-chartered banks are required to maintain minimum levels of regulatory capital. At **March 31, 2023** **March 31, 2024**, Riverview and the Bank were in compliance with all applicable capital requirements. For additional information, see Note **13** **12** of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K and Item 1. Business – Regulation and Supervision of the Bank.

New Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our financial condition and operations are influenced significantly by general economic conditions, including the absolute level of interest rates as well as changes in interest rates and the slope of the yield curve. Our profitability is dependent to a large extent on our net interest income, which is the difference between the interest received from our interest-earning assets and the interest expense incurred on our interest-bearing liabilities. Our activities, like all financial institutions, inherently involve the assumption of interest rate risk. Interest rate risk is the risk that changes in market interest rates will have an adverse impact on the institution's earnings and underlying economic value. Interest rate risk is determined by the maturity and repricing characteristics of an institution's assets, liabilities and off-balance-sheet contracts. Interest rate risk is measured by the variability of financial performance and economic value resulting from changes in interest rates. Interest rate risk is the primary market risk affecting our financial performance.

Our Asset/Liability Management Committee ("ALCO") is responsible for monitoring and reviewing asset/liability processes and interest rate risk exposure to determine the level of risk appropriate given our operating environment, business plan strategies, performance objectives, capital and liquidity constraints, and asset and liability allocation alternatives; and to manage our interest rate risk consistent with regulatory guidelines and policies approved by the Board of Directors. Through such management, we seek to reduce the vulnerability of our earnings and capital position to changes in the level of interest rates. Our actions in this regard are taken under the guidance of the ALCO, which is comprised of members of our senior management. The ALCO closely monitors our interest sensitivity exposure, asset and liability allocation decisions, liquidity and capital positions, and local and national economic conditions and attempts to structure the loan and investment portfolios and funding sources to maximize earnings within acceptable risk tolerances.

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," "– Investment Activities" and "– Deposit Activities and Other Sources of Funds".

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 accepts 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 by retaining in its loan portfolio, short-term loans and loans with interest rates subject to periodic adjustments.

Consumer and commercial loans are originated and held in the loan 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 short or long-term maturities. FRB borrowings have short-term maturities. For additional information, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein.

A number of measures are utilized to monitor and manage interest rate risk, including simulation modeling and traditional interest rate gap analysis. While both methods provide an indication of risk for a given change in interest rates, the simulation model is primarily used to assess the impact on earnings that changes in interest rates may produce. Key assumptions in the model include cash flows and maturities of financial instruments, changes in market conditions, loan volumes and pricing, deposit sensitivity, consumer preferences and management's capital leverage plans. These assumptions are inherently uncertain; therefore, the model cannot precisely estimate net interest income or precisely predict the impact of higher or lower interest rates on net interest income. Actual results may significantly differ from simulated results due to timing, magnitude and frequency of interest rate changes and changes in market conditions and specific strategies among other factors.

[Table of Contents](#)

The following table shows the approximate percentage change in net interest income as of **March 31, 2023** **March 31, 2024** over a 12 and 24-month period under several instantaneous changes in interest rate scenarios:

Change in interest rates	Percent change in net interest income (12 months)	Percent change in net interest income (24 months)	Percent change in net interest income (12 months)	Percent change in net interest income (24 months)
Up 400 basis points			(29.7)%	(2.6)%
Up 300 basis points	(13.0)%	(3.2)%	(22.8)%	1.0 %
Up 200 basis points	(9.1)%	(0.9)%	(15.8)%	4.6 %
Up 100 basis points	(4.2)%	4.0 %	(7.5)%	11.6 %
Base case	—	7.2 %	—	— %
Down 100 basis points	0.4 %	5.7 %	4.6 %	17.4 %
Down 200 basis points	(0.1)%	2.3 %	8.5 %	16.3 %
Down 300 basis points	(1.6)%	(2.8)%	11.8 %	13.8 %
Down 400 basis points			15.1 %	11.3 %

In general, interest-earning assets reprice faster than interest-bearing liabilities in a given period. However, due to a number of loans in our loan portfolio with fixed interest rates, our net interest income will be negatively impacted in a rising interest rate environment. Specifically, in a rising interest rate environment, net interest income will decrease in year one, as set forth indicated in the table above as our interest-bearing liabilities are expected to continue to increase faster than interest-earning assets. Conversely, in a falling interest rate environment, our net interest income will be positively impacted in the first 100 basis point movement as our interest-bearing liabilities decrease reprice faster in relation to our interest-earning assets. We attempt to limit our interest rate risk through managing the repricing characteristics of our assets and liabilities.

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 that 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.

6261

[Table of Contents](#)**Item 8. Financial Statements and Supplementary Data****RIVERVIEW BANCORP, INC. AND SUBSIDIARY**

Consolidated Financial Statements for the Years Ended March 31, 2023, 2022 and 2021

Report of Independent Registered Public Accounting Firm

TABLE OF CONTENTS

Page

Report of Independent Registered Public Accounting Firm (Delap LLP, Lake Oswego, Oregon, PCAOB ID: 116)	64 63
Consolidated Balance Sheets as of March 31, 2023 March 31, 2024 and 2023	65
Consolidated Statements of Income for the Years Ended March 31, 2024, 2023 and 2022	66
Consolidated Statements of Income for the Years Ended March 31, 2023, 2022 and 2021	67
Consolidated Statements of Comprehensive Income for the Years Ended March 31, 2023 March 31, 2024, 2022 2023 and 2021 2022	68 67
Consolidated Statements of Shareholders' Equity for the Years Ended March 31, 2023 March 31, 2024, 2022 2023 and 2021 2022	69 68
Consolidated Statements of Cash Flows for the Years Ended March 31, 2023 March 31, 2024, 2022 2023 and 2021 2022	70 69
Notes to Consolidated Financial Statements	71 70
	63 62

[Table of Contents](#)



Graphic

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Riverview Bancorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Riverview Bancorp, Inc. and Subsidiary (collectively, "the Company") as of **March 31, 2023** **March 31, 2024** and **2022, 2023**, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended **March 31, 2023** **March 31, 2024**, and the related notes (collectively, "the financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of **March 31, 2023** **March 31, 2024** and **2022, 2023**, and the results of its operations and its cash flows for each of the years in the three-year period ended **March 31, 2023** **March 31, 2024**, in conformity with accounting principles generally accepted in the United States of America (U.S.).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to an account accounts or disclosures that is are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

64 63

[Table of Contents](#)

Allowance for Loan Credit Losses for Loans

Critical Audit Matter Description

As described in Notes 1 and 54 to the financial statements, the Company's allowance for credit losses for loans as of March 31, 2024 was \$15,364,000 on a total loan portfolio, net of deferred fees, of \$1.02 billion. The allowance for credit losses (ALL) is a valuation account that for loans reflects the estimated loan an estimate of lifetime expected credit losses based on known and inherent risks in the loan portfolio to the extent they are both probable and reasonable to estimate. The allowance for loan measurement of expected credit losses was approximately \$15,309,000 as of March 31, 2023, which consists of specific and general components in the amounts of \$6,000 and \$15,303,000 million, respectively.

The specific component relates to loans that are classified as impaired. The Company measures impairment and the related asset-specific allowance for impaired loans based on the difference between the recorded investment of the loan and the present value of the expected future cash flows, discounted at the original effective interest rate of the loan. If the loan is collateral dependent, the Company measures impairment based upon the fair value of the underlying collateral, which the Company determines based on the current fair value of the collateral less estimated selling costs. Loans are identified as collateral dependent if the Company believes that collateral is the sole source of repayment.

The general component is based on historical losses, general economic conditions, and other qualitative risk factors both relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts that affect the Company. The historical loss ratio and valuation allowance are established for each pool of similar loans and updated periodically based on actual charge-off experience and current events. The qualitative risk factors are generally determined by evaluating, among other things: (1) lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices; (2) national and local economic trends and conditions; (3) nature and volume of the portfolio and terms of loans; (4) experience, ability, and depth of lending management and staff; (5) volume and severity of past due, classified and nonaccrual loans as well as other loan modifications; (6) quality collectability of the Company's loan review system; (7) existence and effect of any concentrations of credit and changes in the level of such concentrations; (8) changes in the value of underlying collateral, and (9) other external factors. The evaluation of the qualitative factor adjustments requires a significant amount of judgment by management and involves a high degree of subjectivity.

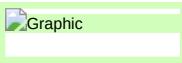
We identified the ALL Company's estimate of the allowance for credit losses for loans as a critical audit matter. The principal considerations for our determination of the allowance for credit losses for loans as a critical audit matter because auditing related to the underlying high degree of

subjectivity in the Company's judgments in determining the qualitative factors, required significant model assumptions, forecasts and forecasting periods. Auditing these complex judgments and assumptions by the Company involves especially challenging auditor judgment since amounts determined by management rely on analysis that is highly subjective due to the nature and includes significant estimation uncertainty, extent of audit evidence and effort required to address these matters, including the extent of specialized skill or knowledge needed.

How the Critical Audit Matter Was Addressed in the Audit

The primary audit procedures we performed to address this critical audit matter included the following, among others:

- We obtained an understanding of the relevant controls related to management's establishment of the qualitative factors, assessment, review and approval of the qualitative factors, and the data used in determining the qualitative factors.
- We obtained an understanding evaluated the relevance and the reasonableness of how management developed assumptions related to evaluation of the estimates loan portfolio, current and related assumptions, including: forecasted economic conditions, and other risk factors used in development of the qualitative factors.
- o Testing We tested the completeness and accuracy of key data the significant inputs used in forming assumptions or calculations and testing into the reliability of model including the underlying data on which these used to develop the qualitative factors are based and forecasts.
- We validated the mathematical accuracy of the calculation.
- We evaluated the reasonableness of assumptions and data used by the Company in developing the qualitative factors by comparing information these data points to source documents internally developed and external information third-party sources, as well as evaluating the estimated correlation to potential loss, other audit evidence gathered.
- o Evaluating the reasonableness of the qualitative factors established by management as compared to the underlying internal or external information sources.
- We obtained an understanding performed analytical procedures to evaluate the directional consistency of changes that occurred in the loans excluded from the general component calculation allowance for propriety of classification as acquired or impaired credit losses for loans.



We have served as the Company's auditor since 2015.

Lake Oswego, Oregon

June 14, 2023 2024

65 64

[Table of Contents](#)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2023 2024 AND 2022 2023

(In thousands, except share and per share data)	2023	2022	2024	2023
ASSETS				
Cash and cash equivalents (including interest-earning accounts of \$10,397 and \$224,589)	\$ 22,044	\$ 241,424		
Cash and cash equivalents (including interest earning deposits in other banks of \$12,164 and \$10,397)			\$ 23,642	\$ 22,044
Certificates of deposit held for investment	249	249	—	249
Investment securities:				

Available for sale, at estimated fair value	211,499	165,782	143,196	211,499
Held to maturity, at amortized cost (estimated fair value of \$210,214 and \$236,029)	243,843	253,100		
Loans receivable (net of allowance for loan losses of \$15,309 and \$14,523)	993,547	975,885		
Held to maturity, at amortized cost (estimated fair value of \$195,519 and \$210,214)			229,510	243,843
Loans receivable (net of allowance for credit losses of \$15,364 and \$15,309)			1,008,649	993,547
Prepaid expenses and other assets	15,950	12,396	14,469	15,950
Accrued interest receivable	4,790	4,650	4,415	4,790
Federal Home Loan Bank ("FHLB") stock, at cost	6,867	2,019		
Federal Home Loan Bank ("FHLB") stock, at cost			4,927	6,867
Premises and equipment, net	20,119	17,166	21,718	20,119
Financing lease right-of-use ("ROU") assets	1,278	1,355	1,202	1,278
Deferred income taxes, net	10,286	7,501	9,778	10,286
Mortgage servicing rights, net	—	34		
Goodwill	27,076	27,076	27,076	27,076
Core deposit intangible ("CDI"), net	379	495	271	379
Bank owned life insurance ("BOLI")	31,785	30,964	32,676	31,785
TOTAL ASSETS	\$ 1,589,712	\$ 1,740,096	\$ 1,521,529	\$ 1,589,712
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Deposits	\$ 1,265,217	\$ 1,533,878	\$ 1,231,679	\$ 1,265,217
Accrued expenses and other liabilities	15,730	19,298	16,205	15,730
Advance payments by borrowers for taxes and insurance	625	555	581	625
FHLB advances	123,754	—	88,304	123,754
Junior subordinated debentures	26,918	26,833	27,004	26,918
Finance lease liability	2,229	2,283	2,168	2,229
Total liabilities	1,434,473	1,582,847	1,365,941	1,434,473

COMMITMENTS AND CONTINGENCIES (See Note 17)

COMMITMENTS AND CONTINGENCIES (See Note 16)

SHAREHOLDERS' EQUITY:				
Serial preferred stock, \$.01 par value; 250,000 shares authorized; issued and outstanding: none	—	—	—	—
Common stock, \$.01 par value; 50,000,000 shares authorized				
March 31, 2024 – 21,111,043 shares issued and outstanding			211	212
March 31, 2023 – 21,221,960 shares issued and outstanding	212	221		
March 31, 2022 – 22,155,636 shares issued and 22,127,396 outstanding				
Additional paid-in capital	55,511	62,048	55,005	55,511
Retained earnings	117,826	104,931	116,499	117,826
Accumulated other comprehensive loss	(18,310)	(9,951)	(16,127)	(18,310)
Total shareholders' equity	155,239	157,249	155,588	155,239
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,589,712	\$ 1,740,096	\$ 1,521,529	\$ 1,589,712

See accompanying notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2024, 2023 ~~2022~~ AND ~~2021~~2022

(In thousands, except share and per share data)	2023	2022	2021
INTEREST AND DIVIDEND INCOME:			
Interest and fees on loans receivable	\$ 44,744	\$ 44,079	\$ 45,498
Interest on investment securities – taxable	8,784	5,001	2,422
Interest on investment securities – nontaxable	262	237	129
Other interest and dividends	1,876	508	295
Total interest and dividend income	55,666	49,825	48,344
INTEREST EXPENSE:			
Interest on deposits	1,502	1,424	2,544
Interest on borrowings	2,558	776	883
Total interest expense	4,060	2,200	3,427
Net interest income	51,606	47,625	44,917
Provision for (recapture of) loan losses	750	(4,625)	6,300
Net interest income after provision for (recapture of) loan losses	50,856	52,250	38,617
NON-INTEREST INCOME:			
Fees and service charges	6,362	7,109	6,382
Asset management fees	4,734	4,107	3,646
BOLI	821	800	813
BOLI death benefit in excess of cash surrender value	—	500	—
Other, net	277	228	249
Total non-interest income, net	12,194	12,744	11,090
NON-INTEREST EXPENSE:			
Salaries and employee benefits	23,982	23,635	22,570
Occupancy and depreciation	6,171	5,624	5,780
Data processing	2,722	2,940	2,662
Amortization of CDI	116	124	140
Advertising and marketing	923	614	466
FDIC insurance premium	534	439	319
State and local taxes	896	812	794
Telecommunications	204	197	295
Professional fees	1,201	1,235	1,231
(Gain) loss on sale of premises and equipment, net	—	(993)	14
Other	2,622	2,091	1,983
Total non-interest expense	39,371	36,718	36,254
INCOME BEFORE INCOME TAXES	23,679	28,276	13,453
PROVISION FOR INCOME TAXES	5,610	6,456	2,981
NET INCOME	\$ 18,069	\$ 21,820	\$ 10,472
Earnings per common share:			
Basic	\$ 0.84	\$ 0.98	\$ 0.47
Diluted	0.83	0.98	0.47

Weighted average number of common shares outstanding:			
Basic	21,637,526	22,213,029	22,296,195
Diluted	21,646,101	22,224,947	22,312,831
(In thousands, except share and per share data)	2024	2023	2022
INTEREST AND DIVIDEND INCOME:			
Interest and fees on loans receivable	\$ 46,031	\$ 44,744	\$ 44,079
Interest on investment securities – taxable	8,971	8,784	5,001
Interest on investment securities – nontaxable	261	262	237
Other interest and dividends	1,292	1,876	508
Total interest and dividend income	<u>56,555</u>	<u>55,666</u>	<u>49,825</u>
INTEREST EXPENSE:			
Interest on deposits	8,285	1,502	1,424
Interest on borrowings	<u>10,184</u>	<u>2,558</u>	<u>776</u>
Total interest expense	<u>18,469</u>	<u>4,060</u>	<u>2,200</u>
Net interest income	<u>38,086</u>	<u>51,606</u>	<u>47,625</u>
Provision for (recapture of) credit losses	—	750	(4,625)
Net interest income after provision for (recapture of) credit losses	<u>38,086</u>	<u>50,856</u>	<u>52,250</u>
NON-INTEREST INCOME:			
Fees and service charges	6,269	6,362	7,109
Asset management fees	5,328	4,734	4,107
Loss on sales of available for sale investment securities	(2,729)	—	—
Income from BOLI	891	821	800
BOLI death benefit in excess of cash surrender value	—	—	500
Other, net	<u>483</u>	<u>277</u>	<u>228</u>
Total non-interest income, net	<u>10,242</u>	<u>12,194</u>	<u>12,744</u>
NON-INTEREST EXPENSE:			
Salaries and employee benefits	24,204	23,982	23,635
Occupancy and depreciation	6,872	6,171	5,624
Data processing	2,782	2,722	2,940
Amortization of CDI	108	116	124
Advertising and marketing	1,276	923	614
FDIC insurance premium	708	534	439
State and local taxes	1,010	896	812
Telecommunications	211	204	197
Professional fees	1,375	1,201	1,235
Gain on sale of premises and equipment, net	—	—	(993)
Other	<u>5,181</u>	<u>2,622</u>	<u>2,091</u>
Total non-interest expense	<u>43,727</u>	<u>39,371</u>	<u>36,718</u>
INCOME BEFORE INCOME TAXES	<u>4,601</u>	<u>23,679</u>	<u>28,276</u>
PROVISION FOR INCOME TAXES	<u>802</u>	<u>5,610</u>	<u>6,456</u>
NET INCOME	<u>\$ 3,799</u>	<u>\$ 18,069</u>	<u>\$ 21,820</u>
Earnings per common share:			
Basic	\$ 0.18	\$ 0.84	\$ 0.98
Diluted	0.18	0.83	0.98
Weighted average number of common shares outstanding:			
Basic	21,137,976	21,637,526	22,213,029
Diluted	21,139,322	21,646,101	22,224,947

See accompanying notes to consolidated financial statements.

67 66

[Table of Contents](#)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2024, 2023 2022 AND 2021 2022

(In thousands)	2023	2022	2021
Net income	\$ 18,069	\$ 21,820	\$ 10,472
Other comprehensive loss:			
Net unrealized holding losses from available for sale investment securities arising during the period, net of tax of \$2,641, \$3,091, and \$713, respectively	(8,359)	(9,791)	(2,259)
Total comprehensive income, net	\$ 9,710	\$ 12,029	\$ 8,213
(In thousands)	2024	2023	2022
Net income	\$ 3,799	\$ 18,069	\$ 21,820
Other comprehensive income (loss):			
Net unrealized holding gain (losses) from available for sale investment securities arising during the period, net of tax (expense) benefit of (\$34), \$2,641, and \$3,091, respectively	109	(8,359)	(9,791)
Reclassification adjustment of net loss from sales of available for sale investment securities included in net income, net of tax benefit of (\$655), \$0, and \$0, respectively	2,074	—	—
Total other comprehensive income (loss), net	2,183	(8,359)	(9,791)
Total comprehensive income, net	\$ 5,982	\$ 9,710	\$ 12,029

See accompanying notes to consolidated financial statements.

68 67

[Table of Contents](#)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2024, 2023 2022 AND 2021 2022

(In thousands, except share and per share data)	Accumulated Additional Common Stock Paid-In Retained Comprehensive							Accumulated Additional Common Stock Paid-In Retained Comprehensive						
	Shares	Amount	Capital	Earnings	Income (Loss)	Total	Shares	Amount	Capital	Earnings	Income (Loss)	Total		
	April 1, 2020	22,544,285	\$ 225	\$ 64,649	\$ 81,870	\$ 2,099	\$ 148,843	March 31, 2021	22,351,235	223	63,650	87,881	(160)	151,594
Net income	—	—	—	10,472	—	10,472	—	—	—	—	—	—	—	—
Cash dividend on common stock (\$0.20 per share)	—	—	—	(4,461)	—	(4,461)	—	—	—	—	—	—	—	—
Exercise of stock options	20,000	1	49	—	—	50	—	—	—	—	—	—	—	—
Common stock repurchased	(295,900)	(3)	(1,444)	—	—	(1,447)	—	—	—	—	—	—	—	—
Restricted stock grants	90,763	—	—	—	—	—	—	—	—	—	—	—	—	—
Restricted stock cancelled	(7,913)	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	396	—	—	396	—	—	—	—	—	—	—	—
Other comprehensive loss, net	—	—	—	—	(2,259)	(2,259)	—	—	—	—	—	—	—	—
Balance April 1, 2021	22,351,235	223	63,650	87,881	(160)	151,594	—	—	—	—	—	—	—	—
Balance April 1, 2021	22,351,235	\$ 223	\$ 63,650	\$ 87,881	\$ (160)	\$ 151,594	22,351,235	\$ 223	\$ 63,650	\$ 87,881	\$ (160)	\$ 151,594	—	—
Net income	—	—	—	21,820	—	21,820	—	—	—	—	21,820	—	—	21,820
Cash dividend on common stock (\$0.215 per share)	—	—	—	(4,769)	—	(4,769)	—	—	—	—	(4,769)	—	—	(4,769)
Exercise of stock options	6,000	—	17	(1)	—	16	6,000	—	17	(1)	—	—	—	16
Common stock repurchased	(278,148)	(2)	(1,938)	—	—	(1,940)	(278,148)	(2)	(1,938)	—	—	—	—	(1,940)
Restricted stock grants	69,285	—	—	—	—	—	69,285	—	—	—	—	—	—	—
Restricted stock cancelled	(20,976)	—	—	—	—	—	(20,976)	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	319	—	—	319	—	—	319	—	—	—	—	319
Other comprehensive loss, net	—	—	—	—	(9,791)	(9,791)	—	—	—	—	(9,791)	—	—	(9,791)

Balance March 31, 2022	22,127,396	221	62,048	104,931	(9,951)	157,249	22,127,396	221	62,048	104,931	(9,951)	157,249
Net income	—	—	—	18,069	—	18,069	—	—	—	18,069	—	18,069
Cash dividend on common stock (\$0.24 per share)	—	—	—	(5,174)	—	(5,174)	—	—	—	(5,174)	—	(5,174)
Exercise of stock options	1,511	—	4	—	—	4	1,511	—	4	—	—	4
Common stock repurchased	(975,666)	(9)	(6,697)	—	—	(6,706)	(975,666)	(9)	(6,697)	—	—	(6,706)
Restricted stock grants and forfeited, net	68,719	—	—	—	—	—	68,719	—	—	—	—	—
Stock-based compensation expense	—	—	390	—	—	390	—	—	390	—	—	390
Purchase of subsidiary shares from non-controlling interest	—	—	(234)	—	—	(234)	—	—	(234)	—	—	(234)
Other comprehensive loss, net	—	—	—	—	(8,359)	(8,359)	—	—	—	(8,359)	—	(8,359)
Balance March 31, 2023	21,221,960	\$ 212	\$ 55,511	\$ 117,826	\$ (18,310)	\$ 155,239	21,221,960	212	55,511	117,826	(18,310)	155,239
Adjustment to retained earnings, net of tax; adoption of ASU 2016- 13	—	—	—	—	—	—	—	—	—	(53)	—	(53)
Net income	—	—	—	—	—	—	—	—	3,799	—	—	3,799
Cash dividend on common stock (\$0.24 per share)	—	—	—	—	—	—	—	—	(5,073)	—	—	(5,073)
Exercise of stock options	12,799	—	—	36	—	—	12,799	—	—	—	—	36
Common stock repurchased	(109,162)	(1)	(576)	—	—	—	(109,162)	(1)	(576)	—	—	(577)
Restricted stock grants and forfeited, net	(14,554)	—	—	—	—	—	(14,554)	—	—	—	—	—
Stock-based compensation expense	—	—	—	34	—	—	—	—	34	—	—	34
Other comprehensive income, net	—	—	—	—	—	—	—	—	2,183	—	—	2,183

Balance March							
31, 2024	<u>21,111,043</u>	<u>\$ 211</u>	<u>\$ 55,005</u>	<u>\$ 116,499</u>	<u>\$ (16,127)</u>	<u>\$ 155,588</u>	

See accompanying notes to consolidated financial statements.

69 68

[Table of Contents](#)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2024, 2023 2022 AND 2021 2022

(In thousands)	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 18,069	\$ 21,820	\$ 10,472
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,693	3,521	3,212
Purchased loans amortization (accretion), net	27	(11)	274
Provision for (recapture of) loan losses	750	(4,625)	6,300
Provision (benefit) for deferred income taxes	(144)	1,010	(1,429)
Stock-based compensation expense	390	319	396
Increase (decrease) in deferred loan origination fees, net of amortization	(92)	(2,125)	2,477
Origination of loans held for sale	—	—	(913)
Proceeds from sales of loans held for sale	—	—	1,214
Net gains on loans held for sale and sales of premises and equipment	—	(993)	(14)
Income from BOLI	(821)	(800)	(813)
BOLI death benefit in excess of cash surrender value	—	(500)	—
Changes in certain other assets and liabilities:			
Prepaid expenses and other assets	(3,604)	1,336	391
Accrued interest receivable	(140)	586	(1,532)
Accrued expenses and other liabilities	(3,553)	(3,075)	4,132
Net cash provided by operating activities	<u>13,575</u>	<u>16,463</u>	<u>24,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loan repayments (originations), net	32,755	40,833	(30,379)
Purchases of loans receivable	(51,102)	(85,900)	(3,844)
Principal repayments on investment securities available for sale	14,422	37,157	43,824
Purchases of investment securities available for sale	(73,303)	(86,621)	(120,371)
Proceeds from calls of investment securities available for sale	2,010	—	4,000
Principal repayments on investment securities held to maturity	17,218	9,627	248
Purchases of investment securities held to maturity	(8,496)	(137,936)	(39,871)
Purchases of premises and equipment and capitalized software	(4,964)	(3,254)	(3,552)
Purchase of FHLB stock, net	(4,848)	(297)	(302)
Proceeds from death benefit on BOLI	—	1,305	—
Proceeds from sales of real estate owned ("REO") and premises and equipment	<u>63</u>	<u>3,427</u>	<u>—</u>
Net cash used in investing activities	<u>(76,245)</u>	<u>(221,659)</u>	<u>(150,247)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:				
Net increase (decrease) in deposits	(268,661)	187,818	355,617	
Dividends paid	(5,117)	(4,670)	(4,478)	
Proceeds from borrowings	199,779	2,000	31,000	
Repayment of borrowings	(76,025)	(2,000)	(31,000)	
Net increase in advance payments by borrowers for taxes and insurance	70	34	(182)	
Principal payments on finance lease liability	(54)	(46)	(40)	
Proceeds from exercise of stock options	4	16	50	
Repurchase of common stock	(6,706)	(1,940)	(1,447)	
Net cash (used in) provided by financing activities	(156,710)	181,212	349,520	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(219,380)	(23,984)	223,440	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	241,424	265,408	41,968	
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 22,044	\$ 241,424	\$ 265,408	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest	\$ 3,742	\$ 1,947	\$ 3,255	
Income taxes	6,239	5,410	4,738	
NONCASH INVESTING AND FINANCING ACTIVITIES:				
Dividends declared and accrued in other liabilities	\$ 1,274	\$ 1,217	\$ 1,118	
Net unrealized holding losses from available for sale investment securities	(11,000)	(12,882)	(2,972)	
Income tax effect related to other comprehensive income	2,641	3,091	713	
ROU lease assets obtained in exchange for operating lease liabilities	—	441	6,148	
(In thousands)	2024	2023	2022	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 3,799	\$ 18,069	\$ 21,820	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,761	2,693	3,521	
Purchased loans amortization (accretion), net	75	27	(11)	
Provision for (recapture of) credit losses	—	750	(4,625)	
(Benefit) provision for deferred income taxes	(165)	(144)	1,010	
Stock-based compensation expense	34	390	319	
Increase (decrease) in deferred loan origination fees, net of amortization	273	(92)	(2,125)	
Net loss on sales of investment securities available for sale	2,729	—	—	
Net gain on sales of premises and equipment	—	—	(993)	
Income from BOLI	(991)	(821)	(800)	
BOLI death benefit in excess of cash surrender value	—	—	(500)	
Changes in certain other assets and liabilities:				
Prepaid expenses and other assets	3,234	(3,604)	1,336	
Accrued interest receivable	375	(140)	586	
Accrued expenses and other liabilities	530	(3,553)	(3,075)	
Net cash provided by operating activities	12,754	13,575	16,463	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Loan (originations) repayments, net	(6,392)	32,755	40,833	
Purchases of loans receivable	(9,101)	(51,102)	(85,900)	
Principal repayments on investment securities available for sale	16,056	14,422	37,157	
Purchases of investment securities available for sale	—	(73,303)	(86,621)	
Proceeds from calls and maturities of investment securities available for sale	9,016	2,010	—	
Proceeds from sales of investment securities available for sale	43,486	—	—	
Principal repayments on investment securities held to maturity	13,916	17,218	9,627	

Purchases of investment securities held to maturity	—	(8,496)	(137,936)
Purchases of premises and equipment and capitalized software	(5,612)	(4,964)	(3,254)
Redemption of certificates of deposit held for investment	249	—	—
Redemption (purchase) of FHLB stock, net	1,940	(4,848)	(297)
Proceeds from death benefit on BOLI	—	—	1,305
Proceeds from sales of real estate owned ("REO") and premises and equipment	—	63	3,427
Net cash provided by (used in) investing activities	63,558	(76,245)	(221,659)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (decrease) increase in deposits	(33,538)	(268,661)	187,818
Dividends paid	(5,080)	(5,117)	(4,670)
Proceeds from borrowings	605,030	199,779	2,000
Repayment of borrowings	(640,480)	(76,025)	(2,000)
Net (decrease) increase in advance payments by borrowers for taxes and insurance	(44)	70	34
Principal payments on finance lease liability	(61)	(54)	(46)
Proceeds from exercise of stock options	36	4	16
Repurchase of common stock	(577)	(6,706)	(1,940)
Net cash (used in) provided by financing activities	(74,714)	(156,710)	181,212
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,598	(219,380)	(23,984)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	22,044	241,424	265,408
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 23,642	\$ 22,044	\$ 241,424
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	\$ 17,244	\$ 3,742	\$ 1,947
Income taxes	1,866	6,239	5,410
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Dividends declared and accrued in other liabilities	\$ 1,267	\$ 1,274	\$ 1,217
Net unrealized holding gains (losses) from available for sale investment securities	143	(11,000)	(12,882)
Income tax effect related to other comprehensive income (loss)	(34)	2,641	3,091
Reclassification adjustment related to loss on sale of available for sale investment securities	2,729	—	—
Income tax effect related to loss on sale of available for sale investment securities	(655)	—	—
ROU assets obtained in exchange for operating lease liabilities	—	—	441
Adjustment to retained earnings, net of deferred tax; - adoption of ASU 2016-13	(53)	—	—

See accompanying notes to consolidated financial statements.

70 69

[Table of Contents](#)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2024, 2023 2022 and 2021 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Riverview Bancorp, Inc.; its wholly-owned subsidiary, Riverview Bank (the "Bank"); the Bank's wholly-owned subsidiaries, Riverview Services, Inc. and Riverview Trust Company (the "Trust Company") (collectively referred to as the "Company"). As a Washington state-chartered commercial bank, the Bank's regulators are the Washington State Department of Financial Institutions ("WDFI") and the Federal Deposit Insurance Corporation ("FDIC"). The Board of Governors of the Federal Reserve System ("Federal Reserve") is the primary federal regulator for Riverview Bancorp, Inc. All inter-company transactions and balances have been eliminated in consolidation.

For the period from April 1, 2017 through December 2019, the Trust Company was a wholly-owned subsidiary of the Bank. In December 2019, the Trust Company issued 1,500 shares of Trust Company stock in conjunction with the exercise of 1,500 Trust Company stock options by the Trust Company's President and Chief Executive Officer. In both October 2020 and May 2021, the Trust Company issued an additional 500 shares of Trust Company stock upon the exercise of options for 500 shares of Trust Company common stock by the Trust Company's President and Chief Executive Officer. In August 2022, the Trust Company repurchased all the outstanding shares held by its noncontrolling interest owner. Upon repurchase, these shares were retired. This transaction resulted in the Bank's ownership increasing from 97.3% to 100%. The book value of the noncontrolling interest was \$234,000 prior to the share repurchase. These amounts were insignificant and are not presented separately in the accompanying consolidated financial statements.

The Company has three subsidiary grantor trusts which were established in connection with the issuance of trust preferred securities (see Note 10 9). In accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP"), the accounts and transactions of the trusts are not included in the accompanying consolidated financial statements.

Nature of Operations – The Bank is a community-oriented financial institution which operates 17 branches in rural and suburban communities in southwest Washington State and Multnomah, Washington 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 make various commercial business, commercial real estate, land, multi-family real estate, real estate construction and consumer loans. Additionally, the Trust Company offers trust and investment services and Riverview Services, Inc. acts as a trustee for deeds of trust on mortgage loans granted by the Bank and receives a reconveyance fee for each deed of trust.

Business segments – The Company's operations are managed along two operating segments, consisting of banking operations performed by the Bank and trust and investment services performed by the Trust Company. While the chief operating decision maker uses financial information related to these segments to analyze business performance and allocate resources, the trust and investment services segment does not meet the quantitative threshold under GAAP to be considered a reportable segment. As such, these operating segments are aggregated into a single reportable operating segment in the consolidated financial statements. No revenues are derived from foreign countries.

Use of Estimates in the Preparation of Consolidated Financial Statements – The preparation of consolidated financial statements in conformity with 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 consolidated 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~~ credit losses ("ACL"), the valuation of investment securities, and the valuation of goodwill for potential impairment.

Cash and Cash Equivalents – Cash and cash equivalents include amounts on hand, due from banks and interest-earning deposits in other banks. Cash and cash equivalents have a maturity of 90 days or less at the time of purchase.

Certificates of Deposit Held for Investment – Certificates of deposit held for investment include amounts invested with financial institutions at a stated interest rate and maturity date. Early withdrawal penalties apply; however, the Company plans to hold these investments to maturity.

[Table of Contents](#)

Investment Securities – Investments in debt securities are classified as held to maturity when the Company has the ability and positive intent to hold such securities to maturity. Investments in debt securities held to maturity are carried at amortized cost. **Unrealized losses on investments in debt securities held to maturity due to fluctuations in fair value are recognized when it is determined that a credit-related other than temporary decline in value has occurred.** Investments in debt securities bought and held principally for the purpose of sale in the near-term are classified as trading securities. Investments in debt securities that the Company intends to hold for an indefinite period, but not necessarily to maturity, are classified as available for sale. Such debt securities may be sold to implement the Company's asset/liability management strategies and in response to changes in interest rates and similar factors. Investments in debt securities available for sale are reported at estimated fair value. Unrealized gains and losses on investment securities available for sale, net of the related deferred tax effect, are included in total comprehensive income and are reported as a net amount in a separate component of shareholders' equity entitled "accumulated other comprehensive income (loss)." Realized gains and losses on sales of investments in debt securities available for sale, determined using the specific identification method, are included in earnings on the trade date. Amortization of premiums and accretion of discounts are recognized in interest income over the period to contractual maturity or expected call, if sooner. The Company's investment portfolio consists of debt securities and does not include any equity securities.

The Company analyzes investments in debt securities to determine whether there have been any events or economic circumstances to indicate that a security has incurred a credit-related loss. The Company considers many factors including recent events specific to the issuer or industry, and for other than temporary impairment ("OTTI") on a quarterly basis. OTTI is separated into a debt securities, external credit component ratings and a noncredit component recent downgrades. Credit component losses are reported in non-interest income when the present value of expected future cash flows is less than the amortized cost. Noncredit component losses are recorded in other comprehensive income (loss) when the Company (1) does not intend to sell the security or (2) is not more likely than not to have to sell the security prior to the security's anticipated recovery. If the Company is likely to sell an investment in a debt security, any noncredit component losses are recognized and are reported in non-interest income.

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

Loans are reviewed regularly and it is the Company's general policy that a loan is past due when it is 30 days to 89 days delinquent. In general, when a loan is 90 days or more delinquent or when collection of principal or interest appears doubtful, it is placed on non-accrual status, at which time the accrual of interest ceases and a reserve for unrecoverable accrued interest is established and charged against operations. As a general practice, payments received on non-accrual loans are applied to reduce the outstanding principal balance on a cost recovery method. Also, as a general practice, a loan is not removed from non-accrual status until all delinquent principal, interest and late fees have been brought current and the borrower has demonstrated a history of performance based upon the contractual terms of the note. A history of repayment performance generally would be a minimum of six months.

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.

Acquired Loans – Purchased loans, including loans acquired in business combinations, are recorded at their estimated fair value at the acquisition date. Credit discounts are included in the determination of fair value; therefore, an allowance for loan losses **ACL** is not recorded at the acquisition date. Acquired loans are evaluated upon acquisition and classified as either purchased credit-impaired ("PCI") or purchased non-credit-impaired. PCI loans reflect credit deterioration since origination such that it is probable at acquisition that the Company will be unable to collect all contractually required payments. The excess of the cash flows expected to be collected over a PCI loan's carrying value is considered to be the accretable yield and is recognized as interest income over the estimated life of the PCI loan using the effective yield method. The excess of the undiscounted contractual balances due over the cash flows expected to be collected is considered to be the nonaccretable difference. The nonaccretable difference represents the Company's estimate of the credit losses expected to occur and would be considered in determining the estimated fair value of the loans as of the acquisition date. Subsequent to the acquisition date, any increases in expected cash flows over those expected at the purchase date in excess of fair value are adjusted through a change to the accretable yield on a prospective basis. Any subsequent decreases in expected cash flows attributable to credit deterioration are recognized by recording an allowance for loan losses, **ACL**. The Company had no PCI loans as of **March 31, 2023** **March 31, 2024** and **2022** **2023**.

[Table of Contents](#)

For purchased non-credit-impaired loans, the difference between the fair value and unpaid principal balance of the loan at the acquisition date is amortized or accreted to interest income over the lives of the related loans. Any subsequent deterioration in credit quality is recognized by recording an **ACL**.

71

[Table of Contents](#)

ACL on Available for Sale Debt Securities - Each reporting period, the Company assesses each available for sale debt security that is in an unrealized loss position to determine whether the decline in fair value below the amortized cost basis results from a credit loss or other factors. The Company did not record an ACL on available for sale debt securities at March 31, 2024 or upon adoption of ASU 2016-13 on April 1, 2023. As of both dates, the Company considered the unrealized losses across the classes of major security-type to be related to fluctuations in market conditions, primarily interest rates, and not reflective of a deterioration in credit value.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovering its cost basis, the entire impairment loss would be recognized in earnings. If the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, Management considers the extent to which fair value is less than amortized costs, any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. Projected cash flows are discounted by the current effective interest rate. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for **loan losses**. credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. The remaining impairment related to all other factors, the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to accumulated other comprehensive income (loss) ("AOCL").

Allowance ACL on Held to Maturity Debt Securities - The Company separately evaluates its held to maturity debt securities for **Loan Losses** any credit losses based on probability of default and loss given default utilizing historical industry data based on investment category. The probability of default and loss given default are incorporated into the present value of expected cash flows and compared against amortized cost. The Company did not record an ACL on held to maturity debt securities at March 31, 2024 or upon adoption of ASU 2016-13 on April 1, 2023 as the impact was insignificant.

ACL on Loans - The **allowance** Company adopted the new accounting standard for **loan** the **ACL** (ASU 2016-13), commonly referred to as the current expected credit losses or CECL methodology, as of April 1, 2023. All disclosures as of and for the year ended March 31, 2024 are presented in accordance with ASU 2016-13. The comparative financial periods prior to the adoption of this new accounting standard are presented and disclosed under previously applicable GAAP's incurred loss methodology, which is **maintained at** not directly comparable to the recently adopted CECL methodology. For further information regarding the **ACL**, see Note 4 to the Consolidated Financial Statements. As a **level sufficient result of** implementing ASU 2016-13, there was a one-time adjustment to **provide** the fiscal year 2024 opening **ACL** balance of \$42,000. The Company elected not to measure an **ACL** for **estimated loan losses** based accrued interest receivable on **evaluating known loans** and **inherent risks** instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the **loan portfolio**. The **allowance** is provided based upon management's ongoing quarterly assessment **timely reversal** 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 a detailed analysis of individual loans for which full collectability 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. **uncollectible interest**.

The **specific** **ACL** for loans is an estimate of the expected credit losses on financial assets measured at amortized cost. The **ACL** for loans is evaluated based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the

collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period that historical experience was based for each loan type. Finally, the Company consider forecasts about future economic conditions or changes in collateral values that are reasonable and supportable. The Company estimates the expected credit losses over the loans' contractual terms, adjusted for expected prepayments. The ACL for loans is calculated for loan segments utilizing loan level information and relevant information from internal and external sources related to past events and current conditions.

The methodology for estimating the amount of expected credit losses has two basic components: a general component **relates to** for estimated expected credit losses for pools of loans that **are considered impaired**, share similar risk characteristics and an individual component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans. The Company's ACL model methodology is to build a reserve rate using historical life of loan default rates combined with assessments of current loan portfolio information and current and forecasted economic environment and business cycle information. The model uses statistical analysis to determine the life of loan default rates for the quantitative component and analyzes qualitative factors (Q-Factors) that assess the current loan portfolio conditions and forecasted economic environment and collateral values. For loans that are **classified as impaired**, individually evaluated, an allowance is established

[Table of Contents](#)

when the discounted cash flows or collateral value (less estimated selling costs, if applicable) of the impaired loan is lower than the carrying value of that loan.

The general component covers non-impaired loans based on the Company's risk rating system and historical loss experience adjusted for qualitative factors. The Company calculates its historical loss rates using the average of the last four quarterly 24-month periods. The Company calculates and applies its historical loss rates by individual loan types in its loan portfolio. These historical loss rates are adjusted for qualitative and environmental factors.

An unallocated component is maintained to cover uncertainties that the Company believes have resulted in incurred losses that have not yet been allocated to specific elements of the general and specific components of the allowance for loan losses. Such factors include uncertainties in economic conditions, uncertainties in identifying triggering events that directly correlate to subsequent loss rates, changes in appraised value of underlying collateral, risk factors that have not yet manifested themselves in loss allocation factors and historical loss experience data that may not precisely correspond to the current loan portfolio or economic conditions. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the loan portfolio. The appropriate allowance level is estimated based upon factors and trends identified by the Company as of the date of the filing of the consolidated financial statements.

When available information confirms that specific loans or portions thereof are uncollectible, identified amounts are charged against the **allowance for loan losses**, **ACL**. 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 Company has no recourse to the borrower, or if it does, the borrower has insufficient assets to pay the debt; and/or 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.

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

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

[Table of Contents](#)

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

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.

Management's evaluation of the allowance ACL for loan losses loans is based on ongoing, quarterly assessments of the known and inherent risks in the loan portfolio. Loss factors are based on the Company's historical loss experience with additional consideration and adjustments made for changes in economic conditions, changes in the amount and composition of the loan portfolio, delinquency rates, changes in collateral values, seasoning of the loan portfolio, duration of the current business cycle, a detailed analysis of impaired loans and other factors as deemed appropriate. These factors are evaluated on a quarterly basis. Loss rates used by the Company are affected as changes in these factors increase or decrease from quarter to quarter. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance ACL for loan losses loans and may require the Company to make additions to the allowance ACL for loans based on their judgment about information available to them at the time of their examinations.

Allowance ACL 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 expected 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 Changes in the allowance for credit losses – unfunded loan commitments are recognized as provision for (or recapture of) credit loss expense and added to the allowance for credit losses – unfunded loan commitments, which is included in accrued expenses and other liabilities in the consolidated balance sheets, with changes to the balance charged against non-interest expense, sheets.

REO – REO consists of properties acquired through foreclosure and is initially recorded at the estimated fair value of the properties, less estimated costs of disposal. At the time of foreclosure, specific charge-offs are taken against the allowance for loan losses ACL based upon a detailed analysis of the fair value of collateral on the underlying loans on which the Company is in the process of foreclosing. Subsequently, the Company performs an evaluation of the properties and records a valuation allowance with an offsetting charge to REO expenses for any declines in value. Management considers third-party appraisals, as well as independent fair market value assessments from realtors or persons involved in selling real estate, in determining the estimated fair value of particular properties. In addition, as certain of these third-party appraisals and independent fair market value assessments are only updated periodically, changes in the values of specific properties may have occurred subsequent to the most recent appraisals. The amounts the Company will ultimately recover and record in the accompanying consolidated financial statements from the disposition of 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. Costs relating to development and improvement of the properties or assets are capitalized, while costs relating to holding the properties or assets are expensed. The Company held no

REO at **March 31, 2023** **March 31, 2024** and **2022**, **2023**. At **March 31, 2023** **March 31, 2024**, there were no mortgage loans secured by residential real estate for which formal foreclosure proceedings were in process.

[Table of Contents](#)

Federal Home Loan Bank Stock – The Bank, as a member of the Federal Home Loan Bank of Des Moines ("FHLB"), is required to maintain a minimum investment in capital stock of the FHLB based on specific percentages of its outstanding FHLB advances. The Company's investment in FHLB stock is carried at cost, which approximates fair value. The Company views its investment in FHLB stock as a long-term investment. Accordingly, when evaluating FHLB stock for impairment, the value is determined based on the ultimate redemption of the par value rather than recognizing temporary declines in value. The determination of whether a decline affects the ultimate redemption value is influenced by criteria such as: (1) the significance of any decline in net assets of the FHLB as compared to the capital stock amount of the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, (3) the impact of legislative and regulatory changes on institutions and, accordingly, the customer base of the FHLB, and (4) the liquidity position of the FHLB. The Company **evaluated its investment in FHLB stock for OTTI, consistent with its accounting policy. Based on the Company's evaluation, the Company has determined there is not any OTTI no impairment on its the FHLB stock investment at March 31, 2023. March 31, 2024 and 2023.**

[Table of Contents](#)

Premises and Equipment – Premises and equipment are stated at cost less accumulated depreciation and amortization. Leasehold improvements are amortized over the estimated term of the related lease or the estimated useful life of the improvements, whichever is less. Depreciation and amortization are generally computed on the straight-line method over the following estimated useful lives: buildings and improvements – up to 45 years; furniture and equipment – 3 to 20 years; and leasehold improvements – 15 to 25 years, or estimated lease term if shorter. Gains or losses on dispositions are reflected in earnings. The cost of maintenance and repairs is charged to expense as incurred. 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 assets held under the finance lease are amortized on a straight-line basis over the lease term and the amortization is included in depreciation and amortization expense.

Mortgage Servicing Rights ("MSRs") – The Company services certain loans that it has originated and sold to the Federal Home Loan Mortgage Corporation ("FHLMC"). Loan servicing includes collecting payments; remitting funds to investors, insurance companies and tax authorities; collecting delinquent payments; and foreclosing on properties when necessary. Fees earned for servicing loans for the FHLMC are reported as income when the related mortgage loan payments are collected. Loan servicing costs are charged to expense as incurred. In addition, the Company has recorded MSRs, which represent the rights to service loans.

The Company records its originated MSRs at fair value in accordance with GAAP, which requires the Company to allocate the total cost of all mortgage loans sold between loans sold with MSRs retained and loans with MSRs released, based on their relative fair values if it is practicable to estimate those fair values. The Company stratifies its MSRs based on the predominant characteristics of the underlying financial assets including the coupon interest rate and the contractual maturity of the mortgage. The Company is amortizing the MSRs in proportion to and over the period of estimated net servicing income. MSRs were fully amortized at **March 31, 2023** **compared to an insignificant balance at March 31, 2022.**

Business Combinations, CDI and Goodwill – GAAP requires the total purchase price in a business combination to be allocated to the estimated fair values of assets acquired and liabilities assumed, including certain intangible assets. Subsequent adjustments to the initial allocation of the purchase price may be made related to fair value estimates for which all relevant information has not been obtained, known, or discovered relating

to the acquired entity during the allocation period (which is the period of time required to identify and measure the estimated fair values of the assets acquired and liabilities assumed in a business combination). The allocation period is generally limited to one year following consummation of a business combination.

CDI represents the value assigned to demand, interest checking, money market and savings accounts acquired as part of a business combination. CDI represents the future economic benefit of the potential cost savings from acquiring core deposits as part of a business combination compared to the cost of alternative funding sources. CDI is amortized to non-interest expense using an accelerated method based on an estimated runoff of related deposits over a period of ten years. CDI is evaluated for impairment and recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, with any changes in estimated useful life accounted for prospectively over the revised remaining life. At both **March 31, 2023** **March 31, 2024** and **2022, 2023**, gross CDI was \$1.4 million. At **March 31, 2023** **March 31, 2024** and **2022, 2023**, accumulated amortization was **\$984,000** **\$1.1 million** and **\$868,000**, **\$984,000**, respectively. The amortization expense for CDI in future years is estimated to be **\$108,000**, **\$100,000**, **\$93,000**, and **\$78,000**, for the years ending **March 31, 2024** **March 31, 2025**, **2025**, 2026, and 2027, respectively.

75

[Table of Contents](#)

Goodwill and certain other intangibles generally arise from business combinations. Goodwill and other intangibles generated from business combinations that are deemed to have indefinite lives are not subject to amortization and are instead tested for impairment not less than annually. 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 (see Note **7** **6**).

BOLI – BOLI policies are recorded at their cash surrender value less applicable surrender charges. Income from BOLI is recognized when earned.

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

74

[Table of Contents](#)

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.

Transfers of financial assets – Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Trust Assets – Assets held by the Trust Company 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 **\$890.6 million** **\$961.8 million** were held in trust as of **March 31, 2023** **March 31, 2024** compared to **\$1.3 billion** **\$890.6 million** as of **March 31, 2022** **March 31, 2023**.

Earnings Per Share – GAAP 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. The Company's basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, without consideration of any dilutive items. Nonvested shares of restricted stock are included in the computation of basic earnings per share because the holder has voting rights and shares in non-forfeitable dividends during the vesting period. The Company's 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.

Stock-Based Compensation – The Company measures compensation cost for all stock-based awards based on the grant-date fair value of the awards and recognizes compensation cost over the service period of stock-based awards. The fair value of stock options is determined using the Black-Scholes valuation model. The fair value of restricted stock is determined based on the grant date fair value of the Company's common stock.

Accounting Pronouncements Recently Issued or Adopted –

In June 2016, Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* as amended by ASU 2018-19, ASU 2019-04 and ASU 2019-05, was originally issued by the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments" ("in June 2016, This ASU 2016-13" as amended by ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10 and ASU 2019-11. ASU 2016-13 replaces the existing incurred losses loss methodology for estimating allowances that delays recognition until it is probable a loss has been incurred with an expected loss methodology that is referred to as the CECL methodology. The amendments in this ASU require a current expected credit losses ("CECL") methodology with respect to most financial assets asset that is measured at amortized cost to be presented at the net amount expected to be collected. The income statement would then reflect the measurement of credit losses for newly recognized financial assets as well as changes to the expected credit losses that have taken place during the reporting period. The measurement of expected credit losses will be based on historical information, current conditions, and certain other instruments, including trade reasonable and other receivables, loans, supportable forecasts that impact the collectability of the reported amount. Available-for-sale securities will bifurcate the fair value mark and establish an ACL for available-for-sale securities through the income statement for the credit portion of that mark. The adoption of CECL had an insignificant impact on the Company's held to maturity investment securities and off-balance sheet commitments. In addition, ASU 2016-13 requires credit losses relating to available for sale debt securities portfolios. The interest portion will continue to be recorded recognized through an allowance accumulated other comprehensive income or loss. The change in the ACL recognized as a result of adoption will occur through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the ASU is adopted. This ASU is effective for smaller reporting companies, such as the Company, for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. ASU 2019-05 issued in April 2019 further provides that entities that have certain financial instruments measured at amortized cost that has credit losses, rather than to irrevocably elect the fair value option in Subtopic 825-10, upon adoption of ASU 2016-13. The fair value option applies to available-for-sale debt securities. This ASU is effective upon adoption of ASU 2016-13, and should be applied on a modified-retrospective basis as a reduction cumulative-effect adjustment to the opening balance of carrying amount. ASU 2016-13 also changes retained earnings in the accounting for purchased credit impaired debt securities and loans. ASU 2016-13 retains many statement of financial condition as of the current disclosure requirements in GAAP and expands certain adoption date. On April 1, 2023, the Company adopted

76 75

[Table of Contents](#)

disclosure requirements. As a "smaller reporting company" filer with the U.S. Securities and Exchange Commission, ASU 2016-13, is effective which resulted in a net of tax charge of \$53,000 to retained earnings, a \$42,000 increase to ACL for loans, and a \$28,000 increase to ACL on unfunded commitments for the Company beginning April 1, 2023. Upon adoption, the Company expects a change in the processes and procedures to calculate the allowance for loan losses, including changes in assumptions and estimates to consider expected credit losses over the life cumulative effect of the loan versus the current accounting practice that utilizes the incurred loss model. In addition, the current accounting policy and procedures for OTTI of investment securities available for sale will be replaced with an allowance approach. The Company is implementing processes and procedures to ensure it is fully compliant with the amendments at the adoption date. At adopting this time, management does not expect the allowance for loan losses to materially change as a result of the implementation of ASU 2016-13 and expects to finalize the calculation in the first quarter of the fiscal year ending March 31, 2024, guidance.

In March 2022, the FASB issued ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326); Troubled Debt Restructurings and Vintage Disclosures" ("Disclosures. This ASU 2022-02"). ASU 2022-02 eliminates the accounting guidance for TDRs in Accounting Standards Codification ("ASC") 310-40, "Receivables - Troubled Debt Restructurings by Creditors" creditors while enhancing disclosure requirements for entities that have adopted certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, the CECL model introduced by ASU 2016-13. ASU 2022-02 also requires that public business entities to disclose current-period gross charge-offs write offs by year of origination for financing financial receivables and net investments in leases within the scope of ASC 326-20, "Financial Instruments—Credit Losses—Measured at Amortized Cost", leases. This ASU is effective upon adoption of ASU 2016-13. The adoption of On April 1, 2023, the Company adopted this ASU 2022-02 is not expected to have a material impact on the Company's future consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following same time ASU 2016-13 was adopted. The Company had no loans modified to borrowers experiencing financial difficulty during the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2022. Early application of ASU 2017-04 is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of ASU 2017-04 is not expected to have a material impact on the Company's future consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 applies to contracts, hedging relationships and other transactions that reference the London Interbank Offer Rate ("LIBOR") or other rate references expected to be discontinued because of reference rate reform. ASU 2020-04 permits an entity to make necessary modifications to eligible contracts or transactions without requiring contract remeasurement or reassessment of a previous accounting determination. The Company's current interest rates on its junior subordinated debentures are based upon the three-month LIBOR plus a spread.

In January 2021, ASU 2021-01 updated amendments in ASU 2020-04 to clarify that certain optional expedites and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2021-01 also amends the expedites and exceptions in Topic 848 to capture the incremental consequences of the scope clarification. The amendments in ASU 2021-01 have differing effective dates, beginning with interim periods including and subsequent to March 12, 2020 through December 31, 2022.

In December 2022, ASU 2022-06 extended the period of time financial statement preparers can utilize the reference rate reform relief guidance. In March 2021, the Financial Conduct Authority announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of U.S. Dollar LIBOR would be June 30, 2023, which is beyond the current sunset date of ASU 2021-01. The amendments in ASU 2022-06 defer the sunset date of ASU 2021-01 from December 31, 2022 to December 31, 2024 year ended March 31, 2024. The Company has not adopted ASU 2020-04 as of March 31, 2023. The adoption of ASU 2020-04, as amended, is not expected to have a material impact on had \$13,000 in write offs and \$26,000 in recoveries from other installment loans for the Company's future consolidated financial statements, year ended March 31, 2024.

Reclassifications – Certain prior period amounts have been reclassified to conform to the current period presentation; such reclassifications had no effect on previously reported net income or total shareholders' equity.

Regulations of the Federal Reserve require that the Bank maintain minimum reserve balances either on hand or on deposit with the Federal Reserve Bank of San Francisco ("FRB") based on a percentage of deposits. Effective March 26, 2020, the reserve requirement was reduced to zero and the Bank was not required to maintain any such reserve balances as of **March 31, 2023** **March 31, 2024** and **2022**, **2023**, respectively.

3. INVESTMENT SECURITIES

The amortized cost and approximate fair value of investment securities consisted of the following at the dates indicated (in thousands):

	Gross		Gross		Estimated		Gross		Gross		Estimated	
	Amortized	Unrealized	Unrealized	Fair	Amortized	Unrealized	Unrealized	Fair	Cost	Gains	Losses	Value
Cost	Gains	Losses	Value	Cost	Gains	Losses	Value	Cost	Gains	Losses	Value	
March 31, 2023												
March 31, 2024												
Available for sale:												
Municipal securities	\$ 47,857	\$ 16	\$ (7,612)	\$ 40,261	\$ 41,657	\$ 20	\$ (6,541)	\$ 35,136				
Agency securities	91,858	23	(5,974)	85,907	47,818	—	(4,241)	43,577				
Real estate mortgage investment conduits (1)	34,247	—	(5,370)	28,877	31,424	—	(5,759)	25,665				
Residential mortgage-backed securities (1)	16,512	—	(1,041)	15,471	13,519	3	(971)	12,551				
Other mortgage-backed securities (2)	45,117	4	(4,138)	40,983	29,998	3	(3,734)	26,267				
Total available for sale	\$ 235,591	\$ 43	\$ (24,135)	\$ 211,499	\$ 164,416	\$ 26	\$ (21,246)	\$ 143,196				
Held to maturity:												
Municipal securities	\$ 10,344	\$ —	\$ (2,859)	\$ 7,485	\$ 10,321	\$ —	\$ (2,789)	\$ 7,532				
Agency securities	53,941	—	(5,991)	48,850	54,123	—	(4,522)	49,601				
Real estate mortgage investment conduits (1)	35,186	—	(4,769)	30,417	31,752	—	(5,171)	26,581				
Residential mortgage-backed securities (1)	123,773	—	(17,542)	106,231	112,834	—	(18,196)	94,638				
Other mortgage-backed securities (3)	20,599	—	(3,368)	17,231	20,480	—	(3,313)	17,167				
Total held to maturity	\$ 243,843	\$ —	\$ (33,629)	\$ 210,214	\$ 229,510	\$ —	\$ (33,991)	\$ 195,519				

	Gross		Gross		Estimated			
	Amortized	Unrealized	Unrealized	Fair	Cost	Gains	Losses	Fair Value
Cost	Gains	Losses	Value	Cost	Gains	Losses	Value	
March 31, 2022								
Available for sale:								
Municipal securities	\$ 44,104	\$ 14	\$ (4,514)	\$ 39,604				
Agency securities	43,848	1	(3,144)	40,705				
Real estate mortgage investment conduits (1)	35,563	1	(2,847)	32,717				
Residential mortgage-backed securities (1)	17,368	13	(436)	16,945				
Other mortgage-backed securities (2)	37,991	28	(2,208)	35,811				
Total available for sale	\$ 178,874	\$ 57	\$ (13,149)	\$ 165,782				
Held to maturity:								
Municipal securities	\$ 10,368	\$ —	\$ (1,422)	\$ 8,946				
Agency securities	45,277	—	(2,450)	42,827				
Real estate mortgage investment conduits (1)	39,394	—	(2,457)	36,937				
Residential mortgage-backed securities (1)	137,343	—	(8,883)	128,460				
Other mortgage-backed securities (3)	20,718	—	(1,859)	18,859				
Total held to maturity	\$ 253,100	\$ —	\$ (17,071)	\$ 236,029				

[Table of Contents](#)

	Gross		Gross		Estimated Fair Value	
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value		
March 31, 2023						
Available for sale:						
Municipal securities	\$ 47,857	\$ 16	\$ (7,612)	\$ 40,261		
Agency securities	91,858	23	(5,974)	85,907		
Real estate mortgage investment conduits (1)	34,247	—	(5,370)	28,877		
Residential mortgage-backed securities (1)	16,512	—	(1,041)	15,471		
Other mortgage-backed securities (2)	45,117	4	(4,138)	40,983		
Total available for sale	<u>\$235,591</u>	<u>\$ 43</u>	<u>\$ (24,135)</u>	<u>\$ 211,499</u>		
Held to maturity:						
Municipal securities	\$ 10,344	\$ —	\$ (2,859)	\$ 7,485		
Agency securities	53,941	—	(5,091)	48,850		
Real estate mortgage investment conduits (1)	35,186	—	(4,769)	30,417		
Residential mortgage-backed securities (1)	123,773	—	(17,542)	106,231		
Other mortgage-backed securities (3)	20,599	—	(3,368)	17,231		
Total held to maturity	<u>\$243,843</u>	<u>\$ —</u>	<u>\$ (33,629)</u>	<u>\$ 210,214</u>		

(1) Comprised of FHLMC, Federal National Mortgage Association ("FNMA") and Ginnie Mae ("GNMA") issued securities.

(2) Comprised of U.S. Small Business Administration ("SBA") issued securities and commercial real estate ("CRE") secured securities issued by FNMA and FHLMC.

(3) Comprised of FHLMC and FNMA issued securities.

[Table of Contents](#)

During the third fiscal quarter of 2022, the Company reassessed the classification of certain investment securities and transferred \$85.8 million of U.S. government and agency securities from the available for sale classification to the held to maturity classification. The net unrealized after tax gain of \$18,000 was deemed insignificant and the book balance of investment securities were transferred. No gains or losses were recognized in connection with the transfer.

The contractual maturities of investment securities as of **March 31, 2023** **March 31, 2024** are as follows (in thousands):

	Available for Sale		Held to Maturity		Available for Sale		Held to Maturity	
	Estimated		Estimated		Estimated		Estimated	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 12,442	\$ 12,261	\$ 4	\$ 4	\$ 19,359	\$ 19,192	\$ 11,900	\$ 11,658
Due after one year through five years	82,028	78,204	42,211	39,339	39,990	35,484	39,448	36,158
Due after five years through ten years	54,035	47,214	29,695	24,965	36,950	32,038	20,280	16,815
Due after ten years	87,086	73,820	171,933	145,906	68,117	56,482	157,882	130,888

Total	\$ 235,591	\$ 211,499	\$ 243,843	\$ 210,214	\$ 164,416	\$ 143,196	\$ 229,510	\$ 195,519
-------	------------	------------	------------	------------	------------	------------	------------	------------

Expected maturities of investment securities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

7977

[Table of Contents](#)

The fair value of temporarily impaired investment securities, the amount of unrealized losses and the length of time these unrealized losses existed are as follows at the dates indicated (in thousands):

March 31, 2024	Less than 12 months			12 months or longer			Total			Less than 12 months			12 months or longer			Total		
	Estimated		Estimated	Estimated		Estimated	Estimated		Estimated	Fair		Unrealized	Estimated		Estimated	Fair		Unrealized
										Value	Losses					Value	Losses	
Available for sale:																		
Municipal securities										\$ —	\$ —	\$ 32,748	\$ (6,541)	\$ 32,748	\$ (6,541)			
Agency securities										—	—	43,577	(4,241)	43,577	(4,241)			
Real estate mortgage investment conduits (1)										—	—	25,665	(5,759)	25,665	(5,759)			
Residential mortgage-backed securities										—	—	12,073	(971)	12,073	(971)			
(1)										—	—	12,073	(971)	12,073	(971)			
Other mortgage-backed securities										534	(1)	25,403	(3,733)	25,937	(3,734)			
(2)										534	(1)	25,403	(3,733)	25,937	(3,734)			
Total available for sale										\$ 534	\$ (1)	\$ 139,466	\$ (21,245)	\$ 140,000	\$ (21,246)			
Held to maturity:																		
Municipal securities										\$ —	\$ —	\$ 7,532	\$ (2,789)	\$ 7,532	\$ (2,789)			
Agency securities										—	—	49,601	(4,522)	49,601	(4,522)			

Real estate mortgage investment conduits (1)	—	—	26,581	(5,171)	26,581	(5,171)
Residential mortgage-backed securities (1)	—	—	94,638	(18,196)	94,638	(18,196)
Other mortgage-backed securities (3)	—	—	17,167	(3,313)	17,167	(3,313)
Total held to maturity	\$ —	\$ —	\$ 195,519	\$ (33,991)	\$ 195,519	\$ (33,991)
March 31, 2023	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale:						
Municipal securities	\$ 6,277	\$ (133)	\$ 32,797	\$ (7,479)	\$ 39,074	\$ (7,612)
Agency securities	43,451	(747)	36,646	(5,227)	80,097	(5,974)
Real estate mortgage investment conduits (1)	2,693	(97)	26,184	(5,273)	28,877	(5,370)
Residential mortgage-backed securities (1)	3,449	(147)	12,022	(894)	15,471	(1,041)
Other mortgage-backed securities (2)	13,876	(376)	26,619	(3,762)	40,495	(4,138)
Total available for sale	\$ 69,746	\$ (1,500)	\$ 134,268	\$ (22,635)	\$ 204,014	\$ (24,135)
Held to maturity:						
Municipal securities	\$ —	\$ —	\$ 7,485	\$ (2,859)	\$ 7,485	\$ (2,859)
Agency securities	8,413	(240)	40,437	(4,851)	48,850	(5,091)

Real estate mortgage investment conduits (1)	2,580	(191)	27,837	(4,578)	30,417	(4,769)	2,580	(191)	27,837	(4,578)	30,417	(4,769)
Residential mortgage-backed securities (1)	2	—	106,229	(17,542)	106,231	(17,542)	2	—	106,229	(17,542)	106,231	(17,542)
Other mortgage-backed securities (3)	—	—	17,231	(3,368)	17,231	(3,368)	—	—	17,231	(3,368)	17,231	(3,368)
Total held to maturity	\$ 10,995	\$ (431)	\$ 199,219	\$ (33,198)	\$ 210,214	\$ (33,629)	\$ 10,995	\$ (431)	\$ 199,219	\$ (33,198)	\$ 210,214	\$ (33,629)
March 31, 2022												
Available for sale:												
Municipal securities	\$ 32,767	\$ (4,293)	\$ 3,282	\$ (221)	\$ 36,049	\$ (4,514)						
Agency securities	22,288	(1,565)	16,414	(1,579)	38,702	(3,144)						
Real estate mortgage investment conduits (1)	17,334	(1,310)	15,275	(1,537)	32,609	(2,847)						
Residential mortgage-backed securities												
(1)	15,702	(436)	—	—	15,702	(436)						
Other mortgage-backed securities												
(2)	<u>32,408</u>	<u>(2,194)</u>	<u>769</u>	<u>(14)</u>	<u>33,177</u>	<u>(2,208)</u>						
Total available for sale	\$ 120,499	\$ (9,798)	\$ 35,740	\$ (3,351)	\$ 156,239	\$ (13,149)						
Held to maturity:												
Municipal securities	\$ 5,911	\$ (816)	\$ 3,036	\$ (606)	\$ 8,947	\$ (1,422)						
Agency securities	35,930	(1,708)	6,897	(742)	42,827	(2,450)						

Real estate mortgage investment conduits (1)	26,233	(1,715)	7,735	(742)	33,968	(2,457)
Residential mortgage-backed securities						
(1)	111,096	(7,160)	17,363	(1,723)	128,459	(8,883)
Other mortgage-backed securities						
(3)	13,472	(1,153)	5,386	(706)	18,858	(1,859)
Total held to maturity	<u>\$ 192,642</u>	<u>\$ (12,552)</u>	<u>\$ 40,417</u>	<u>\$ (4,519)</u>	<u>\$ 233,059</u>	<u>\$ (17,071)</u>

(1) Comprised of FHLMC, FNMA and GNMA issued securities.

(2) Comprised of SBA and CRE secured securities issued by FHLMC and FNMA.

(3) Comprised of CRE secured securities issued by FHLMC and FNMA.

The Company does not believe that the unrealized losses on the Company's investment securities at March 31, 2024 and 2023, were primarily attributable related to increases in market interest rates subsequent to their purchase by the Company. credit quality. The Company expects the fair value of these securities to recover as the securities approach their maturity dates or sooner if market yields for such securities decline. The Company does not believe that declines in fair market values of these securities are other than temporarily impaired because of their were mainly attributable to changes in market interest rates, credit quality or related to any issuer or industry specific event spreads, market volatility and liquidity conditions. As such, the Company determined that no ACL was required. Based on management's evaluation and intent, the unrealized losses related to the investment securities in the above tables are considered temporary.

8078

Table of Contents

The Company received proceeds from the sales of available for sale investment securities totaling \$43.5 million for the year ended March 31, 2024. Gross realized losses on sales of available for sale investment securities totaled \$2.7 million for the year ended March 31, 2024 and are included in other non-interest income in the accompanying consolidated statements of income. The Company had no sales and realized no gains or losses on sales of investment securities for the years ended March 31, 2023, 2022 and 2021.

Investment securities available for sale with an amortized cost of \$3.2 million \$2.6 million and \$1.3 million \$3.2 million and a fair value of \$2.4 million and \$2.9 million at March 31, 2024 and \$1.2 million at March 31, 2023 and 2022, 2023, respectively, were pledged as collateral for government public funds held by the Bank. Investment securities held to maturity with an amortized cost of \$12.3 million \$11.2 million and \$13.7 million \$12.3 million and a fair value of \$9.3 million and \$10.4 million at March 31, 2024 and \$12.6 million at March 31, 2023 and 2022, 2023, respectively, were pledged as collateral for government public funds held by the Bank. Investment securities held to maturity with an amortized cost of \$151.2 million and a fair value of \$126.1 million at March 31, 2024, were pledged as collateral to the FRB.

4. LOANS RECEIVABLE AND ACL

Loans receivable are reported net of deferred loan fees and discounts, and inclusive of premiums. At **March 31, 2023** **March 31, 2024**, deferred loan fees totaled **\$4.4 million** **\$4.7 million** compared to **\$4.5 million** **\$4.4 million** at **March 31, 2022** **March 31, 2023**. Loans receivable discounts and premiums totaled **\$1.3 million** and **\$1.9 million**, respectively, as of **March 31, 2024**, compared to **\$1.4 million** and **\$2.1 million**, respectively, as of **March 31, 2023**, compared to **\$371,000** and **\$2.4 million**, respectively, as of **March 31, 2022**. Loans receivable excluding loans held for sale, consisted of the following at the dates indicated (in thousands):

	March 31, 2023	March 31, 2022	March 31, 2024	March 31, 2023
Commercial and construction				
Commercial business	\$ 232,868	\$ 228,091	\$ 229,404	\$ 232,868
Commercial real estate	564,496	582,837	583,501	564,496
Land	6,437	11,556	5,693	6,437
Multi-family	55,836	60,211	70,771	55,836
Real estate construction	47,762	24,160	36,538	47,762
Total commercial and construction	907,399	906,855	925,907	907,399
Consumer				
Real estate one-to-four family	99,673	82,006	96,366	99,673
Other installment	1,784	1,547	1,740	1,784
Total consumer	101,457	83,553	98,106	101,457
Total loans	1,008,856	990,408	1,024,013	1,008,856
Less: Allowance for loan losses	15,309	14,523		
Less: ACL for loans (1)			15,364	15,309
Loans receivable, net	\$ 993,547	\$ 975,885	\$ 1,008,649	\$ 993,547

(1) All amounts prior to April 1, 2023 were calculated using the previous incurred loss methodology to compute our allowance for loan losses, which is not directly comparable to the current expected credit losses ("CECL") methodology.

The Company's loan portfolio includes originated and purchased loans. Originated loans and purchased loans for which there was no evidence of credit deterioration at their acquisition date and for which it was probable that the Company would be able to collect all contractually required payments, are referred to collectively as "loans". The Company originates commercial business, commercial real estate, land, multi-family real estate, real estate construction, residential real estate and other consumer loans. At **March 31, 2023** **March 31, 2024** and **2022, 2023**, the Company had no loans to foreign domiciled businesses or foreign countries, or loans related to highly leveraged transactions. Substantially all of the mortgage loans in the Company's loan portfolio are secured by properties located in Washington and Oregon, and accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio is susceptible to changes in the local economic conditions in these markets. Loans and extensions of credit outstanding at one time to one borrower are generally limited by federal regulations to 15% of the Bank's shareholders' equity, excluding accumulated other comprehensive income (loss) ("AOCL"). The Company considers its loan portfolio to have very little exposure to sub-prime mortgage loans since the Company has not historically engaged in this type of lending. At **March 31, 2023** **March 31, 2024**, loans carried at **\$601.5 million** **\$682.1 million** were pledged as collateral to the FHLB and FRB for borrowing arrangements.

81 79

Table of Contents

Aggregate loans to officers and directors, all of which are current, consisted of the following for the periods indicated (in thousands):

Year Ended March 31,	Year Ended March 31,
-----------------------------	-----------------------------

	2023	2022	2021	2024	2023	2022
Beginning balance	\$ 3,790	\$ 5,308	\$ 625	\$ 2,847	\$ 3,790	\$ 5,308
Originations	—	32	8,174	—	—	32
Principal repayments	(943)	(1,550)	(3,491)	(651)	(943)	(1,550)
Ending balance	<u><u>\$ 2,847</u></u>	<u><u>\$ 3,790</u></u>	<u><u>\$ 5,308</u></u>	<u><u>\$ 2,196</u></u>	<u><u>\$ 2,847</u></u>	<u><u>\$ 3,790</u></u>

Loan segment risk characteristics – The Company considers its loan classes to be the same as its loan segments. The following are loan segment risk characteristics of the Company's loan portfolio:

Commercial business – Commercial business loans, other than SBA Paycheck Protection Program ("PPP") loans are primarily made based on the operating cash flows of the borrower or conversion of working capital assets to cash and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers may be volatile and the value of the collateral securing these loans may be difficult to measure. Most commercial business loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and generally include a personal guarantee based on a review of personal financial statements. The Company will extend some short-term loans on an unsecured basis to highly qualified borrowers. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable or other business assets, the liquidation of collateral in the event of a borrower default is often an insufficient source of repayment, because accounts receivable may be uncollectible and inventories and equipment may be obsolete or of limited use. Accordingly, the repayment of a commercial business loan depends primarily on the credit-worthiness of the borrower (and any guarantors), while the liquidation of collateral is a secondary and potentially insufficient source of repayment. The Company attempts to mitigate these risks by adhering to its underwriting policies in evaluating the management of the business and the credit-worthiness of the borrowers and the guarantors.

Commercial real estate – The Company originates commercial real estate loans within its primary market areas secured by properties such as office buildings, warehouse/industrial, retail, assisted living, single purpose facilities, and other commercial properties. These are cash flow loans that share characteristics of both real estate and commercial business loans. The primary source of repayment is cash flow from the operation of the collateral property and secondarily through liquidation of the collateral. These loans are generally higher risk than other classifications of loans in that they typically involve higher loan amounts, are dependent on the management experience of the owners, and may be adversely affected by conditions in the real estate market or the economy. Owner-occupied commercial real estate loans are generally of lower credit risk than non-owner occupied commercial real estate loans as the borrowers' businesses are likely dependent on the properties. Underwriting for these loans is primarily dependent on the repayment capacity derived from the operation of the occupying business rather than rents paid by third-parties. The Company attempts to mitigate these risks by generally limiting the maximum loan-to-value ratio to 65%-80% depending on the property type and scrutinizing the financial condition of the borrower, the quality of the collateral and the management of the property securing the loan.

Land – The Company has historically originated loans for the acquisition of raw land upon which the purchaser can then build or make improvements necessary to build or sell as improved lots. Currently, the Company is originating new land loans on a limited basis. Loans secured by undeveloped land or improved lots involve greater risks than one-to-four family residential mortgage loans because these loans are more difficult to evaluate. If the estimate of value proves to be inaccurate, in the event of default or foreclosure, the Company may incur a loss. The Company attempts to minimize this risk by generally limiting the maximum loan-to-value ratio on raw land loans to 65% and on improved land loans to 75%.

Multi-family – The Company originates loans secured by multi-family dwelling units (more than four units). These loans involve a greater degree of risk than one-to-four family residential mortgage loans as these loans are usually greater in amount, dependent on the cash flow capacity of the project, and are more difficult to evaluate and monitor. Repayment of loans secured by multi-family properties typically depends on the successful operation and management of the properties. Consequently, repayment of such loans may be affected by adverse conditions in the real estate market or economy. The Company attempts to mitigate these risks by thoroughly evaluating the global financial condition of the borrower, the management experience of the borrower, and the quality of the collateral property securing the loan.

Real estate construction – The Company originates construction loans for one-to-four family residential, multi-family, and commercial real estate properties. The one-to-four family residential construction loans include construction of consumer custom homes whereby the home buyer is the borrower as well as speculative and presold loans for home builders. Speculative one-to-four family construction loans are loans for which the home builder does not have, at the time of the loan origination, a signed contract with a home buyer who has a commitment for permanent financing with the Company or another lender for the finished home. The home buyer may be identified either during or after the construction period. 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. Multi-family construction loans are originated to construct apartment buildings and condominium projects. Commercial construction loans are originated to construct properties such as office buildings, retail rental space and mini-storage facilities, and assisted living facilities. All construction loans are short-term and generally the rate is variable in nature. Construction lending can involve a higher level of risk than other types of lending because funds are advanced based on a prospective value of the project at completion, the total estimated construction cost of the project, and the borrowers' equity at risk. Additionally, the repayment of the loan is conditional on the success of the ultimate project which is subject to interest rate changes, governmental regulations, general economic conditions and the ability of the borrower to sell or lease the property or refinance the indebtedness. If the Company's estimate of the value of a project at completion proves to be overstated, it may have inadequate security for repayment of the loan and may incur a loss if the borrower does not repay the loan. Projects may also be jeopardized by disagreements between borrowers and builders and by the failure of builders to pay subcontractors. A speculative home construction loan carries more risk because the payoff for the loan depends on the builder's ability to sell the property prior to the time that the construction loan is due. Although the nature of real estate construction loans is such that they are generally more difficult to evaluate and monitor, the Company attempts to closely monitor the construction project by on-site inspections. The Company also attempts to mitigate the risks of construction lending by adhering to its underwriting policies, disbursement procedures and monitoring practices.

Real estate one-to-four family – The Company originates both fixed-rate and adjustable-rate loans secured by one- to-four family residences located in its primary market areas. The majority of the fixed-rate one-to-four family loans are sold in the secondary market for asset/liability management purposes and to generate non-interest income. The Company's lending policies generally limit the maximum loan-to-value on one-to-four family loans to 80% of the lesser of the appraised value or the purchase price. In a situation where a loan exceeds 80% loan-to-value, the Company usually obtains private mortgage insurance on the portion of the principal amount that exceeds 80% of the appraised value of the property. Terms of maturity typically range from 15 to 30 years. The Company also originates home equity lines of credit and second mortgage loans. Home equity lines of credit and second mortgage loans have a greater credit risk than one-to-four family residential mortgage loans because they are secured by mortgages subordinated to the existing first mortgage on the property, which may or may not be held by the Company. The Company attempts to mitigate residential lending risks by adhering to its underwriting policies in evaluating the collateral and the credit-worthiness of the borrower.

Other installment – The Company originates other consumer loans, which include automobile, boat, motorcycle, recreational vehicle, savings account and unsecured loans. Other consumer loans generally have shorter terms to maturity than mortgage loans. Other consumer loans generally involve a greater degree of risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciating assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The Company attempts to mitigate these risks by adhering to its underwriting policies in evaluating the credit-worthiness of the borrower.

Troubled Loan Modifications ("TLM") – Occasionally, the Company offers modifications of loans to borrowers experiencing financial difficulty by providing principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions or any combination of these. When principal forgiveness is provided, the amount of the forgiveness is charged-off against the ACL for loans. Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the ACL for loans is adjusted by the same amount. The ACL on modified loans is measured using the same credit loss estimation methods used to determine the ACL for all other loans held for investment. These methods incorporate the post-modification loan terms, as well as defaults and charge-offs associated with historical modified loans.

5. ALLOWANCE FOR LOAN LOSSES At March 31, 2023, all TDR loans were paying as agreed. There were no new TDRs for the year ended March 31, 2023.

In accordance with the Company's policy guidelines, unsecured loans are generally charged-off when no payments have been received for three consecutive months unless an alternative action plan is in effect. Consumer installment loans delinquent nine months or more that have not received at least 75% of their required monthly payment in the last 90 days are charged-off. In addition, loans discharged in bankruptcy proceedings are charged-off. Loans under bankruptcy protection with no payments received for four consecutive months are charged-off. The outstanding balance of a secured loan that is in excess of the net realizable value is generally charged-off if no payments are received for four to five consecutive months. However, charge-offs are postponed if alternative proposals to restructure, obtain additional guarantors, obtain additional assets as collateral or a potential sale of the underlying collateral would result in full repayment of the outstanding loan balance. Once any other potential sources of repayment are exhausted, the impaired portion of the loan is charged-off. Regardless of whether a loan is unsecured or collateralized, once an amount is determined to be a confirmed loan loss it is promptly charged off.

The following tables present a reconciliation table presents the amortized cost basis and financial effect of loans at March 31, 2024, that were both experiencing financial difficulty and modified during the allowance for loan losses for the periods indicated fiscal year ended March 31, 2024 (in thousands):

<u>March 31, 2023</u>	Commercial		Commercial		Multi-		Real Estate			<u>Total</u>
	Business	Real Estate	Land	Family	Construction	Consumer	Unallocated			
Beginning balance	\$ 2,422	\$ 9,037	\$ 168	\$ 845	\$ 393	\$ 943	\$ 715	\$ 14,523		
Provision for (recapture of) loan losses	701	(143)	(75)	(47)	371	148	(205)			750
Charge-offs	—	—	—	—	—	(17)	—			(17)
Recoveries	—	—	—	—	—	53	—			53
Ending balance	<u>\$ 3,123</u>	<u>\$ 8,894</u>	<u>\$ 93</u>	<u>\$ 798</u>	<u>\$ 764</u>	<u>\$ 1,127</u>	<u>\$ 510</u>	<u>\$ 15,309</u>		
<u>March 31, 2022</u>										
Beginning balance	\$ 2,416	\$ 14,089	\$ 233	\$ 638	\$ 294	\$ 852	\$ 656	\$ 19,178		
Provision for (recapture of) loan losses	75	(5,052)	(65)	207	99	52	59	(4,625)		
Charge-offs	(69)	—	—	—	—	(17)	—	(86)		
Recoveries	—	—	—	—	—	56	—	56		
Ending balance	<u>\$ 2,422</u>	<u>\$ 9,037</u>	<u>\$ 168</u>	<u>\$ 845</u>	<u>\$ 393</u>	<u>\$ 943</u>	<u>\$ 715</u>	<u>\$ 14,523</u>		
<u>March 31, 2021</u>										
Beginning balance	\$ 2,008	\$ 6,421	\$ 230	\$ 854	\$ 1,149	\$ 1,363	\$ 599	\$ 12,624		
Provision for (recapture of) loan losses	398	7,336	3	(216)	(855)	(423)	57	6,300		
Charge-offs	—	—	—	—	—	(124)	—	(124)		
Recoveries	10	332	—	—	—	36	—	378		
Ending balance	<u>\$ 2,416</u>	<u>\$ 14,089</u>	<u>\$ 233</u>	<u>\$ 638</u>	<u>\$ 294</u>	<u>\$ 852</u>	<u>\$ 656</u>	<u>\$ 19,178</u>		

	Allowance for Loan Losses						Recorded Investment in Loans		
	Individually Evaluated		Collectively Evaluated		Individually Evaluated		Collectively Evaluated		
	for Impairment		for Impairment		for Impairment		for Impairment		
	Impairment	Total	Impairment	Total	Impairment	Total	Impairment	Total	
March 31, 2023									
Commercial business	\$ —	\$ 3,123	\$ 3,123	\$ 3,123	\$ 79	\$ 232,789	\$ 232,868		
Commercial real estate	—	8,894	8,894	8,894	100	564,396	564,496		
Land	—	93	93	93	—	6,437	6,437		
Multi-family	—	798	798	798	—	55,836	55,836		
Real estate construction	—	764	764	764	—	47,762	47,762		
Consumer	6	1,121	1,127	1,127	450	101,007	101,457		
Unallocated	—	510	510	510	—	—	—		
Total	\$ 6	\$ 15,303	\$ 15,309	\$ 629	\$ 1,008,227	\$ 1,008,856			
March 31, 2022									
Commercial business	\$ —	\$ 2,422	\$ 2,422	\$ 2,422	\$ 100	\$ 227,991	\$ 228,091		
Commercial real estate	—	9,037	9,037	9,037	122	582,715	582,837		
Land	—	168	168	168	—	11,556	11,556		
Multi-family	—	845	845	845	—	60,211	60,211		
Real estate construction	—	393	393	393	—	24,160	24,160		
Consumer	8	935	943	943	495	83,058	83,553		
Unallocated	—	715	715	715	—	—	—		
Total	\$ 8	\$ 14,515	\$ 14,523	\$ 717	\$ 989,691	\$ 990,408			
								Weighted	
								Average	
								Term Extension	
								(in months)	
Commercial business								10	
Commercial real estate								15	

Table of Contents

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

	Year Ended March 31,		
	2023	2022	2021
Beginning balance	\$ 424	\$ 509	\$ 474
Net change in allowance for unfunded loan commitments	(17)	(85)	35
Ending balance	\$ 407	\$ 424	\$ 509

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

		Total					
		90 Days and			Past Due and		Total
		30-89 Days	Greater	Non-accrual	Non-accrual	Current	Loans Receivable
		Past Due	Past Due	Non-accrual	accrual	Current	Receivable
March 31, 2023							
Commercial business	\$ 1,967	\$ 1,569	\$ 97	\$ 3,633	\$ 229,235	\$ 232,868	
Commercial real estate	—	—	100	100	564,396	564,496	
Land	—	—	—	—	6,437	6,437	
Multi-family	—	—	—	—	55,836	55,836	
Real estate construction	—	—	—	—	47,762	47,762	
Consumer	11	—	86	97	101,360	101,457	
Total	\$ 1,978	\$ 1,569	\$ 283	\$ 3,830	\$ 1,005,026	\$ 1,008,856	
March 31, 2022							
Commercial business	\$ 7,753	\$ 21,808	\$ 118	\$ 29,679	\$ 198,412	\$ 228,091	
Commercial real estate	—	—	122	122	582,715	582,837	
Land	—	—	—	—	11,556	11,556	
Multi-family	—	—	—	—	60,211	60,211	
Real estate construction	291	—	—	291	23,869	24,160	
Consumer	9	—	51	60	83,493	83,553	
Total	\$ 8,053	\$ 21,808	\$ 291	\$ 30,152	\$ 960,256	\$ 990,408	

A substantial portion of the 30-89 days past due and 90 days and greater past due loans at March 31, 2023 and 2022 are comprised of government guaranteed loans. These government guaranteed loans are pass rated loans and are not considered to be non-accrual loans given the Company expects to receive all principal and interest and not considered to be classified loans because there are no well-defined weaknesses or risk of loss. Given these government guaranteed loans are neither non-accrual loans nor classified loans, these loans are not considered to be impaired loans based on the Company's policy. Given these loans are not considered to be impaired loans and are fully guaranteed by the SBA or USDA, these loans are omitted from the required allowance calculation. Interest income foregone on non-accrual loans was \$14,000, \$24,000 and \$49,000 for the years ended March 31, 2023, 2022 and 2021, respectively.

Credit quality indicators – The Company monitors credit risk in its loan portfolio using a risk rating system (on a scale of one to nine) for all commercial (non-consumer) loans. The risk rating system is a measure of the credit risk of the borrower based on their historical, current and anticipated future financial characteristics. The Company assigns a risk rating to each commercial loan at origination and subsequently updates these ratings, as necessary, so that the risk rating continues to reflect the appropriate risk characteristics of the loan. Application of appropriate risk ratings is key to management of loan portfolio risk. In determining the appropriate risk rating, the Company considers the following factors: delinquency, payment history, quality of management, liquidity, leverage, earnings trends, alternative funding sources, geographic risk, industry risk, cash flow adequacy, account practices, asset protection and extraordinary risks. Consumer loans, including custom construction loans, are not assigned a risk rating but rather are grouped into homogeneous pools with similar risk characteristics. When a consumer loan is delinquent 90 days, it is placed on non-accrual status and assigned a substandard risk rating. Loss factors are assigned to each risk rating and homogeneous pool based on historical loss experience for similar loans. This historical loss experience is adjusted for qualitative factors that are likely to cause the estimated credit losses to differ from the Company's historical loss experience. The Company uses these loss factors to estimate the general component of its allowance for loan losses, **ACL**.

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

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

[Table of Contents](#)

Special mention – These loans have a risk rating of 6 and are rated in accordance with regulatory guidelines. These loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the credit position at some future date. These loans pose elevated risk but their weakness does not yet justify a "substandard" classification.

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

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

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

	Total					
	Special		Loans			
<u>March 31, 2023</u>	Pass	Mention	Substandard	Doubtful	Loss	Receivable
	\$ 231,384	\$ 1,367	\$ 117	\$ —	\$ —	\$ 232,868
Commercial business						
Commercial real estate	544,426	17,626	2,444	—	—	564,496
Land	6,437	—	—	—	—	6,437
Multi-family	55,694	142	—	—	—	55,836
Real estate construction	47,762	—	—	—	—	47,762
Consumer	101,371	—	86	—	—	101,457
Total	<u>\$ 987,074</u>	<u>\$ 19,135</u>	<u>\$ 2,647</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,008,856</u>
<u>March 31, 2022</u>						
Commercial business	\$ 227,435	\$ 511	\$ 145	\$ —	\$ —	\$ 228,091
Commercial real estate	569,417	7,211	6,209	—	—	582,837

Land	11,556	—	—	—	—	—	11,556
Multi-family	60,138	73	—	—	—	—	60,211
Real estate construction	24,160	—	—	—	—	—	24,160
Consumer	83,502	—	51	—	—	—	83,553
Total	\$ 976,208	\$ 7,795	\$ 6,405	\$ —	\$ —	\$ —	\$ 990,408

8683

[Table of Contents](#)

Impaired The following table sets forth the Company's loan portfolio at March 31, 2024 by risk attribute and year of origination as well as current period gross charge-offs (in thousands):

	Term Loans Amortized Cost Basis by Origination Fiscal Year						Total	
							Revolving	Loans
	2024	2023	2022	2021	2020	Prior	Loans	Receivable
Commercial business								
Risk rating								
Pass	\$ 14,126	\$ 63,838	\$ 85,131	\$ 28,119	\$ 16,945	\$ 12,411	\$ 4,827	\$ 225,397
Special Mention	—	—	733	—	486	232	2,498	3,949
Substandard	—	—	—	—	—	58	—	58
Total commercial business	\$ 14,126	\$ 63,838	\$ 85,864	\$ 28,119	\$ 17,431	\$ 12,701	\$ 7,325	\$ 229,404
Current YTD gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial real estate								
Risk rating								
Pass	\$ 36,116	\$ 66,847	\$ 147,015	\$ 89,662	\$ 53,424	\$ 158,311	\$ —	\$ 551,375
Special Mention	—	3,752	897	—	—	26,878	—	31,527
Substandard	520	—	—	—	—	79	—	599
Total commercial real estate	\$ 36,636	\$ 70,599	\$ 147,912	\$ 89,662	\$ 53,424	\$ 185,268	\$ —	\$ 583,501
Current YTD gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Land								
Risk rating								
Pass	\$ 2,361	\$ 2,340	\$ 94	\$ —	\$ 106	\$ 437	\$ —	\$ 5,338
Special Mention	—	355	—	—	—	—	—	355
Total land	\$ 2,361	\$ 2,695	\$ 94	\$ —	\$ 106	\$ 437	\$ —	\$ 5,693
Current YTD gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Multi-family								
Risk rating								
Pass	\$ 970	\$ 21,643	\$ 32,003	\$ 4,841	\$ 8,788	\$ 2,429	\$ —	\$ 70,674
Special Mention	—	—	—	—	35	32	—	67
Substandard	—	—	—	—	—	30	—	30
Total multi-family	\$ 970	\$ 21,643	\$ 32,003	\$ 4,841	\$ 8,823	\$ 2,491	\$ —	\$ 70,771
Current YTD gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

[Table of Contents](#)

Term Loans Amortized Cost Basis by Origination Fiscal Year										Total Loans Receivable
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans	Revolving Loans	
Real estate construction										
Risk rating										
Pass	\$ 13,320	\$ 10,078	\$ 12,346	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 35,744	
Special Mention	794	—	—	—	—	—	—	—	—	794
Total real estate construction	\$ 14,114	\$ 10,078	\$ 12,346	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 36,538	
Current YTD gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Real estate one-to-four family										
Risk rating										
Pass	\$ —	\$ —	\$ 60,447	\$ 4,164	\$ 4,364	\$ 14,756	\$ 12,599	\$ 96,330		
Substandard	—	—	—	—	—	—	36	—	—	36
Total real estate one-to-four family	\$ —	\$ —	\$ 60,447	\$ 4,164	\$ 4,364	\$ 14,792	\$ 12,599	\$ 96,366		
Current YTD gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Other installment										
Risk rating										
Pass	\$ 418	\$ 555	\$ 198	\$ 75	\$ 27	\$ 8	\$ 459	\$ 1,740		
Total other installment	\$ 418	\$ 555	\$ 198	\$ 75	\$ 27	\$ 8	\$ 459	\$ 1,740		
Current YTD gross write-offs	\$ —	\$ 11	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ 13		
Total loans receivable, gross										
Risk rating										
Pass	\$ 67,311	\$ 165,301	\$ 337,234	\$ 126,861	\$ 83,654	\$ 188,352	\$ 17,885	\$ 986,598		
Special Mention	794	4,107	1,630	—	521	27,142	2,498	36,692		
Substandard	520	—	—	—	—	203	—	723		
Total loans receivable, gross	\$ 68,625	\$ 169,408	\$ 338,864	\$ 126,861	\$ 84,175	\$ 215,697	\$ 20,383	\$ 1,024,013		
Total current YTD gross write-offs	\$ —	\$ 11	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ 13		

[Table of Contents](#)

ACL on Loans

The following tables detail activity in the ACL for loans for the fiscal year ended March 31, 2024 under the CECL methodology, and in the allowance for loan losses under the incurred loss methodology for the fiscal years ended March 31, 2023 and March 31, 2022, by loan category (in thousands):

<u>March 31, 2024</u>	Commercial		Commercial		Multi-		Real Estate			<u>Total</u>
	Business	Real Estate	Land	Family	Construction	Consumer	Unallocated			
Beginning balance	\$ 3,123	\$ 8,894	\$ 93	\$ 798	\$ 764	\$ 1,127	\$ 510	\$ 15,309		
Impact of adopting CECL (ASU 2016-13)	1,884	(1,494)	40	(492)	131	483	(510)	42		
Provision for (recapture of) credit losses	273	(9)	(27)	61	(259)	(39)	—	—		
Charge-offs	—	—	—	—	—	(13)	—	(13)		
Recoveries	—	—	—	—	—	26	—	26		
Ending balance	<u>\$ 5,280</u>	<u>\$ 7,391</u>	<u>\$ 106</u>	<u>\$ 367</u>	<u>\$ 636</u>	<u>\$ 1,584</u>	<u>\$ —</u>	<u>\$ 15,364</u>		
<u>March 31, 2023</u>										
Beginning balance	\$ 2,422	\$ 9,037	\$ 168	\$ 845	\$ 393	\$ 943	\$ 715	\$ 14,523		
Provision for (recapture of) loan losses	701	(143)	(75)	(47)	371	148	(205)	750		
Charge-offs	—	—	—	—	—	(17)	—	(17)		
Recoveries	—	—	—	—	—	53	—	53		
Ending balance	<u>\$ 3,123</u>	<u>\$ 8,894</u>	<u>\$ 93</u>	<u>\$ 798</u>	<u>\$ 764</u>	<u>\$ 1,127</u>	<u>\$ 510</u>	<u>\$ 15,309</u>		
<u>March 31, 2022</u>										
Beginning balance	\$ 2,416	\$ 14,089	\$ 233	\$ 638	\$ 294	\$ 852	\$ 656	\$ 19,178		
Provision for (recapture of) loan losses	75	(5,052)	(65)	207	99	52	59	(4,625)		
Charge-offs	(69)	—	—	—	—	(17)	—	(86)		
Recoveries	—	—	—	—	—	56	—	56		
Ending balance	<u>\$ 2,422</u>	<u>\$ 9,037</u>	<u>\$ 168</u>	<u>\$ 845</u>	<u>\$ 393</u>	<u>\$ 943</u>	<u>\$ 715</u>	<u>\$ 14,523</u>		

The following tables present information regarding impaired an analysis of loans at receivable and the dates and allowance for loan losses, based on impairment methodology, as of March 31, 2023 (in thousands):

<u>March 31, 2023</u>	Allowance for Loan Losses				Recorded Investment in Loans				<u>Total</u>	
	Individually		Collectively		Individually		Collectively			
	Evaluated		Evaluated		Evaluated		Evaluated			
	for		for		for		for			
	Impairment	Impairment	Impairment	Total	Impairment	Impairment	Impairment	Total		
Commercial business	\$ —	\$ 3,123	\$ 3,123	\$ 3,123	\$ 79	\$ 232,789	\$ 232,868			
Commercial real estate	—	8,894	8,894	8,894	100	564,396	564,496			
Land	—	93	93	93	—	6,437	6,437			
Multi-family	—	798	798	798	—	55,836	55,836			
Real estate construction	—	764	764	764	—	47,762	47,762			
Consumer	6	1,121	1,127	1,127	450	101,007	101,457			

Unallocated	—	510	510	—	—	—
Total	\$ 6	\$ 15,303	\$ 15,309	\$ 629	\$ 1,008,227	\$ 1,008,856

[Table of Contents](#)

Changes in the ACL for unfunded loan commitments were as follows for the years indicated (in thousands):

	Year Ended March 31,		
	2024	2023	2022
Beginning balance	\$ 407	\$ 424	\$ 509
Impact of adopting CECL (ASU 2016-13)	28	—	—
Balance at beginning of period, as adjusted	435	424	509
Net change in ACL - unfunded loan commitments	(99)	(17)	(85)
Ending balance	\$ 336	\$ 407	\$ 424

<u>March 31, 2023</u>	Recorded	Recorded			
	Investment	Investment			
	with	with			
	No Specific	Specific	Total	Unpaid	Specific
	Valuation	Valuation	Recorded	Principal	Valuation
	Allowance	Allowance	Investment	Balance	Allowance
Commercial business	\$ 79	\$ —	\$ 79	\$ 127	\$ —
Commercial real estate	100	—	100	162	—
Consumer	355	95	450	442	6
Total	\$ 534	\$ 95	\$ 629	\$ 731	\$ 6

<u>March 31, 2022</u>	Recorded	Recorded			
Investment	Investment				
Commercial business	\$ 100	\$ —	Total	Unpaid	Specific
Commercial real estate	122	—	495	603	8
Consumer	259	236	Recorded	Principal	Valuation
Total	\$ 481	\$ 236	\$ 717	\$ 924	\$ 8

Non-accrual loans – Loans are reviewed regularly and it is the Company's general policy that a loan is past due when it is 30 to 89 days delinquent. In general, when a loan is 90 days delinquent or when collection of principal or interest appears doubtful, it is placed on non-accrual status, at which time the accrual of interest ceases and a reserve for unrecoverable accrued interest is established and charged against operations. As a general practice, payments received on non-accrual loans are applied to reduce the outstanding principal balance on a cost recovery method. Also, as a general practice, a loan is not removed from non-accrual status until all delinquent principal, interest and late fees have been brought current and the borrower has demonstrated a history of performance based upon the contractual terms of the note. A history of repayment performance generally would be a minimum of six months. Interest income foregone on non-accrual loans was \$10,000, \$14,000, and \$24,000 for the years ended March 31, 2024, 2023 and 2022, respectively.

	Year ended		Year ended		Year ended	
	March 31, 2023		March 31, 2022		March 31, 2021	
	Interest		Interest		Interest	
	Recognized		Recognized		Recognized	
	Average	on	Average	on	Average	on
	Recorded	Impaired	Recorded	Impaired	Recorded	Impaired
	Investment	Loans	Investment	Loans	Investment	Loans
Commercial business	\$ 90	\$ —	\$ 110	\$ —	\$ 130	\$ —
Commercial real estate	111	—	660	16	2,008	61
Land	—	—	—	—	713	40
Multi-family	—	—	—	—	1,313	77
Consumer	475	24	514	24	494	29
Total	\$ 676	\$ 24	\$ 1,284	\$ 40	\$ 4,658	\$ 207

The cash basis following tables present an analysis of loans by aging category at the dates indicated (in thousands):

<u>March 31, 2024</u>	Total					
	90 Days			Past		
	and		Due and		Total	
	30-89 Days	Greater	Non-accrual	Non-accrual	Current	Loans
	Past Due	Past Due	Non-accrual	Non-accrual	Current	Receivable
Commercial business	\$ 1,778	\$ 5	\$ 58	\$ 1,841	\$ 227,563	\$ 229,404
Commercial real estate	—	—	79	79	583,422	583,501
Land	—	—	—	—	5,693	5,693
Multi-family	—	—	—	—	70,771	70,771
Real estate construction	—	—	—	—	36,538	36,538
Consumer	1	—	36	37	98,069	98,106
Total	\$ 1,779	\$ 5	\$ 173	\$ 1,957	\$ 1,022,056	\$ 1,024,013

<u>March 31, 2023</u>						
	\$ 1,967	\$ 1,569	\$ 97	\$ 3,633	\$ 229,235	\$ 232,868
Commercial business	—	—	100	100	564,396	564,496
Commercial real estate	—	—	—	—	6,437	6,437
Land	—	—	—	—	55,836	55,836
Multi-family	—	—	—	—	47,762	47,762
Real estate construction	—	—	—	—	101,360	101,457
Consumer	11	—	86	97	—	—
Total	\$ 1,978	\$ 1,569	\$ 283	\$ 3,830	\$ 1,005,026	\$ 1,008,856

A substantial portion of the 30-89 days past due and 90 days and greater past due loans at March 31, 2024 and 2023 are comprised of government guaranteed loans. These government guaranteed loans are pass rated loans and are not considered to be non-accrual loans given the Company expects to receive all principal and interest income on and not considered to be classified loans because there are no well-defined weaknesses or risk of loss. Given these government guaranteed loans are neither non-accrual loans nor classified loans, these loans are not considered to be impaired loans was based on the Company's policy. Given these loans are not materially different than the interest recognized on impaired loans as shown in the above tables.

TDRs and other loan modifications – TDRs are loans for which the Company, for economic or legal reasons related to the borrower's financial condition, has granted a concession to the borrower that it would otherwise not consider. A TDR typically involves a modification of terms such as a reduction of the stated interest rate or face amount of the loan, a reduction of accrued interest, and/or an extension of the maturity date(s) at a stated interest rate lower than the current market rate for a new loan with similar risk. TDRs are considered to be impaired loans and as such, impairment is measured as described for impaired loans are fully guaranteed by the SBA or USDA, these loans in Note 1 – Summary of Significant Accounting Policies – Allowance for Loan Losses.

[Table of Contents](#)

The following table presents an analysis of loans by credit quality indicators as of March 31, 2023 (in thousands):

March 31, 2023	Total					
	Pass	Mention	Substandard	Doubtful	Loss	Receivable
Commercial business	\$ 231,384	\$ 1,367	\$ 117	\$ —	\$ —	\$ 232,868
Commercial real estate	544,426	17,626	2,444	—	—	564,496
Land	6,437	—	—	—	—	6,437
Multi-family	55,694	142	—	—	—	55,836
Real estate construction	47,762	—	—	—	—	47,762
Consumer	101,371	—	86	—	—	101,457
Total	\$ 987,074	\$ 19,135	\$ 2,647	\$ —	\$ —	\$ 1,008,856

Impaired loans – Prior to the implementation of ASU 2016-13 on April 1, 2023, a loan was considered impaired when based on current information and circumstances, the Company determines it was probable that it would be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest accrual payments. Factors considered in determining impairment included, but were not limited to, the financial condition of the borrower, the value of the underlying collateral and the status of the economy. Prior to the implementation of ASU 2016-13, impaired loans were comprised of TDR loans that were performing under their restructured terms. Two of the impaired loans were on non-accrual status as of March 31, 2024.

At March 31, 2024, the Company had \$137,000 of non-accrual loans with no ACL and \$36,000 of non-accrual loans with an ACL of \$1,000. The amortized cost of collateral dependent loans as of March 31, 2024, were \$58,000 and \$79,000 for commercial business and commercial real estate loans, respectively.

The following tables present information regarding impaired loans at the dates and for the years indicated (in thousands):

March 31, 2023	March 31, 2023			March 31, 2022			Recorded	Recorded	Related Valuation Allowance			
	Accrual	Non-accrual	Total	Accrual	Non-accrual	Total	Investment	Investment				
							with No Specific Valuation	with Specific Valuation	Total	Unpaid	Specific Valuation Allowance	
	Commercial business	—	\$ 79	\$ 79	\$ —	\$ 100	\$ 100	\$ 79	\$ —	\$ 79	\$ 127	\$ —
Commercial real estate	—	100	100	—	—	122	122	100	—	100	162	—
Land	—	—	—	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—	—	—	—
Consumer	450	—	450	495	—	495	355	95	450	442	6	6
Total	\$ 450	\$ 179	\$ 629	\$ 495	\$ 222	\$ 717	\$ 534	\$ 95	\$ 629	\$ 731	\$ 6	

	Year ended		Year ended	
	March 31, 2023		March 31, 2022	
	Interest		Interest	
	Recognized		Recognized	
	Average	on	Average	on
	Recorded	Impaired	Recorded	Impaired
	Investment	Loans	Investment	Loans
Commercial business	\$ 90	\$ —	\$ 110	\$ —
Commercial real estate	111	—	660	16
Consumer	475	24	514	24
Total	<u>\$ 676</u>	<u>\$ 24</u>	<u>\$ 1,284</u>	<u>\$ 40</u>

There were no new TDRs for The cash basis interest income on impaired loans was not materially different than the fiscal years ended March 31, 2023 and 2022, interest recognized on impaired loans as shown in the above tables.

Table of Contents

6.5. PREMISES AND EQUIPMENT

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

	March 31,		March 31,	
	2023	2022	2024	2023
Land	\$ 5,715	\$ 4,714	\$ 5,924	\$ 5,715
Buildings and improvements	18,494	17,030	22,172	18,494
Leasehold improvements	3,965	3,998	3,154	3,965
Furniture and equipment	11,578	10,765	11,510	11,578
Construction in progress	33	—	—	33
Total	39,785	36,507	42,760	39,785
Less accumulated depreciation and amortization	(19,666)	(19,341)	(21,042)	(19,666)
Premises and equipment, net	<u>\$ 20,119</u>	<u>\$ 17,166</u>	<u>\$ 21,718</u>	<u>\$ 20,119</u>

Depreciation and amortization expense was \$1.7 million \$2.0 million, \$1.5 million \$1.7 million and \$1.4 million \$1.5 million for the years ended March 31, 2023 March 31, 2024, 2022 2023 and 2021, 2022, respectively.

7.6. GOODWILL

Goodwill and certain other intangibles generally arise from business combinations accounted for under the purchase method of accounting. Goodwill and other intangibles deemed to have indefinite lives generated from business combinations are not subject to amortization and are instead tested for impairment not less than annually. The Company has two reporting units, the Bank and the Trust Company, for purposes of evaluating goodwill for impairment. All of the Company's goodwill has been allocated to the Bank reporting unit.

[Table of Contents](#)

The Company performed its annual impairment assessment as of **October 31, 2022** **October 31, 2023** and determined that no impairment of goodwill exists. The goodwill impairment test involves a two-step process. The first step is a comparison of the reporting unit's fair value to its carrying value. If the reporting unit's fair value is less than its carrying value, the Company would be required to progress to the second step. In the second step, the Company calculates the implied fair value of goodwill and compares the implied fair value of goodwill to the carrying amount of goodwill in the Company's consolidated balance sheet. If the carrying amount of the goodwill is greater than the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as goodwill recognized in a business combination. The results of the Company's step one test indicated that the reporting unit's fair value was greater than its carrying value, and, therefore, a step two analysis was not required; however, no assurance can be given that the Company's goodwill will not be written down in future periods. The Company completed a qualitative assessment of goodwill as of **March 31, 2023** **March 31, 2024**, and concluded that it is more likely than not that the fair value of the Bank (the reporting unit), exceeds its carrying value. If adverse economic conditions or decreases in the Company's common stock price and market capitalization were deemed sustained in the future rather than temporary, it may significantly affect the fair value of the reporting unit and may trigger future goodwill impairment charges. Any impairment charge could have a material adverse effect on our results of operations and financial condition.

[Table of Contents](#)

8.7. DEPOSITS

Deposit accounts consisted of the following at the dates indicated (in thousands):

Account Type	March 31,		March 31,	
	2023	2022	2024	2023
Non-interest-bearing	\$ 404,937	\$ 494,831	\$ 349,082	\$ 404,937
Interest-bearing checking	254,522	287,861	289,823	254,522
Money market	221,778	299,738	209,164	221,778
Savings accounts	255,147	340,076	192,638	255,147
Certificates of deposit	128,833	111,372	190,972	128,833
Total	\$ 1,265,217	\$ 1,533,878	\$ 1,231,679	\$ 1,265,217

Individual certificates of deposit greater than \$250,000 totaled **\$55.7 million** and **\$40.3 million** at **March 31, 2024** and **\$32.7 million** at **March 31, 2023** and **2022**, respectively.

Scheduled maturities of certificates of deposit for future years ending March 31 are as follows (in thousands):

Year Ending March 31, :			
2024	\$ 84,603		
2025	37,569	\$ 179,162	
2026	4,143	9,185	
2027	1,193	895	
2028	531	501	

2029						957
Thereafter					794	272
Total					\$ 128,833	\$ 190,972

Interest expense by deposit type was as follows for the years indicated (in thousands):

	Year Ended March 31,			Year Ended March 31,		
	2023		2022	2024		2023
	\$	89	\$ 87	\$	85	\$ 785
Interest-bearing checking						
Money market		415	150	153	2,860	415
Savings accounts		219	247	418	132	219
Certificates of deposit		779	940	1,888	4,508	779
Total		\$ 1,502	\$ 1,424	\$ 2,544	\$ 8,285	\$ 1,502
						\$ 1,424

89

[Table of Contents](#)

9.8. FEDERAL HOME LOAN BANK ADVANCES

FHLB advances are summarized at the dates indicated (dollars in thousands):

	March 31, 2023	March 31, 2022	March 31, 2024	March 31, 2023
FHLB advances	\$ 123,754	\$ —	\$ 88,304	\$ 123,754
Weighted average interest rate on FHLB advances (1)	4.88 %	0.31 %	5.40 %	4.88 %

(1) Computed based on the borrowing activity for the fiscal years ended **March 31, 2023** **March 31, 2024** and **2022, 2023**, respectively.

The Bank has a credit line with the FHLB equal to 45% of total assets, limited by available collateral. At **March 31, 2023** **March 31, 2024**, based on collateral values, the Bank had additional borrowing capacity of **\$191.6 million** **\$211.2 million** from the FHLB. FHLB advances are collateralized with loans secured by real estate. At **March 31, 2023** **March 31, 2024**, loans carried at **\$511.3 million** **\$500.6 million** were pledged as collateral to the FHLB.

10.9. JUNIOR SUBORDINATED DEBENTURES

The Company has wholly-owned subsidiary grantor trusts that were established for the purpose of issuing trust preferred securities and common securities. The trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in each trust agreement. The trusts used the net proceeds from each of the offerings to purchase a like

90

[Table of Contents](#)

amount of junior subordinated debentures (the "Debentures") of the Company. The Debentures are the sole assets of the trusts. The Company's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The trust preferred securities are mandatorily redeemable upon maturity of the Debentures or upon earlier redemption as

provided in the indentures. The Company has the right to redeem the Debentures in whole or in part on or after specific dates, at a redemption price specified in the indentures governing the Debentures plus any accrued but unpaid interest to the redemption date. The Company also has the right to defer the payment of interest on each of the Debentures for a period not to exceed 20 consecutive quarters, provided that the deferral period does not extend beyond the stated maturity. During such deferral period, distributions on the corresponding trust preferred securities will also be deferred and the Company may not pay cash dividends to the holders of shares of the Company's common stock.

The Debentures issued by the Company to the grantor trusts, totaling \$27.0 million and \$26.9 million at March 31, 2024 and \$26.8 million at March 31, 2023 and 2022, respectively, are reported as "junior subordinated debentures" in the consolidated balance sheets. The common securities issued by the grantor trusts were purchased by the Company, and the Company's investment in the common securities of \$836,000 at both March 31, 2023 March 31, 2024 and 2022, is included in prepaid expenses and other assets in the consolidated balance sheets. The Company records interest expense on the Debentures in the consolidated statements of income.

The following table is a summary of the terms and the amounts outstanding of the Debentures at March 31, 2023 March 31, 2024 (dollars in thousands):

Issuance Trust	Issuance Date	Amount Outstanding	Rate Type	Initial Rate	Current Rate	Maturity Date	Issuance Date	Amount Outstanding	Rate Type	Initial Rate
Riverview										
Bancorp										
Statutory Trust I	12/2005	\$ 7,217	Variable (1)	5.88 %	6.23 %	3/2036	12/2005	\$ 7,217	Variable (1)	5.88 %
Riverview										
Bancorp										
Statutory Trust II	06/2007	15,464	Variable (2)	7.03 %	6.22 %	9/2037	06/2007	15,464	Variable (2)	7.03 %
Merchants										
Bancorp										
Statutory Trust I (4)	06/2003	5,155	Variable (3)	4.16 %	8.23 %	6/2033	06/2003	5,155	Variable (3)	4.16 %
		27,836						27,836		
Fair value adjustment (4)		(918)						(832)		
Total Debentures		\$ 26,918						\$ 27,004		

(1) The trust preferred securities reprice quarterly based on the three-month LIBOR Chicago Mercantile Exchange ("CME") Term Secured Overnight Financing Rate ("SOFR") plus 1.36%.

(2) The trust preferred securities reprice quarterly based on the three-month LIBOR CME Term SOFR plus 1.35%.

(3) The trust preferred securities reprice quarterly based on the three-month LIBOR CME Term SOFR plus 3.10 %. 3.10%.

(4) Amount, net of accretion, attributable to a prior year's business combination.

9091

Table of Contents

11.10. INCOME TAXES

Provision for income taxes consisted of the following for the periods years indicated (in thousands):

	Year Ended March 31			Year Ended March 31			
				2023	2022	2021	
	Current	\$ 5,754	\$ 5,446	\$ 4,410	\$ 967	\$ 5,754	\$ 5,446
Deferred		(144)	1,010	(1,429)	(165)	(144)	1,010

Total	\$ 5,610	\$ 6,456	\$ 2,981	\$ 802	\$ 5,610	\$ 6,456
-------	----------	----------	----------	--------	----------	----------

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows at the dates indicated (in thousands):

	March 31, 2023	March 31, 2022	March 31, 2024	March 31, 2023
Deferred tax assets:				
Deferred compensation	\$ 78	\$ 57	\$ 17	\$ 78
Allowance for loan losses	3,772	3,588		
ACL			3,768	3,772
Accrued expenses	160	170	520	160
Accumulated depreciation and amortization	918	881	977	918
Deferred gain on sale	34	52	17	34
Deferred income	57	107	43	57
Purchase accounting	46	74	15	46
Net unrealized loss on investment securities available for sale	5,782	3,141	5,093	5,782
Operating lease liabilities	1,695	1,993	1,387	1,695
Other	429	420	356	429
Total deferred tax assets	12,971	10,483	12,193	12,971
Deferred tax liabilities:				
FHLB stock dividends	(38)	(38)	(38)	(38)
Prepaid expenses	(241)	(171)	(325)	(241)
Operating lease ROU assets	(1,609)	(1,898)	(1,315)	(1,609)
Loan fees/costs	(797)	(875)	(737)	(797)
Total deferred tax liabilities	(2,685)	(2,982)	(2,415)	(2,685)
Deferred tax assets, net	\$ 10,286	\$ 7,501	\$ 9,778	\$ 10,286

A reconciliation of the Company's effective income tax rate with the federal statutory tax rate is as follows for the years indicated:

	Year Ended March 31,			Year Ended March 31,		
	2023	2022	2021	2024	2023	2022
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %
State and local income tax rate	3.0	3.0	3.0	5.2	3.0	3.0
Employee Stock Ownership Plan ("ESOP") market value adjustment	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)
BOLI	(0.8)	(0.7)	(1.5)	(4.8)	(0.8)	(0.7)
Other, net	0.6	(0.4)	(0.3)	(3.1)	0.6	(0.4)
Effective federal income tax rate	23.7 %	22.8 %	22.1 %	17.8 %	23.7 %	22.8 %

For the fiscal years ended **March 31, 2023** **March 31, 2024** and **2022, 2023**, the Company utilized a federal corporate income tax rate of 21.0%. The Bank's retained earnings at **March 31, 2023** **March 31, 2024** and **2022, 2023** include a base year **allowance for loan losses, ACL**, which amounted to \$2.2 million, for which no federal income tax liability has been recognized. The related unrecognized deferred tax liability at **March 31, 2023** **March 31, 2024** and **2022, 2023** was \$528,000. This represents the balance of the **allowance for loan losses ACL** created for tax purposes as of December 31, 1987. This amount is 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.

At **March 31, 2023** **March 31, 2024** and **2022** **2023**, the Company had no unrecognized tax benefits or uncertain tax positions. In addition, the Company had no accrued interest or penalties related to income tax matters as of **March 31, 2023** **March 31, 2024** and **2022** **2023**. It is the Company's

[Table of Contents](#)

policy to recognize potential accrued interest and penalties related to income tax matters as a component of the provision for income taxes. The Company is subject to U.S. federal and State of Oregon income taxes. The years **2019** **2021** to **2022** **2023** remain open to examination for federal income taxes, and the years **2019** **2020** to **2022** **2023** remain open to State of Oregon examination.

12.11. EMPLOYEE BENEFIT 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. Company expenses related to the Plan for the years ended **March 31, 2023** **March 31, 2024, 2023** and **2022** were **\$509,000, \$519,000** and **2021** were **\$519,000, \$529,000, and \$525,000**, respectively.

Directors' and Executive Officers' Deferred Compensation Plan ("Deferred Compensation Plan") – The Deferred Compensation Plan is a nonqualified 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. The **Chairman**, President, and Executive and Senior Vice Presidents of the Company may also defer salary into the Deferred Compensation Plan. The Company accrues annual interest on the unfunded liability under the Deferred Compensation Plan based upon a formula relating to gross revenues, which was **2.98% 3.33%, 2.97% 2.98%** and **3.61% 2.97%** for the years ended **March 31, 2023** **March 31, 2024, 2022** **2023** and **2021** **2022**, respectively. The estimated liability under the Deferred Compensation Plan is accrued as earned by the participants. At **March 31, 2023** **March 31, 2024** and **2022** **2023**, the Company's aggregate liability under the Deferred Compensation Plan was **\$326,000** **\$70,000** and **\$237,000**, **\$326,000**, respectively, which is recorded in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

Stock Option Plans – In July 2003, shareholders of the Company approved the adoption of the 2003 Stock Option Plan ("2003 Plan"). The 2003 Plan was effective in July 2003 and expired in July 2013. Accordingly, no further option awards may be granted under the 2003 Plan; however, any awards granted prior to their respective expiration dates remain outstanding subject to their terms. Each option granted under the 2003 Plan has an exercise price equal to the fair market value of the Company's common stock on the date of the grant, a maximum term of ten years and a vesting period from zero to five years.

In July 2017, the shareholders of the Company approved the Riverview Bancorp, Inc. 2017 Equity Incentive Plan ("2017 Plan"). The 2017 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock and restricted stock units. The Company has reserved 1,800,000 shares of its common stock for issuance under the 2017 Plan. The 2003 Plan and the 2017 Plan are collectively referred to as "the Stock Option Plans."

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes stock option valuation model. The fair value of all awards is amortized on a straight-line basis over the requisite service periods, which are generally the vesting periods. The 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 is estimated at the date of grant based on the historical volatility of the Company's common stock. Expected dividends are based on dividend trends and the market value of the Company's common stock at the time of grant. The risk-free interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of the grant. There were no stock options granted during the years ended **March 31, 2023** **March 31, 2024, 2022** **2023** and **2021** **2022** under the Stock Option Plans.

As of **March 31, 2023** **March 31, 2024**, all outstanding stock options were fully vested and there was no remaining unrecognized compensation expense related to stock options granted under the Stock Option Plans. There was no stock-based compensation expense related to stock options for the years ended **March 31, 2023** **March 31, 2024, 2022** **2023** and **2021** **2022** under the Stock Option Plans.

[Table of Contents](#)

The following table presents the activity related to stock options under the Stock Option Plans for the years indicated:

	Year Ended March 31,						Year Ended March 31,					
	2023		2022		2021		2024		2023		2022	
	Weighted Average		Weighted Average		Weighted Average		Weighted Average		Weighted Average		Weighted Average	
	Number of Shares	Exercise Price	Number of Shares	Exercise Price	Number of Shares	Exercise Price	Number of Shares	Exercise Price	Number of Shares	Exercise Price	Number of Shares	Exercise Price
Balance, beginning of period	17,332	\$ 2.78	23,332	\$ 2.78	43,332	\$ 2.69	14,310	\$ 2.78	17,332	\$ 2.78	23,332	\$ 2.78
Options exercised	(1,511)	2.78	(6,000)	2.78	(20,000)	2.58	(12,799)	2.78	(1,511)	2.78	(6,000)	2.78
Options expired	(1,511)	2.78	—	—	—	—	(1,511)	2.78	(1,511)	2.78	—	—
Balance, end of period	<u>14,310</u>	<u>\$ 2.78</u>	<u>17,332</u>	<u>\$ 2.78</u>	<u>23,332</u>	<u>\$ 2.78</u>	<u>—</u>	<u>\$ —</u>	<u>14,310</u>	<u>\$ 2.78</u>	<u>17,332</u>	<u>\$ 2.78</u>

Additional information regarding There were no stock options outstanding as of March 31, 2023 is as follows:

Range of Exercise Price	Options Outstanding			Options Exercisable		
	Weighted Avg		Weighted	Weighted		Average
	Remaining		Average	Exercise		Average
	Contractual		Exercise	Exercise		Exercise
Life (years)	Number	Price	Number	Price	Number	Price
\$1.00 - \$3.00	0.29	14,310	\$ 2.78	14,310	\$ 2.78	2.78

March 31, 2024. The following table presents information on stock options outstanding, less estimated forfeitures, as of March 31, 2023 and 2022:

		March 31, 2023			March 31, 2022		March 31, 2023	
		Number	Weighted	Avg	Number	Weighted	Avg	Number
Stock options fully vested and expected to vest:								
Number		14,310			17,332			14,310
Weighted average exercise price	\$	2.78	\$	2.78	\$	2.78	\$	2.78
Aggregate intrinsic value (1)	\$	37,000	\$	83,000	\$	37,000	\$	83,000
Weighted average contractual term of options (years)		0.29			1.29			0.29
Stock options fully vested and currently exercisable:								
Number		14,310			17,332			14,310
Weighted average exercise price	\$	2.78	\$	2.78	\$	2.78	\$	2.78
Aggregate intrinsic value (1)	\$	37,000	\$	83,000	\$	37,000	\$	83,000
Weighted average contractual term of options (years)		0.29			1.29			0.29

(1) The aggregate intrinsic value of a stock option in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price) that would have been received by the option holders had all option holders exercised. This amount changes based on changes in the market value of the Company's stock.

The total intrinsic value of stock options exercised was \$28,000, \$7,000 \$25,000 and \$68,000 \$25,000 for the years ended March 31, 2023 March 31, 2024, 2023 and 2022, and 2021, respectively.

During the fiscal year ended March 31, 2023, the Company granted a total of 71,696 shares of restricted stock pursuant to the 2017 Plan of which vesting for 15,571 shares were time based and 56,125 shares were performance based. During the fiscal year ended March 31, 2022, the Company granted a total of 69,285 shares of restricted stock pursuant to the 2017 Plan of which vesting for 15,274 shares were time based and 54,011 were performance based. Performance-based shares are subject to attaining certain pre-established performance metrics.

The fair value of restricted stock awards is equal to the fair value of the Company's stock on the date of grant. The related stock-based compensation expense is recorded over the requisite service period. Stock-based compensation related to restricted stock was \$34,000, \$390,000, \$319,000, and \$352,000 \$319,000 for the years ended March 31, 2023 March 31, 2024, 2022, 2023, and 2021, 2022, respectively. The unrecognized stock-based compensation related to restricted stock was \$245,000 and \$440,000 at March 31, 2024 and \$401,000 at March 31, 2023 and 2022, 2023, respectively. The weighted average vesting period for the restricted stock was 1.31 years and 1.12 years at March 31, 2024 and 1.53 years at March 31, 2023 and 2022, 2023, respectively.

93.94

Table of Contents

The following table presents the activity related to restricted stock for the years ended March 31, 2023 March 31, 2024 and 2022, 2023:

	Time Based		Performance Based		Total		Time Based		Performance Based		Number of Shares
	Number of Unvested Shares	Weighted Average									
	Shares	Fair Value									
Year Ended March 31, 2023											
Year Ended March 31, 2024											
Balance, beginning of period	26,855	\$ 6.02	121,492	\$ 5.70	148,347	\$ 5.76	29,977	\$ 6.14	132,645	\$ 6.05	162,6
Granted	15,571	6.30	56,125	6.30	71,696	6.30	19,926	5.21	84,040	5.21	103,9
Forfeited	—	—	(2,977)	7.56	(2,977)	7.56	(19,006)	5.81	(99,514)	5.94	(118,5
Vested	(12,449)	6.07	(41,995)	5.26	(54,444)	5.45	(15,118)	5.77	(53,774)	5.38	(68,8
Balance, end of period	29,977	\$ 6.14	132,645	\$ 6.05	162,622	\$ 6.07	15,779	\$ 5.72	63,397	\$ 5.68	79,1

	Time Based		Performance Based		Total		Time Based		Performance Based		Number of Shares
	Number of Unvested Shares	Weighted Average									
	Shares	Fair Value									
Year Ended March 31, 2022											
Year Ended March 31, 2023											
Balance, beginning of period	45,616	\$ 6.57	96,772	\$ 5.27	142,388	\$ 5.69	26,855	\$ 6.02	121,492	\$ 5.70	148,3
Granted	15,274	7.08	54,011	7.06	69,285	7.06	15,571	6.30	56,125	6.30	71,6
Forfeited	(4,417)	5.82	(16,559)	5.55	(20,976)	5.61	—	—	(2,977)	7.56	(2,977)
Vested	(29,618)	7.43	(12,732)	8.35	(42,350)	7.71	(12,449)	6.07	(41,995)	5.26	(54,4
Balance, end of period	26,855	\$ 6.02	121,492	\$ 5.70	148,347	\$ 5.76	29,977	\$ 6.14	132,645	\$ 6.05	162,6

Employee Stock Ownership Plan - The Company sponsors an ESOP that covers all employees with at least one year and 1,000 hours of service who are over the age of 21. For each of the years ended March 31, 2023 March 31, 2024, 2022, 2023 and 2021, 2022, the Bank purchased 25,000 25,000 and 5,354 shares of common stock, respectively, on the open market and contributed such shares to the ESOP as a discretionary employer contribution. As of March 31, 2023 March 31, 2024, 2022, 2023 and 2021, 2022, all shares of common stock purchased for the ESOP have been allocated to participant accounts. The Company recorded employee benefits expense of \$150,000, \$187,000 \$192,000 and \$96,000 \$192,000 for

these contributions for the years ended **March 31, 2023** **March 31, 2024**, **2022** **2023** and **2021**, **2022**, respectively, which represented the fair value of the related common stock on the date it was acquired. Shares held by the ESOP at **March 31, 2023** **March 31, 2024** and **2022** **2023** totaled **380,955** and **368,194**, and **387,588**, respectively.

Trust Company Stock Options – At March 31, 2023 and 2022, there were no Trust Company stock options outstanding. During the year ended March 31, 2023, no Trust Company stock options were exercised. During each of the years ended March 31, 2022 and 2021, 500 Trust Company stock options were exercised. During the year ended March 31, 2021, the Trust Company incurred stock-based compensation expense related to these options of \$44,000. There were no Trust Company stock options granted during the years ended March 31, 2023, 2022 and 2021.

13.12. SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL REQUIREMENTS

The Bank is a state-chartered, federally insured institution subject to various regulatory capital requirements administered by the FDIC. Failure to meet minimum capital requirements can result in the initiation of 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, core capital to total assets and tangible capital to tangible assets (set forth in the table below). Management believes the Bank met all capital adequacy requirements to which it was subject as of **March 31, 2023** **March 31, 2024**.

94.95

[Table of Contents](#)

As of **March 31, 2023** **March 31, 2024**, the Bank was categorized as "well capitalized" under the FDIC's regulatory framework for prompt corrective action. The Bank's actual and required minimum capital amounts and ratios were as follows at the dates indicated (dollars in thousands):

	"Well Capitalized"						"Well Capitalized"						
	For Capital		Under Prompt		For Capital		Under Prompt						
	Actual	Adequacy Purposes	Corrective Action	Actual	Adequacy Purposes	Corrective Action	Actual	Adequacy Purposes	Corrective Action	Actual	Adequacy Purposes	Corrective Action	
March 31, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	
March 31, 2024													
Total Capital:													
(To Risk-Weighted Assets)	\$180,001	16.94 %	\$ 85,013		8.0 %	\$106,266	10.0 %	\$173,521	16.32 %	\$ 85,080	8.0 %	\$106,350	10.0 %
Tier 1 Capital:													
(To Risk-Weighted Assets)	166,688	15.69	63,760		6.0	85,013	8.0	160,197	15.06	63,810	6.0	85,080	8.0
Common equity tier 1 Capital:													
(To Risk-Weighted Assets)	166,688	15.69	47,820		4.5	69,073	6.5	160,197	15.06	47,857	4.5	69,127	6.5
Tier 1 Capital (Leverage):													
(To Average Tangible Assets)	166,688	10.47	63,679		4.0	79,599	5.0	160,197	10.29	62,296	4.0	77,870	5.0

	"Well Capitalized"						"Well Capitalized"					
	For Capital		Under Prompt		For Capital		Under Prompt					
	Actual	Adequacy Purposes	Corrective Action	Actual	Adequacy Purposes	Corrective Action	Actual	Adequacy Purposes	Corrective Action	Actual	Adequacy Purposes	Corrective Action
March 31, 2022	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2023												

Total Capital:												
(To Risk-Weighted Assets)	\$168,486	16.38 %	\$ 82,305	8.0 %	\$ 102,881	10.0 %	\$180,001	16.94 %	\$ 85,013	8.0 %	\$106,266	10.0 %
Tier 1 Capital:												
(To Risk-Weighted Assets)	155,601	15.12	61,728	6.0	82,305	8.0	166,688	15.69	63,760	6.0	85,013	8.0
Common equity tier 1 Capital:												
(To Risk-Weighted Assets)	155,601	15.12	46,296	4.5	66,872	6.5	166,688	15.69	47,820	4.5	69,073	6.5
Tier 1 Capital (Leverage):												
(To Average Tangible Assets)	155,601	9.19	67,763	4.0	84,704	5.0	166,688	10.47	63,679	4.0	79,599	5.0

In addition to the minimum common equity tier 1 ("CET1"), Tier 1 and total capital ratios, the Bank is required to maintain a capital conservation buffer consisting of additional CET1 capital in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. The capital conservation buffer is required to be an amount greater than 2.5% of risk-weighted assets. As of **March 31, 2023** **March 31, 2024**, the Bank's CET1 capital exceeded the required capital conservation buffer at an amount greater than 2.5%.

For a bank holding company, such as Riverview Bancorp, Inc., the capital guidelines apply on a bank only basis. The Federal Reserve expects the holding company's subsidiary banks to be well capitalized under the prompt corrective action regulations. If Riverview Bancorp, Inc. was subject to regulatory guidelines for bank holding companies at **March 31, 2023** **March 31, 2024**, it would have exceeded all regulatory capital requirements.

At periodic intervals, the Company's banking regulators routinely examine the Company's financial condition and risk management processes as part of their legally prescribed oversight. 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 could include a review of certain transactions or other amounts reported in the Company's **2023** **2024** consolidated financial statements.

14.13. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income or loss applicable to common stock by the weighted average number of common shares outstanding during the period, without considering any dilutive items. Nonvested shares of restricted stock are included in the computation of basic EPS because the holder has voting rights and shares in non-forfeitable dividends during the vesting period. Diluted EPS is computed by dividing net income or loss 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

95.96

[Table of Contents](#)

stock during the period. Common stock equivalents arise from the assumed exercise of outstanding stock options. For the years ended **March 31, 2023** **March 31, 2024**, **2022** **2023** and **2021**, **2022**, there were no stock options excluded in computing diluted EPS.

The following table presents a reconciliation of the components used to compute basic and diluted EPS for the years indicated:

(Dollars and share data in thousands, except per share data)	Year Ended March 31,			Year Ended March 31,		
	2023			2024		2023
	2023	2022	2021	2024	2023	2022
Basic EPS computation:						
Numerator-net income	\$ 18,069	\$ 21,820	\$ 10,472	\$ 3,799	\$ 18,069	\$ 21,820
Denominator-weighted average common shares outstanding	21,638	22,213	22,296	21,138	21,638	22,213
Basic EPS	\$ 0.84	\$ 0.98	\$ 0.47	\$ 0.18	\$ 0.84	\$ 0.98
Diluted EPS computation:						
Numerator-net income	\$ 18,069	\$ 21,820	\$ 10,472	\$ 3,799	\$ 18,069	\$ 21,820
Denominator-weighted average common shares outstanding	21,638	22,213	22,296	21,138	21,638	22,213
Effect of dilutive stock options	8	12	17	1	8	12
Weighted average common shares and common stock equivalents	21,646	22,225	22,313	21,139	21,646	22,225
Diluted EPS	\$ 0.83	\$ 0.98	\$ 0.47	\$ 0.18	\$ 0.83	\$ 0.98

On March 9, 2022, the Company announced that its Board of Directors authorized a stock repurchase program (the "March 2022 repurchase program"). Under the March 2022 repurchase program, the Company was authorized to repurchase up to \$5.0 million of the Company's outstanding shares of common stock, in the open market, based on prevailing market prices, or in private negotiated transactions, over a period beginning on March 21, 2022 and continuing until the earlier of the completion of the stock repurchase program or September 9, 2022. The Company completed the March 2022 repurchase program on September 8, 2022, repurchasing 718,734 shares at an average price of \$6.96 per share and at a total cost of \$5.0 million. All shares repurchased under the March 2022 program were retired as of September 30, 2022.

On November 17, 2022, the Company announced that its Board of Directors authorized a stock repurchase programs (the "November 2022 repurchase program"). Under the November 2022 repurchase program, the Company was authorized to repurchase up to \$2.5 million of the Company's outstanding shares of common stock, in the open market or in privately negotiated transactions, over a period beginning on November 28, 2022 and continuing until the earlier of the completion of the authorized level of repurchases or May 28, 2023, depending upon market conditions. **As of March 31, 2023** The Company completed the November 2022 repurchase program on May 5, 2023, the Company had repurchased 285,172 repurchasing 394,334 shares at an average price of \$6.74 \$6.34 per share and at a total cost of \$1.9 million \$2.5 million. Shares repurchased under the November 2022 repurchase program are were retired as settled.

15.14. FAIR VALUE MEASUREMENTS

Fair value is defined under GAAP as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels. These levels are:

9697

Table of Contents

Quoted prices in active markets for identical assets (Level 1): Inputs that are quoted unadjusted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Other observable inputs (Level 2): Inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets and inputs derived principally from or corroborated by observable market data by correlation or other means.

Significant unobservable inputs (Level 3): Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

Financial instruments are presented in the tables that follow by recurring or nonrecurring measurement status. Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the consolidated financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that, as a result of an event or circumstance, were required to be remeasured at fair value after initial recognition in the consolidated financial statements at some time during the reporting period.

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

	Total Estimated		Estimated Fair Value Measurements Using			Total Estimated		Estimated Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3		
March 31, 2023										
March 31, 2024										
Investment securities available for sale:										
Municipal securities	\$ 40,261	\$ —	\$ 40,261	\$ —	\$ 35,136	\$ —	\$ 35,136	\$ —		
Agency securities	85,907	—	85,907	—	43,577	—	43,577	—		
Real estate mortgage investment conduits	28,877	—	28,877	—	25,665	—	25,665	—		
Residential mortgage-backed securities	15,471	—	15,471	—	12,551	—	12,551	—		
Other mortgage-backed securities	40,983	—	40,983	—	26,267	—	26,267	—		
Total assets measured at fair value on a recurring basis	\$ 211,499	\$ —	\$ 211,499	\$ —	\$ 143,196	\$ —	\$ 143,196	\$ —		
March 31, 2022										
March 31, 2023										
Investment securities available for sale:										
Municipal securities	\$ 39,604	\$ —	\$ 39,604	\$ —	\$ 40,261	\$ —	\$ 40,261	\$ —		
Agency securities	40,705	—	40,705	—	85,907	—	85,907	—		
Real estate mortgage investment conduits	32,717	—	32,717	—	28,877	—	28,877	—		
Residential mortgage-backed securities	16,945	—	16,945	—	15,471	—	15,471	—		
Other mortgage-backed securities	35,811	—	35,811	—	40,983	—	40,983	—		
Total assets measured at fair value on a recurring basis	\$ 165,782	\$ —	\$ 165,782	\$ —	\$ 211,499	\$ —	\$ 211,499	\$ —		

There were no transfers of assets into or out of Levels 1, 2 or 3 during the years ended **March 31, 2023** **March 31, 2024** and **2022**.

The following methods were used to estimate the fair value of investment securities in the above table:

Investment securities are included within Level 1 of the hierarchy when quoted prices in an active market for identical assets are available. The Company uses a third-party pricing service to assist the Company in determining the fair value of its Level 2 securities, which incorporates pricing models and/or quoted prices of investment securities with similar characteristics. Investment securities are included within Level 3 of the hierarchy when there are significant unobservable inputs.

For Level 2 securities, the independent pricing service provides pricing information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data from market research publications.

97.98

[Table of Contents](#)

The Company's third-party pricing service has established processes for the Company to submit inquiries regarding the estimated fair value. In such cases, the Company's third-party pricing service will review the inputs to the evaluation in light of any new market data presented by the Company. The Company's third-party pricing service may then affirm the original estimated fair value or may update the evaluation on a go-forward basis.

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

There were no assets that are measured at estimated fair value on a nonrecurring basis at **March 31, 2024**. The following tables present table presents assets that are measured at estimated fair value on a nonrecurring basis at the **dates** **date** indicated (in thousands):

March 31, 2023		Total			Estimated Fair Value			Total			Estimated Fair Value		
		Estimated	Measurements Using			Estimated	Measurements Using			Level 1	Level 2	Level 3	
			Fair Value	Level 1	Level 2		Level 1	Level 2	Level 3				
	Impaired loans		\$ 89	\$ —	\$ —	\$ 89	\$ 89	\$ —	\$ —	\$ —	\$ —	\$ 89	
March 31, 2022													
	Impaired loans		\$ 228	\$ —	\$ —	\$ 228							

The following table presents quantitative information about Level 3 inputs for financial instruments measured at fair value on a nonrecurring basis at **March 31, 2023** **March 31, 2024** and **2022**:

March 31, 2023	Valuation Technique	Significant Unobservable Inputs		Range
		Appraised value	Adjustment for market conditions	
				N/A (1)
	Discounted cash flows		Discount rate	5.375 % - 8.000%

⁽¹⁾ There were no adjustments to appraised values of impaired loans as of March 31, 2023 and 2022.

For information regarding the Company's method for estimating the fair value of impaired individually evaluated loans, see Note 1 – Summary of Significant Accounting Policies – **Allowance for Loan Losses: ACL on Loans**.

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

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

The following disclosure of the estimated fair value of financial instruments is made in accordance with GAAP. The Company, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. However, considerable judgment is necessary to interpret market data in the development of the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could **realize in the future. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.**

98 99

[Table of Contents](#)

realize in the future. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts and estimated fair values of financial instruments are as follows at the dates indicated (in thousands):

	Carrying					Estimated	Carrying					Estimated
	Amount	Level 1	Level 2	Level 3	Fair Value		Amount	Level 1	Level 2	Level 3	Fair Value	
March 31, 2023												
March 31, 2024												
Assets:												
Cash and cash equivalents	\$ 22,044	\$ 22,044	\$ —	\$ —	\$ 22,044		\$ 23,642	\$ 23,642	\$ —	\$ —	\$ 23,642	
Certificates of deposit held for investment	249	—	248	—	248							
Investment securities available for sale	211,499	—	211,499	—	211,499		143,196	—	143,196	—	143,196	
Investment securities held to maturity	243,843	—	210,214	—	210,214		229,510	—	195,519	—	195,519	
Loans receivable, net	993,547	—	—	931,784	931,784		1,008,649	—	—	909,254	909,254	
FHLB stock	6,867	—	6,867	—	6,867		4,927	—	4,927	—	4,927	
Liabilities:												
Certificates of deposit	128,833	—	126,072	—	126,072		190,972	—	188,972	—	188,972	
FHLB advances	123,754	—	123,679	—	123,679		88,304	—	88,101	—	88,101	
Junior subordinated debentures	26,918	—	—	17,698	17,698		27,004	—	—	19,327	19,327	

	Carrying					Estimated Fair Value	Carrying					Estimated Fair Value
	March 31, 2022	Amount	Level 1	Level 2	Level 3		March 31, 2023	Amount	Level 1	Level 2	Level 3	
Assets:												
Cash and cash equivalents	\$ 241,424	\$ 241,424	\$ —	\$ —	\$ 241,424	\$ 22,044	\$ 22,044	\$ —	\$ —	\$ —	\$ 22,044	
Certificates of deposit held for investment	249	—	253	—	253	249	—	248	—	—	248	
Investment securities available for sale	165,782	—	165,782	—	165,782	211,499	—	211,499	—	—	211,499	
Investment securities held to maturity	253,100	—	236,029	—	236,029	243,843	—	210,214	—	—	210,214	
Loans receivable, net	975,885	—	—	962,893	962,893	993,547	—	—	931,784	931,784	—	
FHLB stock	2,019	—	2,019	—	2,019	6,867	—	6,867	—	—	6,867	
Liabilities:												
Certificates of deposit	111,372	—	109,860	—	109,860	128,833	—	126,072	—	—	126,072	
FHLB advances						123,754	—	123,679	—	—	123,679	
Junior subordinated debentures	26,833	—	—	16,046	16,046	26,918	—	—	17,698	17,698	—	

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

16.15. REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with ASC Topic 606 "Revenues from Contracts with Customers" ("ASC 606"), revenues are recognized when goods or services are transferred to the customer in exchange for the consideration the Company expects to be entitled to receive. The largest portion of the Company's revenue is from interest income, which is not within the scope of ASC 606. All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income with the exception of gains on sales of REO and premises and equipment, which are included in non-interest expense.

If a contract is determined to be within the scope of ASC 606, the Company recognizes revenue as it satisfies a performance obligation. Payments from customers are generally collected at the time services are rendered, monthly, or quarterly. For contracts with customers within the scope of ASC 606, revenue is either earned at a point in time or revenue is earned over time. Examples of revenue earned at a point in time are automated teller machine ("ATM") transaction fees, wire transfer fees, overdraft fees and interchange fees. Revenue earned at a point in time is primarily based on the number and type of transactions that are generally derived from transactional information accumulated by the Company's systems and is recognized immediately as the transactions occur or upon providing the service to complete the customer's transaction. The Company is generally the principal in these contracts, with the exception of interchange fees, in which case the Company is acting as the agent and records revenue net of expenses paid to the principal. Examples of revenue earned over time, which generally occur on a monthly basis, are deposit account maintenance fees, investment advisory fees, merchant revenue, trust and investment management fees and safe deposit box fees. Revenue is generally derived from transactional information accumulated by the Company's systems or those of third-parties and is recognized as the related transactions occur or services

99 100

Table of Contents

and investment management fees and safe deposit box fees. Revenue is generally derived from transactional information accumulated by the Company's systems or those of third-parties and is recognized as the related transactions occur or services are rendered to the customer. For the years ended **March 31, 2023** **March 31, 2024**, **2022** **2023** and **2021** **2022**, substantially all of the Company's revenues within the scope of ASC 606 were for performance obligations satisfied at a point in time.

Disaggregation of Revenue

The following table includes the Company's non-interest income disaggregated by type of service (in thousands):

	Year Ended March 31,			Year Ended March 31,		
	2023	2022	2021	2024	2023	2022
Asset management fees	\$ 4,734	\$ 4,107	\$ 3,646	\$ 5,328	\$ 4,734	\$ 4,107
Debit card and ATM fees	3,341	3,499	3,103	3,250	3,341	3,499
Deposit related fees	1,737	1,634	1,514	1,823	1,737	1,634
Loan related fees	539	1,247	1,229	522	539	1,247
BOLI (1)	821	800	813			
Income from BOLI (1)				891	821	800
Net gains on sales of loans held for sale (1)	—	—	28	33	—	—
FHLMC loan servicing fees (1)	66	85	94	84	66	85
BOLI death benefit in excess of cash surrender value (1)	—	500	—	—	—	500
Loss on sale of investment securities (1)				(2,729)	—	—
Other, net	956	872	663	1,040	956	872
Total non-interest income, net	\$ 12,194	\$ 12,744	\$ 11,090	\$10,242	\$12,194	\$12,744

(1) Not within the scope of ASC 606

Revenues recognized within the scope of ASC 606

Asset management fees : Asset management fees are variable, since they are based on the customer's underlying portfolio value, which is subject to market conditions and amounts invested by clients through the Trust Company. Asset management fees are recognized over the period that services are provided, and when the portfolio values are known or can be estimated at the end of each quarter.

Debit card and ATM fees : Debit card and ATM interchange income represents fees earned when a debit card issued by the Bank is used. The Bank earns interchange fees from debit cardholder transactions through the MasterCard® payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the cardholders' debit card. Certain expenses directly associated with the debit cards are recorded on a net basis with the interchange income.

Deposit related fees : Fees are earned on the Bank's deposit accounts for various products offered to or services performed for the Bank's customers. Fees include business account fees, non-sufficient fund fees, stop payment fees, wire services, safe deposit box and others. These fees are recognized on a daily, monthly or quarterly basis, depending on the type of service.

Loan related fees : Non-interest loan fee income is earned on loans that the Bank services, excluding loans serviced for the FHLMC which are not within the scope of ASC 606. Loan related fees include prepayment fees, late charges, brokered loan fees, maintenance fees and others. These fees are recognized on a daily, monthly, quarterly or annual basis, depending on the type of service.

Other : Fees earned on other services, such as merchant services or occasional non-recurring type services, are recognized at the time of the event or the applicable billing cycle.

Contract Balances

As of **March 31, 2023** **March 31, 2024** and **2022, 2023**, the Company had no significant contract liabilities where the Company had an obligation to transfer goods or services for which the Company had already received consideration. In addition, the Company had no material unsatisfied performance obligations as of **March 31, 2023** **March 31, 2024** and **2022, 2023**.

100 101

17.16. COMMITMENTS AND CONTINGENCIES

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

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

Significant off-balance sheet commitments are listed below at the dates indicated (in thousands):

	Contract or Notional				Contract or Notional	
	Amount		Amount			
	March 31, 2023	March 31, 2022	March 31, 2024	March 31, 2023		
Commitments to extend credit:						
Adjustable-rate	\$ 12,489	\$ 17,125	\$ 9,907	\$ 12,489		
Fixed-rate	18	2,895	110	18		
Standby letters of credit	1,600	1,780	1,600	1,600		
Undisbursed loan funds and unused lines of credit	130,269	137,460	149,178	130,269		
Total	\$ 144,376	\$ 159,260	\$ 160,795	\$ 144,376		

At **March 31, 2023** **March 31, 2024**, the Company had no commitments to sell residential loans to the FHLMC.

Other Contractual Obligations – In connection with certain asset sales, the Company typically makes representations and warranties about the underlying assets conforming to specified guidelines. If the underlying assets do not conform to the specifications, the Company may have an obligation to repurchase the assets or indemnify the purchaser against loss. At **March 31, 2023** **March 31, 2024**, loans under warranty totaled **\$36.5 million** **\$31.4 million**, which substantially represented the unpaid principal balance of the Company's loans serviced for the FHLMC. The Company believes that the potential for loss under these arrangements is remote. At **March 31, 2023** **March 31, 2024**, the Company had an allowance for FHLMC-serviced loans of \$12,000.

The Bank is a public depository and, accordingly, accepts deposit and other public funds belonging to, or held for the benefit of, Washington and Oregon states, political subdivisions thereof, and municipal corporations. In accordance with applicable state law, in the event of default of a participating bank, all other participating banks in the state collectively assure that no loss of funds are suffered by any public depositor. Generally, in the event of default by a public depository, the assessment attributable to all public depositories is allocated on a pro rata basis in proportion to the maximum liability of each depository as it existed on the date of loss. The Company has not incurred any losses related to public depository funds for the years ended **March 31, 2023** **March 31, 2024**, **2022** **2023** and **2021** **2022**.

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

Litigation – The Company is periodically party to litigation arising in the ordinary course of business, some of which involve claims for substantial or uncertain amounts. At least quarterly, we assess liabilities and contingencies in connection with all outstanding or new legal matters, utilizing the most recent information available. For matters where a loss is not probable, or the amount of the loss cannot be estimated, no accrual is established. If we determine that a loss from a matter is probable and the amount of the loss can be reasonably estimated, we will establish an accrual for the loss. Once established, an accrual is

[Table of Contents](#)

adjusted as appropriate to reflect any subsequent developments in the specific legal matter. It is inherently difficult to estimate

[Table of Contents](#)

the amount of loss and there may be matters for which a loss is probable or reasonably possible but not currently estimable. Actual losses may be in excess of any established accrual or the range of reasonably possible loss. Management's estimate will change from time to time.

The Company is currently involved in a lawsuit for which certain parties participated in a mediation in May 2023 and a stay of proceedings is in place to allow for continued settlement efforts. Based on the most recent information available, management has concluded that a loss is not probable at this time and the amount of any potential loss cannot be reasonably estimated. Accordingly, no accrual has been established.

Any estimate or determination relating to the future resolution of legal matters is uncertain and involves significant judgment. We usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the process. **Although**

The Company is currently involved in a lawsuit for which certain parties participated in a mediation in May 2023 and a stay of proceedings is in place to allow for continued settlement efforts. At March 31, 2024, based on the most recent information available, management has concluded that a loss was probable and could be reasonably estimated. Accordingly, the Company determined that as of March 31, 2024, there can be no assurance as was a potential liability resulting from pending litigation involving a former Riverview business client related to their real estate investments offered by a business owned by that client. Given the ultimate outcome recent development of a specific legal matter, we believe we have meritorious defenses proposed global settlement of the litigation, the Company recorded a \$2.3 million expense in other non-interest expense during the quarter ended March 31, 2024. This expense reflects Riverview's estimate of litigation costs that exceed the Company's insurance coverage. The settlement of the litigation remains subject to approval by the claims asserted against us in the current outstanding legal matter, and we intend to continue to vigorously defend ourselves. It is possible that the ultimate resolution of a matter, if unfavorable, may be material to the Company's results of operations for any particular period. court.

18. 17. LEASES

The Company has a finance lease for the shell of the building constructed as the Company's operations center which expires in November 2039. The Company is also obligated under various noncancelable operating lease agreements for land, buildings and equipment that require future minimum rental payments. For each operating lease with an initial term of more than 12 months, the Company records an operating lease ROU asset (representing the right to use the underlying asset for the lease term) and an operating lease liability (representing the obligation to make lease payments required under the terms of the lease). ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses its estimated incremental borrowing rate – derived from information available at the lease commencement date – as the discount rate when determining the present value of lease payments. The Company does not have any operating leases with an initial term of 12 months or less. Certain operating leases contain various provisions for increases in rental rates, based either on changes in the published Consumer Price Index or a predetermined escalation schedule. Certain operating leases provide the Company with the option to extend the lease term one or more times following expiration of the initial term. Lease extensions are not reasonably certain and the Company generally does not include payments occurring during option periods in the calculation of its operating lease ROU assets and operating lease liabilities.

The table below presents the ROU assets and lease liabilities recorded in the consolidated balance sheet at the dates indicated (dollars in thousands):

Leases	March 31, 2023		March 31, 2022		Classification in the consolidated balance sheets		March 31, 2024		March 31, 2023		Classification in the consolidated balance sheets	
	Finance lease ROU assets	\$ 1,278	Finance lease ROU assets	\$ 1,355	Financing lease ROU assets	\$ 1,202	Finance lease ROU assets	\$ 1,278	Financing lease ROU assets	\$ 1,202	Finance lease ROU assets	
	Finance lease liability	\$ 2,229	Finance lease liability	\$ 2,283	Finance lease liability	\$ 2,168	Finance lease liability	\$ 2,229	Finance lease liability	\$ 2,168	Finance lease liability	
Finance lease remaining lease term		16.68 years	Finance lease remaining lease term	17.68 years		15.68 years	Finance lease remaining lease term	16.68 years		15.68 years	Finance lease remaining lease term	
Finance lease discount rate		7.16 %	Finance lease discount rate	7.16 %		7.16 %	Finance lease discount rate	7.16 %		7.16 %	Finance lease discount rate	
Operating lease ROU assets	\$ 6,705	\$ 7,907	Operating lease ROU assets	\$ 6,705	Prepaid expenses and other assets	\$ 5,479	Operating lease ROU assets	\$ 6,705	Prepaid expenses and other assets	\$ 5,479	Prepaid expenses and other assets	
Operating lease liabilities	\$ 7,064	\$ 8,306	Operating lease liabilities	\$ 7,064	Accrued expenses and other liabilities	\$ 5,780	Operating lease liabilities	\$ 7,064	Accrued expenses and other liabilities	\$ 5,780	Accrued expenses and other liabilities	
Operating lease weighted-average remaining lease term	6.15 years	7.02 years	Operating lease weighted-average remaining lease term	6.15 years		5.34 years	Operating lease weighted-average remaining lease term	6.15 years		5.34 years	Operating lease weighted-average remaining lease term	
Operating lease weighted-average discount rate	1.78 %	1.81 %	Operating lease weighted-average discount rate	1.78 %		1.74 %	Operating lease weighted-average discount rate	1.78 %		1.74 %	Operating lease weighted-average discount rate	

102 103

[Table of Contents](#)

The table below presents certain information related to the lease costs for operating leases, which are recorded in occupancy and depreciation in the accompanying consolidated statements of income at the dates indicated (in thousands):

Lease Costs	Year ended			Year ended			Year ended			Year	Year	Year
	March 31, 2023			March 31, 2022			March 31, 2021			ended	ended	ended
										March	March	March
Finance lease amortization of ROU asset	\$ 77	\$ 77	\$ 77	\$ 77	\$ 77	\$ 77	\$ 76	\$ 77	\$ 77	\$ 76	\$ 77	\$ 77
Finance lease interest on lease liability		162		165		168		158		162		165
Operating lease costs		1,133		1,266		1,312		1,133		1,133		1,266
Variable lease costs		209		209		209		209		209		209
Total lease cost (1)	\$ 1,581	\$ 1,717	\$ 1,766	\$ 1,766	\$ 1,576	\$ 1,581	\$ 1,717	\$ 1,766	\$ 1,766	\$ 1,576	\$ 1,581	\$ 1,717

(1) Income related to sub-lease activity is not significant and not presented herein.

Supplemental cash flow information – Operating cash flows paid for operating lease amounts included in the measurement of lease liabilities was \$1.4 million, \$1.5 million \$1.4 million and \$1.5 million for the years ended March 31, 2023 March 31, 2024, 2022 2023 and 2021 2022, respectively. During the fiscal year years ended March 31, 2023, March 31, 2024 and 2023, the Company did not record any ROU assets that were

exchanged for operating lease liabilities. During the years ended March 31, 2022 and 2021, the Company recorded operating lease ROU assets that were exchanged for operating lease liabilities of \$441,000 and \$6.1 million, respectively. \$441,000.

The following table reconciles the undiscounted cash flows for the periods presented related to the Company's lease liabilities as of March 31, 2023 March 31, 2024 (in thousands):

Year Ending March 31:	Operating		Finance			
	Leases		Lease	Operating		Finance
Fiscal Year Ending March 31:	\$		\$		\$	
2024	\$ 1,370		\$ 219			
2025	1,375		222	\$ 1,375	\$ 222	
2026	1,125		226	1,125	226	
2027	1,116		230	1,116	230	
2028	899		232	899	232	
2029				684	232	
Thereafter	1,632		2,712	947	2,480	
Total minimum lease payments	7,517		3,841	6,146	3,622	
Less: amount of lease payment representing interest	(453)		(1,612)			
Less: amount of lease payments representing interest				(366)	(1,454)	
Lease liabilities	\$ 7,064		\$ 2,229	\$ 5,780	\$ 2,168	

103 104

[Table of Contents](#)

19.18. RIVERVIEW BANCORP, INC. (PARENT COMPANY ONLY)

BALANCE SHEETS

AS OF MARCH 31, 2023 2024 AND 2022 2023

(In thousands)	2023	2022	2024	2023
ASSETS				
Cash and cash equivalents	\$ 5,480	\$ 10,867	\$ 9,483	\$ 5,480
Investment in the Bank	175,833	173,223	171,390	175,833
Other assets	2,342	1,321	3,104	2,342
TOTAL ASSETS	\$ 183,655	\$ 185,411	\$ 183,977	\$ 183,655
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued expenses and other liabilities	\$ 224	\$ 112	\$ 118	\$ 224
Dividend payable	1,274	1,217	1,267	1,274
Borrowings	26,918	26,833	27,004	26,918
Shareholders' equity	155,239	157,249	155,588	155,239
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 183,655	\$ 185,411	\$ 183,977	\$ 183,655

STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31, 2024, 2023 2022 AND 2021 2022

(In thousands)	2023	2022	2021	2024	2023	2022
INCOME:						
Interest on investment securities and other short-term investments	\$ 129	\$ 16	\$ 17	\$ 262	\$ 129	\$ 16
Total income	129	16	17	262	129	16
EXPENSE:						
Management service fees paid to the Bank	143	143	143	143	143	143
Other expenses	1,424	670	731	2,180	1,424	670
Total expense	1,567	813	874	2,323	1,567	813
LOSS BEFORE INCOME TAXES AND EQUITY						
IN UNDISTRIBUTED INCOME OF THE BANK	(1,438)	(797)	(857)	(2,062)	(1,438)	(797)
BENEFIT FOR INCOME TAXES						
(303)	(167)	(180)	(433)	(303)	(167)	
LOSS OF PARENT COMPANY						
(1,135)	(630)	(677)	(1,629)	(1,135)	(630)	
EQUITY IN UNDISTRIBUTED INCOME OF THE BANK						
19,204	22,450	11,149	5,428	19,204	22,450	
NET INCOME	\$ 18,069	\$ 21,820	\$ 10,472	\$ 3,799	\$ 18,069	\$ 21,820

There were no items of other comprehensive income that were solely attributable to the parent company.

104 105

[Table of Contents](#)

RIVERVIEW BANCORP, INC. (PARENT COMPANY ONLY)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2024, 2023 2022 AND 2021 2022

(In thousands)	2023	2022	2021	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	\$ 18,069	\$ 21,820	\$ 10,472	\$ 3,799	\$ 18,069	\$ 21,820
Adjustments to reconcile net income to net cash used in operating activities:						
Equity in undistributed income of the Bank	(19,204)	(22,450)	(11,149)	(5,428)	(19,204)	(22,450)
Amortization expense	85	85	86	86	85	85
Provision (benefit) for deferred income taxes	(1)	2	—	2	(1)	2
Stock-based compensation expense	390	319	396	34	390	319
Changes in assets and liabilities:						
Other assets	(1,019)	131	224	(764)	(1,019)	131
Accrued expenses and other liabilities	112	48	(417)	(105)	112	48
Net cash used in operating activities	(1,568)	(45)	(388)	(2,376)	(1,568)	(45)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Dividend from the Bank	8,000	7,500	6,000	12,000	8,000	7,500
Net cash provided by investing activities	8,000	7,500	6,000	12,000	8,000	7,500
CASH FLOWS FROM FINANCING ACTIVITIES:						
Dividends paid	(5,117)	(4,670)	(4,478)	(5,080)	(5,117)	(4,670)

Proceeds from exercise of stock options	4	16	50	36	4	16
Repurchase of common stock	(6,706)	(1,940)	(1,447)	(577)	(6,706)	(1,940)
Net cash used in financing activities	(11,819)	(6,594)	(5,875)	(5,621)	(11,819)	(6,594)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,387)	861	(263)	4,003	(5,387)	861
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,867	10,006	10,269	5,480	10,867	10,006
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,480	\$ 10,867	\$ 10,006	\$ 9,483	\$ 5,480	\$ 10,867

105 106

[Table of Contents](#)

RIVERVIEW BANCORP, INC.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

(Dollars in thousands, except per share data)	Three Months Ended			Three Months Ended		
	March 31	December 31	September 30	June 30		
Fiscal 2024:						
Interest and dividend income	\$ 14,291	\$ 14,272	\$ 14,035	\$ 13,957		
Interest expense	5,739	4,948	4,184	3,598		
Net interest income	8,552	9,324	9,851	10,359		
Provision for credit losses	—	—	—	—		
Non-interest income, net	494	3,056	3,407	3,285		
Non-interest expense	13,109	10,551	10,089	9,978		
Income (loss) before income taxes	(4,063)	1,829	3,169	3,666		
Provision (benefit) for income taxes	(1,095)	377	697	823		
Net income (loss)	\$ (2,968)	\$ 1,452	\$ 2,472	\$ 2,843		
Basic earnings (loss) per common share (1)	\$ (0.14)	\$ 0.07	\$ 0.12	\$ 0.13		
Diluted earnings (loss) per common share (1)	\$ (0.14)	\$ 0.07	\$ 0.12	\$ 0.13		
Fiscal 2023:						
	March 31	December 31	September 30	June 30		
Interest and dividend income	\$ 13,941	\$ 14,443	\$ 14,088	\$ 13,194	\$ 13,941	\$ 14,443
Interest expense	2,127	743	657	533	2,127	743
Net interest income	11,814	13,700	13,431	12,661	11,814	13,700
Provision for loan losses	750	—	—	—	750	—
Non-interest income, net	2,971	2,963	3,134	3,126	2,971	2,963
Non-interest expense	9,950	9,848	9,804	9,769	9,950	9,848

Income before income taxes	4,085	6,815	6,761	6,018	4,085	6,815	6,761	6,018
Provision for income taxes	1,102	1,575	1,567	1,366	1,102	1,575	1,567	1,366
Net income	\$ 2,983	\$ 5,240	\$ 5,194	\$ 4,652	\$ 2,983	\$ 5,240	\$ 5,194	\$ 4,652
Basic earnings per common share (1)	\$ 0.14	\$ 0.24	\$ 0.24	\$ 0.21	\$ 0.14	\$ 0.24	\$ 0.24	\$ 0.21
Diluted earnings per common share (1)	\$ 0.14	\$ 0.24	\$ 0.24	\$ 0.21	\$ 0.14	\$ 0.24	\$ 0.24	\$ 0.21
Fiscal 2022:								
Interest and dividend income	\$ 12,389	\$ 12,551	\$ 12,965	\$ 11,920				
Interest expense	483	492	589	636				
Net interest income	11,906	12,059	12,376	11,284				
Recapture of loan losses	(650)	(1,275)	(1,100)	(1,600)				
Non-interest income, net	2,966	3,116	3,074	3,588				
Non-interest expense	10,115	9,279	8,187	9,137				
Income before income taxes	5,407	7,171	8,363	7,335				
Provision for income taxes	1,282	1,661	1,933	1,580				
Net income	\$ 4,125	\$ 5,510	\$ 6,430	\$ 5,755				
Basic earnings per common share (1)	\$ 0.19	\$ 0.25	\$ 0.29	\$ 0.26				
Diluted earnings per common share (1)	\$ 0.19	\$ 0.25	\$ 0.29	\$ 0.26				

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

106 107

[Table of Contents](#)

[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 Rule 13a-15(e) of the Securities Exchange Act of 1934 ("Exchange Act")) was carried out under the supervision and with the participation of the Company's **Acting** Chief Executive Officer (principal executive officer), Chief Financial Officer (principal financial officer) and several other members of the Company's senior management as of the end of the period covered by this annual report. The Company's **Acting** Chief Executive Officer and Chief Financial Officer concluded that as of **March 31, 2023** **March 31, 2024**, the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to the Company's management (including the **Acting** 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.

While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures. The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns in controls or procedures can occur because of simple errors or mistakes. 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 controls. The design of any control procedure is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls 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 attributable to errors 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 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 consolidated 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, 2023** **March 31, 2024**. To make the assessment, we used the criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we have concluded that, as of **March 31, 2023** **March 31, 2024**, the Company's internal control over financial reporting was effective based on those criteria.

Item 9B. Other Information

- (a) Nothing to report.
- (b) During the quarter ended March 31, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.
None.

108

[Table of Contents](#)

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

107

[Table of Contents](#)

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers

The information concerning our directors contained under the section captioned "Proposal I -- Election of Directors" contained in the Company's Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders, and information concerning our executive **officer** **officers** contained in "Part I - Business -- Executive Officers" of this Form 10-K, is incorporated herein by reference.

Code of Ethics

The Board of Directors has adopted a Code of Conduct, Conflict of Interest and Whistleblower Policy. The Code of Conduct, Conflict of Interest and Whistleblower Policy 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 Conduct, Conflict of Interest and Whistleblower Policy is available on the Company's website at www.riverviewbank.com.

Audit Committee Matters and Audit Committee Financial Expert

The Company has a separately-designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act, composed of Directors Patricia W. Eby, Bess R. Wills, and Larry A. Hoff. Each member of the Audit Committee is "independent," as defined in the Nasdaq Stock Market Listing Standards. The Company's Board of Directors has determined that Mrs. Eby, is an "audit committee financial expert", as defined in Item 407(e) of Regulation S-K of the Exchange Act. Additional information concerning the Audit Committee as set forth under the section captioned "Audit Committee Matters" in the Company's Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders (excluding the information contained under the heading "Audit Committee Matters – Report of the Audit Committee") is incorporated herein by reference.

Nomination Procedures

There have 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 set forth under the sections captioned "Executive Compensation" and "Directors' Compensation" in the Company's Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders is incorporated herein by reference.

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

Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders is incorporated herein by reference.

Change in Control

The Company is not aware of any arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

108 **109**

Table of Contents

Equity Compensation Plan Information. The following table summarizes share and exercise price information about the Company's equity compensation plan as of **March 31, 2023** **March 31, 2024**:

	Number of
--	-----------

Plan category	Number of securities to be issued upon exercise of outstanding options			Weighted-average price of outstanding options	securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (A)
	(A)	(B)	(C)		
Equity compensation plans approved by security holders:					
2017 Equity Incentive Plan	—	—	—	—	1,517,449
2003 Stock Option Plan	14,310	\$ 2.78	—	—	—
Equity compensation plans not approved by security holders:					
Total	14,310	\$ 2.78	—	—	1,517,449 (1)

Plan category	Number of securities to be issued upon exercise of outstanding options			Weighted-average price of outstanding options	securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (A)
	(A)	(B)	(C)		
Equity compensation plans approved by security holders:					
2017 Equity Incentive Plan	—	—	—	—	1,532,003
Equity compensation plans not approved by security holders:					
Total	—	—	—	—	1,532,003 (1)

(1) All of the remaining securities are available for future issuance as restricted stock, restricted stock units or stock options.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information set forth under the headings "Related Party Transactions" and "Director Independence and Tenure" under the heading "Meetings and Committees of the Board of Directors and Corporate Governance Matters – Corporate Governance" in the Company's Proxy Statement for the **2023 2024** Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information set forth under the section captioned "Independent Registered Public Accounting Firm" in the Company's Proxy Statement for the **2023 2024** Annual Meeting of Stockholders is incorporated herein by reference.

109 110

[Table of Contents](#)

PART IV

Item 15. Exhibits and 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 [Amended and Restated Bylaws of the Registrant \(2\)](#)
- 4.1 [Form of Certificate of Common Stock of the Registrant \(1\)](#)
- 4.2 [Description of Riverview Bancorp, Inc. Common Stock \(3\)](#)
- 10.1 [Form of Employment Agreement between the Company and the Bank and each of Kevin J. Lycklama, David Lam, Daniel D. Cox and Steven P. Plambeck \(4\) David Lam *](#)
- 10.2 [Form of Change in Control Agreement between the Company and the Bank and each of Kevin J. Lycklama, David Lam, Daniel D. Cox and Steven P. Plambeck \(4\) David Lam *](#)
- 10.3 [Employee Stock Ownership Plan \(5\) Form of Employment Agreement between the Company and Evan Sowers *](#)
- 10.4 [2003 Stock Option Plan \(6\) Form of Change in Control Agreement between the Company and Evan Sowers *](#)
- 10.5 [Form of Incentive Employee Stock Option Award Pursuant to 2003 Stock Option Ownership Plan \(7\) \(4\)](#)
- 10.6 [Form of Non-qualified Stock Option Award Pursuant to 2003 Stock Option Deferred Compensation Plan \(7\) \(5\)](#)
- 10.7 [Deferred Compensation 2017 Equity Incentive Plan \(8\) \(6\)](#)
- 10.8 [2017 Equity Incentive Plan \(9\)](#)
- 10.9 [Form of Incentive Stock Option Award Agreement under the Riverview Bancorp, Inc. 2017 Equity Incentive Plan \(10\) \(7\)](#)
- 10.10 [Form of Non-Qualified Stock Option Award Agreement under the Riverview Bancorp, Inc. 2017 Equity Incentive Plan \(10\) \(7\)](#)
- 10.11 [Form of Restricted Stock Award Agreement under the Riverview Bancorp, Inc. 2017 Equity Incentive Plan \(10\) \(7\)](#)
- 10.12 [Form of Restricted Stock Unit Award Agreement under the Riverview Bancorp, Inc. 2017 Equity Incentive Plan \(10\) \(7\)](#)
- 14 [Code of Ethics and Conduct Policy \(11\) \(8\)](#)
- 21 [Subsidiaries of Registrant *](#)
- 23 [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 of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act *](#)
- 97 [Compensation Recovery Policy *](#)
- 101 The following materials from Riverview Bancorp Inc.'s Annual Report on Form 10-K for the year ended [March 31, 2023](#) [March 31, 2024](#), formatted in Inline Extensible Business Reporting Language (XBRL) (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income; (d) Consolidated Statements of Shareholders' Equity (e) Consolidated Statements of Cash Flows; and (f) Notes to Consolidated Financial Statements *
- 104 Cover Page Interactive Data File, formatted in Inline XBRL and included in Exhibit 101

(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 filed with the SEC on [October 4, 2022](#) [August 28, 2023](#) and incorporated herein by reference.

(3) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, and incorporated herein by reference.

(4) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2019, and incorporated herein by reference.

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

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

(7) 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.

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

(9) (6) Filed as Appendix A to the Registrant's Definitive Annual Meeting Proxy Statement (000-22957), filed with the Commission on June 16, 2017, and incorporated herein by reference.

(10) (7) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 (Registration No. 333-228099), and incorporated herein by reference.

(11) (8) Registrant elects to satisfy Regulation S-K §229.406(c) by posting its Code of Ethics on its website at www.riverviewbank.com in the section titled About: Code of Conduct.

* Filed herewith

Item 16. Form 10-K Summary

None.

110 111

Table of Contents

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 14, 2023 2024

By: /s/ Kevin J. Lycklama Daniel D. Cox

Kevin J. Lycklama Daniel D. Cox

Acting President and Chief Executive Officer

Director

(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/ Gerald L. Nies

Gerald L. Nies

Chairman of the Board

By: /s/ Kevin J. Lycklama Daniel D. Cox

Kevin J. Lycklama Daniel D. Cox

Acting President and Chief Executive Officer

Director

(Acting Principal Executive Officer)

Date: June 14, 2023 2024

Date: June 14, 2023 2024

By: /s/ David Lam

David Lam

Executive Vice President and

Chief Financial Officer

(Principal Financial and Accounting Officer)

By: /s/ Bradley J. Carlson Bess R. Wills

Bradley J. Carlson Bess R. Wills

Director

Date: June 14, 2023 2024

Date: June 14, 2023 2024

By: /s/ Patrick Sheaffer Bradley J. Carlson

Patrick Sheaffer Bradley J. Carlson

Director

By: /s/ Bess R. Wills Patricia W. Eby

Bess R. Wills Patricia W. Eby

Director

Date: June 14, 2023 2024

Date: June 14, 2023 2024

By: /s/ Larry A. Hoff

Larry A. Hoff
Director

By: /s/ Stacey A. Graham

Stacey A. Graham
Director

Date: June 14, 2023 2024

Date: June 14, 2023 2024

By: /s/ Patricia W. Eby

Patricia W. Eby
Valerie Moreno
Director

By: /s/ Valerie Moreno

Director

Date: June 14, 2023 2024

Date: June 14, 2023

111112

Exhibit 10.1

RIVERVIEW BANCORP, INC.

RIVERVIEW BANK

EMPLOYMENT AGREEMENT

FOR

718735.0003/9045901.6

RIVERVIEW BANCORP, INC.

RIVERVIEW BANK

EMPLOYMENT AGREEMENT

FOR

This EMPLOYMENT AGREEMENT (this "Agreement") is entered into by and between RIVERVIEW BANCORP, INC., a registered bank holding company ("Bancorp"), and RIVERVIEW BANK, a state-chartered commercial bank (the "Bank"), which is a wholly owned subsidiary of Bancorp (Bancorp and the Bank are collectively referred to as the "Company"), and _____ ("Executive"), and is dated _____, 202____ (the "Effective Date"). The Company and Executive are referred to herein individually as a "Party" and collectively as the "Parties."

1. At-Will Employment. The Bank will commence or continue to employ Executive, subject to the terms and conditions set forth in this Agreement. Executive's employment is "at will" and, as such, the Company may terminate Executive's employment at any time, for any lawful reason or for no reason at all, subject to the provisions of this Agreement. Similarly, Executive may terminate Executive's employment at any time, for any reason, subject to the provisions of this Agreement.

2. Term/Extension.

- (a) The term of this Agreement begins on the Effective Date and shall continue until the one (1) year anniversary thereof, unless Executive's employment is terminated earlier pursuant to Section 6. The period during which Executive is employed by the Bank under this Agreement is referred to as the "Employment Term."
- (b) At any time during the Employment Term, the Company's Board of Directors (the "Board") may elect, in writing, to extend the Employment Term of this Agreement on the same terms and conditions for one (1) additional year beyond the current Employment Term. This Agreement may be extended in writing any number of times in the same manner.
- (c) Executive's Termination Date shall be the last date of the Employment Term, unless Executive's employment is terminated earlier pursuant to Section 6.

3. Position. Executive will serve as the Bank's _____ or such other position as the Company may designate from time to time. Executive also agrees to serve, if elected, as an officer and/or director of the Company or any of its affiliates. Executive will faithfully and diligently perform the duties that are normal and customary to the position, as well as those duties assigned from time to time by the Board and/or the Bank's Chief Executive

718735.0003/9045901.6 1

Officer (the "Bank CEO"). Executive's duties and responsibilities shall be subject to change from time to time in the Board's or the Bank CEO's discretion; provided, however, that the foregoing shall not vitiate or modify the application of the termination for Cause provision of Subsection 6(b) hereof, or Executive's rights upon any resignation for Good Reason in Subsection 6(c).

4. Obligations.

- (a) Executive shall devote Executive's best efforts, energies, and skills to the position, and will perform Executive's duties, responsibilities, and functions for the Company to the best of Executive's abilities in a diligent, trustworthy, professional, and efficient manner.
- (b) Executive shall exercise the highest degree of good faith in Executive's dealings with and on behalf of the Company, and shall not engage in any other business or professional or employment activity that would prevent Executive from fully and satisfactorily performing the duties required by the Company or that might reasonably be deemed to be contrary to the Company's interests. Activities approved in writing in advance by the Board, and passive investments that do not involve Executive providing any advice or services to the businesses in which the investments are made, will not be deemed contrary to the Company's interests.
- (c) The principal place of Executive's employment shall be the Company's headquarters in the greater Vancouver, Washington metropolitan area, provided that Executive may be required to travel on Company business during the Employment Term. Executive agrees to maintain a full-time residence in close proximity to Vancouver, Washington during the Employment Term.
- (d) Executive's employment shall be governed by any employment policies, procedures, and handbooks that may be adopted by the Company and applicable to employees (the "Company's Employment Policies"), as they may be modified from time to time, except to the extent the Company's Employment Policies are inconsistent with the terms of this Agreement, in which case this Agreement shall control. The Company's Employment Policies may include, but are not limited to, the Personnel Policy Manual, the Code of Conduct, the Conflict of Interest and Whistleblower Policy, and the Technology Use Policy. In performing Executive's duties, Executive also agrees to act in accordance with applicable federal, state, and local laws.
- (e) The Company anticipates that Executive will be active in community associations in the Company's market area.

5. Compensation/Benefits.

- (a) **Base Salary.** For services performed under this Agreement, Executive's annual rate of pay as of the Effective Date is \$_____ (the "Base Salary"). The Base Salary will be paid in periodic installments, in accordance with the Company's regular payroll policies and schedule and subject to all lawful and authorized

718735.0003/9045901.6 2

- deductions and withholdings. Executive's Base Salary shall be reviewed at least annually by the Board after taking into consideration the Executive's performance individually and as part of the Company, and the Board may, but shall not be required to, increase the Base Salary during the Employment Term.
- (b) **Incentive Compensation.** In addition to the Base Salary, Executive will participate in the Company's Annual Incentive Plan and Equity Incentive Plan, and any successor incentive compensation plans, and be eligible for incentive compensation, to be paid in compliance with the terms and conditions of applicable incentive compensation plans (the "Incentive Compensation").
- (c) **Phone/Auto Allowance.** Executive will receive an allowance of \$_____ per month, for expenses related to use of Executive's personal mobile phone and vehicle for business purposes. **Each monthly allowance will be payable at the end of that calendar month, and will be pro-rated for any partial month of employment.**

(d) **Other Benefits.** During the term of this Agreement, Executive shall be entitled to participate in the Company's health and welfare, retirement, and all other employee benefit plans, practices, and programs maintained by the Company (including paid time off benefits), as in effect from time to time (collectively, "Employee Benefit Plans"), and which other employees of the Company are generally eligible, subject to the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or terminate any Employee Benefit Plans at any time in its sole discretion, subject to the terms of such Employee Benefit Plans and applicable law.

(e) **Reimbursable Expenses.** Executive is authorized to receive reimbursement for reasonable expenses incurred in performing Executive's duties and in promoting the business of the Company, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established from time to time, by the Company, and further provided that all such reimbursements shall comply with Section 409A of the Internal Revenue Code of 1986, as it may be amended from time to time (the "Code").

(f) **Insurance and Indemnification.** The Company shall provide Executive (including Executive's heirs, executors, and administrators) with coverage under a standard directors' and officers' liability insurance policy at the Company's expense and, with respect to any claims not covered by that policy, shall indemnify Executive (and Executive's heirs, executors, and administrators) to the fullest extent permitted under law against all expenses and liabilities reasonably incurred by Executive in connection with or arising out of any action, suit, or proceeding brought by a third party against the Company in which Executive may be involved by reason of having been a director or officer of the Company or any of its affiliates (whether or not Executive continues to be a director or officer at the time of incurring those expenses or liabilities). Those expenses and liabilities include, but are not limited to, court costs, attorneys' fees and expenses, judgments, and reasonable settlement costs; provided, however, the Company shall not be required

718735.0003/9045901.6 3

to reimburse Executive for any expenses and liabilities caused by Executive's intentional or reckless violation of the Company's Employment Policies or the law.

(g) **Withholding Taxes.** All amounts payable to Executive as compensation and benefits hereunder, including any bonuses or other monetary incentives, shall be subject to such federal, state, and local taxes, as may be required to be withheld pursuant to any applicable law or regulation.

6. Termination of Employment. Executive's employment and this Agreement may be terminated by the Company, with or without cause (as defined below), or by Executive, with or without Good Reason (as defined below). The Party seeking to terminate employment must provide written notice of its intent to terminate, citing the specific Subsection below upon which the Party is relying. Executive's employment may also terminate due to death or disability (as defined below).

(a) **Death or Disability.** Upon death, this Agreement automatically terminates as of the date of death, which shall be the Termination Date. Additionally, the Company may terminate this Agreement because of disability by delivering written notice to Executive stating the Termination Date. The Company's decision to terminate because of disability shall be based on its good-faith determination that Executive is unable, as result of physical or mental illness, to perform the essential functions of Executive's position, despite reasonable accommodation, for an aggregate of ninety (90) days during any period of one hundred eighty (180) consecutive days (unless a longer period is required by law, in which case the longer period would apply). The Company's disability determination should be based on evidence from a competent health care provider obtained with the cooperation of Executive, and should consider any reasonable accommodation that the Company may provide without undue hardship, and any other considerations required by law.

(b) **With or Without Cause.**

(1) **Definition of Cause.** "Cause" for termination of employment means the occurrence of any one or more of the following:

- (A) Conviction of any felony, a misdemeanor involving moral turpitude, or of any crime in connection with Executive's duties;
- (B) Removal of Executive from office or permanent prohibition of Executive from participating in the conduct of the Company's affairs by an order issued by a bank regulatory authority;
- (C) Conduct involving dishonesty, embezzlement, misappropriation, fraud, or a material breach of a fiduciary duty in the performance of Executive's duties;
- (D) Participation in any incident compromising Executive's reputation and, as a consequence, materially diminishing Executive's ability to represent the Company with the public;

718735.0003/9045901.6 4

(E) Conduct significantly harmful to the Company, including, but not limited to, public disparagement of the Company or any affiliate of the Company, or intentional or reckless violation of law or of any significant policy or procedure of the Company;

(F) Willful misfeasance, gross negligence, or refusal or failure to act in accordance with any lawful and reasonable stipulation, requirement, or directive of the Board or the Bank CEO. As used in this Subsection 6(b)(1)(F), the term "reasonable" means any stipulation, requirement, or directive that falls under the Board's or the Bank CEO's authority;

(G) Material breach of any material obligations under this Agreement or any other written policies or procedures of the Company;

(H) Sexual harassment, as defined by the Company's Employment Policies;

(I) Willful unauthorized disclosure of trade secrets and Confidential Information (as defined in Subsection 9(a)); or

(J) Chronic drug or alcohol abuse to an extent that materially impairs Executive's performance of Executive's duties.

(2) **Procedure for Termination for Cause.** Termination for Cause will be automatic upon the occurrence of an incident under Subsections 6(b)(1)(A) or (1)(B) above. Otherwise, the Board may not terminate Executive's employment for Cause unless:

(A) With respect to incidents under Subsections 6(b)(1)(C), (1)(D), (1)(E), (1)(F), (1)(G), (1)(H), (1)(I), or (1)(J):

(i) Executive is given reasonable written notice (in no event less than five (5)-business days' notice) of the Board meeting called to make that determination; and

(ii) Executive and Executive's legal counsel are given the opportunity to address the incident(s) at that meeting.

(B) In addition, with respect to incidents under Subsections (1)(F) or (1)(G) only, Executive is first given:

- (i) Written notice by the Board or the Bank CEO specifying in detail the performance issues; and
- (ii) A reasonable opportunity to cure the issues specified in the notice; provided, however, if the Company reasonably expects irreparable injury from a delay in termination, the

718735.0003/9045901.6 5

Company may terminate Executive without an opportunity to cure.

- (iii) If an opportunity to cure is provided, the Company's Board shall also determine, in its sole discretion, whether Executive has in fact cured the cause and done so in a timely manner.

(3) **Procedure for Termination Without Cause.** The Company may terminate Executive's employment and this Agreement during the Employment Term without Cause by delivering at least thirty (30)-days' prior written notice stating the Termination Date. During the period between the delivery of the notice of termination and the Termination Date, Executive's employment shall continue and Executive shall continue to perform Executive's duties and cooperate in the orderly transition of Executive's duties. At the Company's discretion, it may pay Executive's then-current Base Salary for the notice period and excuse Executive from any further duties during such period.

(c) **With Good Reason.**

(1) **Definition of Good Reason.** Subject to Subsection 6(c)(2) below, "Good Reason" for Executive's resignation means any one or more of the following occurring without Executive's consent:

- (A) A material reduction of Executive's Base Salary;
- (B) A relocation or transfer of Executive's principal place of employment that would require Executive to commute on a regular basis more than twenty-five (25) miles each way from the main business office of the Company as of the Effective Date; or
- (C) Any other action or inaction that constitutes a material breach of this Agreement by the Company.

(2) **Procedure for Resignation for Good Reason.** To resign for Good Reason, Executive must give the Company:

- (A) Written notice of the intended resignation and a detailed description of the Good Reason not more than thirty (30) days after Executive becomes aware of the initial existence of the Good Reason; and
- (B) A reasonable opportunity of at least thirty (30) days in which to cure those circumstances.
- (C) Good Reason shall not exist if Executive (a) fails to provide such notice within the thirty (30)-day notice period, or (b) the Company cures the specified condition within the thirty (30)-day cure period.

(d) **Resignation of All Other Positions.** Upon termination of Executive's employment hereunder for any reason (including expiration of this Agreement), Executive agrees to resign from all positions that Executive holds as an officer or member of a board (or a committee thereof) of the Company or any Company Affiliate (as defined in Subsection 9(f)(1)).

7. Separation Benefits.

(a) **Payment of Accrued Salary and Benefits.** Upon termination of Executive's employment for any reason, Executive will receive payments for all Base Salary and benefits accrued and payable as of Executive's Termination Date, which shall be paid in accordance with applicable law. All further compensation and benefits shall terminate as of the Termination Date, except as otherwise required by law (e.g., COBRA coverage) or as provided in Subsections 7(c), (d), or (e) below.

(b) **Termination for Cause or Without Good Reason.** If Executive's employment is terminated upon death, by the Company for Cause, by Executive without Good Reason, or expiration of this Agreement, Executive will have no right to receive additional compensation past the Termination Date and will have no right to any unpaid Incentive Compensation.

(c) **Termination Without Cause or for Good Reason.**

(1) Subject to the limitations in Subsection 7(c)(3) below, if Executive's employment is terminated by the Company without Cause or by Executive with Good Reason, the Company will pay Executive (or in the event of Executive's subsequent death, Executive's beneficiaries or estate) a severance benefit (the "Severance Benefit") in an aggregate amount equal to:

(A) Twelve (12) months of Executive's monthly Base Salary (based on the Executive's Base Salary as of the Termination Date), to be paid for a period of twelve (12) months beginning on the commencement date, as determined under Subsection 7(c)(3)(B) below, subject to all applicable payroll tax withholding and other deductions required by law;

(B) Any unpaid Incentive Compensation based on the fiscal year that ended immediately before the Termination Date, to be paid on the same date and in the same manner Executive would be paid if Executive remained employed with the Company, subject to all applicable payroll tax withholding and other deductions required by law; and

(C) If Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 or any applicable state health insurance continuation law ("COBRA"), the Company shall directly pay or reimburse

Executive for the monthly COBRA premium paid by Executive for Executive and Executive's dependents (at the same percentage as paid by the Company as of the Termination Date). Executive shall be eligible to receive such reimbursement until the earliest of: (i) the twelve (12)-month anniversary of the Termination Date; (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; or (iii) the date on which Executive becomes eligible to receive substantially similar coverage from another employer or other source. Notwithstanding the foregoing, if the Company's payments under this Subsection 7(c)(1)(C) would violate the nondiscrimination rules applicable to non-grandfathered plans under the Affordable Care Act (the "ACA"), or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder, the Parties agree to reform this Subsection 7(c)(1)(C) in a manner as is necessary to comply with the ACA.

- (2) The Parties intend the Severance Payments under this Section 7 to qualify for the exemption from Section 409A of the Code, for separation pay, pursuant to Treasury Regulations 1.409A-1(b)(9)(iii).
- (3) **Severance Benefit Limitations.** Payment of the Severance Benefit will be subject to the following limitations:
 - (A) **Release of Claims.** Executive's receipt of the Severance Benefit is conditioned on Executive having executed a separation agreement in substantially the same form attached hereto as Exhibit A (the "Separation Agreement") and the revocation period having expired without Executive having revoked the Separation Agreement. Executive must execute the Separation Agreement and the revocation period must expire within sixty (60) days of the Termination Date.
 - (B) **Commencement of Payment.** The first payment of the Severance Benefit is payable after the Separation Agreement is effective, but no later than sixty (60) days following the Termination Date; notwithstanding the foregoing to the contrary, where Executive's Termination Date occurs after November 1 of a calendar year, assuming the Company receives a fully executed Separation Agreement within sixty (60) days following the Termination Date, the first payment shall be made as soon as practicable after the beginning of the next following calendar year, but in no event later than March 15 of such calendar year.
 - (C) **Conclusion of Payment.** The Company's obligation to pay the Severance Benefit under this Agreement shall end immediately upon Executive engaging in Prohibited Activity (as defined under

718735.0003/9045901.6 8

Subsection 9(b)), or upon the conclusion of the twelve (12)-month period, whichever occurs first. Executive agrees to notify the Company in writing immediately upon Executive's commencement of Prohibited Activity. Executive understands and agrees that Executive must immediately return or repay to the Company any Severance Benefit, or portion thereof, that was made to Executive after the time Executive engages in Prohibited Activity. The conclusion of payment for engaging in Prohibited Activity shall apply, even if Executive's noncompetition restriction does not extend beyond Executive's Employment Term.

(D) **Compliance With Material Terms.** Receipt of the Severance Benefit is further conditioned on Executive not being in violation of any material term of this Agreement, including, without limitation, the restricted covenants in Section 9, or in violation of any material term of the Separation Agreement. If Executive violates any material term of this Agreement or the Separation Agreement, the Company may immediately stop paying the Severance Benefit and will have no further payment obligations.

(E) **Regulatory Limitation.** The Company shall make no payment for the Severance Benefit provided for under this Agreement to the extent that the payment would be prohibited by applicable banking regulations or any regulatory order. If the payment is prohibited, the Company shall use reasonable efforts to secure the consent of the banking regulator to make the payment in the highest amount permissible, up to the amount provided for in this Agreement.

(d) **Change in Control Benefits.**

(1) If Executive's employment terminates under circumstances that qualify as a payment event under the Change In Control Agreement between the Company and Executive, as amended (the "CIC Agreement"), Executive will receive:

(A) Only those payments under this Agreement that are payable under Subsection 7(a) above; and

(B) The benefits payable in accordance with the terms and conditions of the CIC Agreement, in lieu of or offset by any Severance Benefit payable under Subsection 7(c) above.

(2) If Executive's employment terminates under circumstances that do not qualify as a payment event under the CIC Agreement, the compensation and benefits payable to Executive upon termination of employment will be determined solely under this Section 7.

718735.0003/9045901.6 9

(e) **Disability.**

(1) **Transition Payment.** If Executive becomes disabled, as defined in Subsection 6(a) above, Executive's employment will terminate and the Company will pay Executive, as transition pay and in lieu of the Severance Benefit, a lump sum payment equal to four (4) months of Executive's Base Salary as of the Termination Date (the "Transition Payment"). The Transition Payment is subject to the limitations in Subsections 7(c)(3)(A), 7(c)(3)(D), and 7(c)(3)(E) above.

(2) **Commencement of Payment.** The Transition Payment is payable after the Separation Agreement is effective, but no later than sixty (60) days following the Termination Date; notwithstanding the foregoing to the contrary, where Executive's Termination Date occurs after November 1 of a calendar year, assuming the Company receives a fully executed Separation Agreement within sixty (60) days following the Termination Date, the Transition Payment shall be made as soon as practicable after the beginning of the next following calendar year, but in no event later than March 15 of such calendar year.

(3) **Transition Benefits.** If Executive becomes disabled, as defined in Subsection 6(a) above, Executive's employment will terminate and the Company will, if reasonably possible, continue Executive's life, medical, dental, and disability coverage on the policies in existence as of the Termination Date until the earliest of:

- (A) Executive's full-time employment with another employer;
- (B) Executive's death; or
- (C) The twelve (12)-month anniversary of the Termination Date.

8. Cooperation Following Termination of Employment. Executive agrees that when Executive's employment ends, whether voluntarily or involuntarily, Executive will cooperate fully with the Company in all matters relating to the completion of pending work, the orderly transfer of any such pending work to other employees, the return of all Company property, and in any business or legal matters in which participation is requested. Executive further agrees to preserve the attorney-client privilege regarding any legal matters to which Executive was privy during Executive's employment with the Company. If the Company asks Executive to assist in any litigation after employment ends, Executive agrees to cooperate by assisting the Company's counsel in the preparation and execution of sworn declarations, appearing voluntarily without subpoena, and testifying truthfully in declarations, depositions, and at any arbitrations, administrative hearings, or trials. If requested by the Company to provide such assistance, Executive shall be reimbursed for any reasonable out-of-pocket expenses.

718735.0003/9045901.6.10

9. Restrictive Covenants.

(a) Confidential Information.

- (1) During and after the term of this Agreement, Executive shall protect against loss, theft, or other inadvertent disclosure, and will preserve as confidential, any and all Confidential Information (defined in Subsection 9(a)(2)) at any time known to Executive or in Executive's possession or control with not less than the diligence, care, and effort that a prudent owner would use to protect and preserve his or her own most sensitive information. Executive will not, directly or indirectly, access, use, disclose, or disseminate to third parties, or allow others to access, disclose, disseminate, or use, any Confidential Information for any purpose other than for the sole benefit of the Company or as specifically required for the performance of Executive's duties on behalf of the Company, unless the Board consents to the use or disclosure in advance and in writing. Executive acknowledges and agrees that the covenants contained in this Subsection 5(a) shall supplement, rather than replace or contradict, any other rights or remedies that Company may have under applicable law. If a dispute arises, Executive has the burden to show that information is not Company's Confidential Information. If anyone tries to compel Executive to disclose any of Company's Confidential Information by subpoena or otherwise, Executive will promptly notify the Board or Bank CEO, so that Company may take any actions it deems necessary to protect its interests.
- (2) "Confidential Information" means information of the Company or any Company Affiliate (defined in Subsection 9(f)(1)), which (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Confidential Information also includes proprietary or secret information belonging to the Company or any Company Affiliate that was disclosed to or known by Executive as a consequence of Executive's employment with the Company and not otherwise publicly known, whether or not received prior to the Effective Date, whether or not marked confidential or labeled as Confidential Information, and whether or not considered a trade secret under applicable law. Confidential Information may consist of verbal, written, or electronically stored information, and may be tangible or merely remembered.

(A) The Company provides the following list of Confidential Information by way of example, but this list is not intended to be exhaustive: inventions; technical information; algorithms, designs, concepts, systems, techniques, methods, models, procedures, or processes; know-how or methodologies; manuals, contracts, or reports; purchasing or accounting information; regulatory

718735.0003/9045901.6 11

information and communications related thereto; financial history or projections; legal affairs; formulae; compositions; software or computer programs; research projects; business modes and information; the identity of all vendors, vendor lists, and vendor contact information; the identity of customers, customer lists, and customer contact information; pricing data; financial data; sources of supply; marketing plans and/or strategies, including price strategies; marketing, sales, technology, research and development, production, and merchandising systems or plans; and information pertaining to any aspect of any activity or business of the Company or Company Affiliates, or their vendors, suppliers, distributors, or customers, including, without limitation, information entrusted to the Company by third parties (including vendors, customers, and prospective vendors or customers), or any trade secrets or proprietary or confidential matter of the Company or of such third parties.

(B) Confidential Information does not include information that Executive can prove (i) was known by or in the possession of Executive prior to employment with the Company through means other than as a result of past relationships or business dealings between Executive and the Company or its vendors, suppliers, or customers; or (ii) consists in whole or in part of any Prior Intellectual Property (defined in Subsection 10(a)).

(3) Nothing in this Agreement prohibits Executive from disclosing any information when required to do so by law, such as pursuant to a valid subpoena or the valid order of a court of competent jurisdiction or authorized government agency, provided that the Company is notified in advance, whenever possible, and disclosure does not exceed the extent of disclosure required by such law, subpoena, or order. This Agreement also does not prevent Executive from making reports to any governmental agency, or making any disclosures permitted by law, such as disclosing or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between the Company and an employee.

(4) Pursuant to the Defend Trade Secrets Act of 2016, Executive will not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation against the Company for

718735.0003/9045901.6 12

reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(b) Noncompetition.

- (1)** During the term of employment and for a one (1)-year period following the Termination Date (unless the Company terminates Executive's employment without Cause (as defined in Subsection 6(b)(3)), Executive resigns for Good Reason (as defined in Subsection 6(c)), or the Company terminates Executive's employment because of disability (as defined under Subsection 6(a)), Executive agrees and covenants not to, directly or indirectly, with or without compensation, engage in any "Prohibited Activity" in any city, town, or county in which the Company or any Company Affiliate (defined in Subsection 9(f)(1)) has an office or branch or has filed an application for regulatory approval to establish an office or branch. For the sake of clarity, this noncompetition restriction shall not extend beyond Executive's Employment Term if Executive's employment is terminated by the Company without Cause (as defined under Subsection 6(b)(3)), Executive resigns for Good Reason (as defined under Subsection 6(c)(1)), or the Company terminates Executive because of disability (as defined under Subsection 6(a)). "Prohibited Activity" is defined as an activity Executive engages in or which Executive contributes Executive's knowledge, directly or indirectly, in whole or in part, as an employee, employer, operator, manager, advisor, consultant, contractor, agent, partner, director, stockholder, officer, volunteer, intern, or any other similar capacity, in the same or similar business of the Company, including, without limitation, the business of providing depository, lending, trust, or wealth management services. "Prohibited Activity" also includes activity that may require or inevitably require disclosure of trade secrets, proprietary information, or Confidential Information, including, without limitation, directly or indirectly, soliciting, inducing, or encouraging suppliers, vendors, investors, financial institutions, and other persons and entities with whom the Company is conducting business, or has conducted business during the twelve (12) months before the Termination Date, to terminate or limit their relationship with the Company or assist any person, group, or entity to do so or attempt to do so. Nothing herein shall prohibit Executive from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that Executive is not a controlling person of, or a member of a group that controls, such corporation.
- (2)** Notwithstanding the foregoing, this Subsection 9(b) is not enforceable against Executive if (A) Executive's primary work location is in the state of Washington; and (B) on the earlier of either the date of enforcement or the

718735.0003/9045901.6 13

Termination Date, Executive's annualized earnings do not meet or exceed the threshold established by the state of Washington for the enforceability of non-compete agreements. If Executive's employment is terminated as a result of a layoff, this Subsection 9(b) shall not be enforceable against Executive, unless the Company provides Executive written notice that it intends to enforce this Subsection 9(b) for a period not to exceed eighteen (18) months following the Termination Date, and the Company pays Executive an amount equal to Executive's Base Salary as of the Termination Date for the period of time the Company elects to enforce this Subsection 9(b), minus any and all compensation earned by Executive through subsequent employment during the period of enforcement. The Parties believe this Subsection 9(b) complies with all applicable law and regulations, including, without limitation, RCW 46.62. If at any time Executive believes this Subsection 9(b) violates applicable law, Executive agrees to provide the Company written notice of the alleged non-compliance, and shall give the Company thirty (30) days to cure such alleged non-compliance or agree not to enforce the allegedly non-compliant provision before Executive commences legal proceedings or reports such allegations to any governmental authority.

- (c) **Non-solicitation.** During employment and for a one (1)-year period following the Termination Date, Executive will not, directly or indirectly, with or without compensation, solicit any Customer of the Company or of any Company Affiliate (defined in Subsection 9(f)(1)) to cease or reduce the extent to which it is doing business with the Company or any Company Affiliate. "Customers" mean all customers serviced by the Company or any Company Affiliate at any time within twelve (12) months before the Termination Date.
- (d) **Non-raiding of Employees.** Executive recognizes that the workforce of the Company and Company Affiliates are a vital part of the Company's business. Therefore, Executive agrees that while employed by the Company and for twelve (12) months following the Termination Date, Executive will not, directly or indirectly, recruit or solicit any Company Employee to terminate his or her employment with the Company or any Company Affiliate. This includes indirect solicitation by disclosing or identifying any Company Employee as a potential candidate to a third party; however, this does not restrict general solicitations, such as help-wanted ads or job postings, so long as those solicitations are not specifically directed to individuals who are known to be currently employed by Company. For purposes of this Subsection, "Company Employees" means all employees working for the Company or any Company Affiliate as of the Termination Date.
- (e) **Injunctive Relief.** Executive acknowledges that the Company will suffer irreparable harm if Executive fails to observe the covenants in this Section 9, and it is impossible to measure in money the damages that the Company will incur if Executive fails to observe the covenants in this Section 9 (the "Restrictive Covenants"), and, therefore, Executive agrees that:

718735.0003/9045901.6 14

- (1) The Company shall be entitled to an injunction, restraining order, or such other equitable relief (without the requirement to post bond), restraining Executive from committing any breach or threatened breach of the Restrictive Covenants;
- (2) If the Company is required to post a bond in order to secure an injunction or other equitable remedy, that bond shall be no more than a nominal amount;
- (3) Executive waives any claim or defense that the Company is not irreparably harmed by Executive's breach, is not entitled to seek injunctive relief, or that an adequate remedy at law is available to the Company; and

(4) These injunctive remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

(f) **Reasonableness.** The Parties acknowledge and agree that:

(1) The Company and its parent, affiliates, partnerships, joint ventures, predecessors, successors, assigns, and other entities, directly or indirectly, controlled by, or under common control with, the Company ("Company Affiliates"), have developed substantial intellectual property and goodwill, including its reputation, brand, special skills, operating methods, and vendor and customer relationships, and has developed, and will receive from third parties, confidential information and trade secrets. Executive acknowledges and agrees that the Company is engaged in a highly competitive business, and that its competitive position depends upon its ability to maintain the confidentiality of its Confidential Information (as defined in Subsection 9(a)(2)). Executive acknowledges and agrees that the Confidential Information of the Company and Company Affiliates was developed, compiled, and acquired by the Company and Company Affiliates over a considerable period of time and at great effort and expense;

(2) As a result of Executive's employment with the Company, Executive has been, and will continue to be, personally entrusted with and exposed to Confidential Information and customers, vendors, inventors, and other business relationships of the Company and Company Affiliates, and may reasonably be expected to contribute to such Confidential Information. Any disclosure, divulging, revelation, or use of any Confidential Information, other than in connection with the Company's business or as specifically authorized by the Company, will be highly detrimental to the Company, and the Company would suffer great and material loss and irreparable harm if Executive uses Confidential Information, goodwill, or business relationships during or after employment ends for improper purposes;

(3) The Company would not employ Executive unless Executive agreed to the terms and conditions of Section 9, and as consideration for signing this

718735.0003/9045901.6 15

Agreement, which the Parties agree is adequate and sufficient, consists of (A) Executive's hire and/or ongoing employment with the Company; (B) compensation now and later paid to Executive; (C) access to the Confidential Information; (D) the benefits of the Company's goodwill, including introductions to the Company's customers and business partners; (E) training in the Company's know-how and unique techniques and methods; and (F) the terms and conditions of, and benefits received under, this Agreement;

(4) This Agreement in its entirety, and in particular the Restrictive Covenants, is reasonable both as to time and scope;

(5) The Restrictive Covenants are necessary for the protection of the goodwill and other legitimate interests of the business of the Company;

(6) The Restrictive Covenants are not any greater than are reasonably necessary to secure the Company's business and goodwill;

(7) The degree of injury to the public due to the loss of the service and skill of Executive or the restrictions placed upon Executive's opportunity to make a living with Executive's skills upon enforcement of those Restrictive Covenants, does not and will not warrant non-enforcement of those restraints; and

(8) If the scope of the Restrictive Covenants is adjudged too broad to be capable of enforcement, then the Parties authorize a court or arbitrator to narrow the Restrictive Covenants, so as to make them capable of enforcement, given all relevant circumstances, and to enforce them to the fullest extent allowed.

(g) **Survival.** This Section 9 shall survive the termination and expiration of this Agreement.

10. Protection of Intellectual Property.

(a) **Company's Ownership.** The Company owns all Inventions and Works (as defined below in Subsection 10(b)) that Executive makes, conceives, develops, discovers, reduces to practice, or fixes in a tangible medium of expression, alone or with others, either (a) during Executive's employment by the Company (including the Employment Term and past employment, and whether or not during working hours), or (b) within one (1) year after the Termination Date in each case, if the Invention or Works results from any work Executive performed for the Company or involves the use or assistance of the Company's facilities, equipment, materials, personnel, or Confidential Information. If Executive has any pre-existing Invention or Work that Executive requests to exclude from Company ownership ("Prior Intellectual Property"), Executive shall make full written disclosure to the Company by submitting an attachment to this Agreement listing the Prior Intellectual Property (the "Prior Intellectual Property Disclosure"). If Executive does not attach a Prior Intellectual Property Disclosure to this Agreement,

718735.0003/9045901.6 16

Executive represents and warrants that Executive owns no Prior Intellectual Property that Executive requests to exclude from Company ownership.

(b) **Definitions of Inventions and Works.** "Inventions" means discoveries, developments, concepts, ideas, improvements to existing technology, processes, procedures, machines, products, compositions of matter, trade secrets, formulas, algorithms, computer programs and techniques, custom software, and all other matters ordinarily intended by the word "invention," whether or not patentable or copyrightable. "Inventions" also includes all records and expressions of those matters. "Works" means original works of authorship, including interim work product, modifications, and derivative works, and all similar matters, whether or not copyrightable.

(c) **Disclosure and Assignment.** Executive will promptly disclose to the Company, will hold in trust for the Company's sole benefit, will assign to the Company, and hereby does assign to the Company, all Inventions and Works described in Subsections 10(a) and 10(b), including all copyrights, patent rights, and trade secret rights, vested and contingent, except those pre-existing Inventions identified on the Prior Intellectual Property Disclosure. To the extent that such Inventions and Works may be considered "works made for hire" under the copyright act, they are hereby agreed to be works made for hire; otherwise, Executive hereby irrevocably assigns and conveys all such rights, title, and interest to the Company, subject to no liens, claims, or reserved rights. Executive will waive and hereby does waive any moral rights Executive has or may have in the Inventions and Works described in Subsections 10(a) and 10(b). Executive further agrees that if the foregoing waiver is not effective, Executive agrees not to assert any such moral rights. To the extent that Executive cannot assign the rights contemplated in Subsections 10(a) and 10(b), including moral rights, Executive hereby grants to the Company a fully-paid, royalty-free, worldwide, perpetual, exclusive license to use, create, and own derivative works of and otherwise exploit such rights. At the Company's direction and expense, Executive will execute all documents and take all actions necessary or convenient for the Company to document, obtain, maintain, or assign its rights to these Inventions and Works. The Company shall have full control over all applications for patents or other legal protection of these Inventions and Works.

(d) **Disclaimer Regarding Inventions Developed Entirely on Executive's Own Time.** Pursuant to RCW 49.44.140(3), Subsection 10(c) of this Agreement regarding the assignment of certain inventions to the Company does not apply to an Invention for which no equipment, supplies, facilities, or trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (a) the Invention relates (i) directly to the Company's business, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by Executive for the Company.

11. Non-Disparagement. Executive agrees and covenants that Executive will not at any time make, publish, or communicate to any person or entity or in any public forum, any

718735.0003/9045901.6.17

defamatory or disparaging remarks, comments, or statements concerning the Company or Company Affiliates, or any of its employees, officers, investors, known customers, or other associated third parties; provided, however, that nothing in this Agreement shall preclude Executive from making truthful statements that are required or permitted by applicable law, regulation, or legal process, in accordance with Subsection 9(a)(3).

12. Return of Company Property. Executive will safeguard and return to the Company when Executive's employment ends, or sooner if the Company requests, all documents and property in Executive's care, custody, or control relating to Executive's employment or the Company's business and customers (including, but not limited to, Confidential Information (as defined in Subsection 9(a)(2)), keys, pass cards, identification cards, or any reproductions thereof, whether such information is reduced to writing, existing in hard copy or electronic form, and whether residing on the Company's or Executive's own personal computer, laptop, tablet, or mobile device, or other electronic media used for Company business. After employment ends, or sooner if the Company requests, Executive must disclose all computer user identifications and passwords used by Executive in the course of employment or necessary for accessing information on the Company's computer system, and Executive will not retain copies of any Confidential Information or other materials belonging to the Company, unless expressly authorized in writing by the Company. The obligations in this Section 12 include the return of documents and other materials that may be in Executive's desk at work, Executive's car or place of residence, or in any other location under Executive's control.

13. Dispute Resolution.

(a) **Arbitration.**

(1) The Parties agree to submit any dispute arising under this Agreement or Executive's employment with the Company, regardless of the nature of the dispute or the legal concepts involved, to final, binding, and private arbitration. Disputes subject to arbitration include not only disputes involving the negotiation, meaning, or performance of this Agreement, but also claims Executive may have against the Company or any Company Affiliate, or against any of their officers, directors, supervisors, managers, employees, or agents, arising out of Executive's employment relationship with the Company. Executive and the Company intend and agree that class action and representative action procedures are hereby waived and shall not be asserted, nor will they apply, in any arbitration pursuant to this Agreement. The Parties also agree that the following claims are not subject to arbitration: (a) claims that cannot be subject to arbitration as a matter of law; (b) claims for workers' compensation or unemployment compensation; and (c) claims under an Employee Benefit Plan that specifies a different procedure.

(2) All claims subject to arbitration shall be settled by final and binding arbitration in accordance with the employment dispute resolution rules of the American Arbitration Association ("AAA") in effect at the time the

718735.0003/9045901.6 18

demand for arbitration is made ("Rules and Procedures"), which are available online at <https://www.adr.org/sites/default/files/Employment%20Rules.pdf>. Accordingly, the Parties are not permitted to pursue court action regarding claims that are subject to arbitration. Such arbitration shall be filed with the AAA and shall be heard before a single neutral arbitrator who is experienced in employment law and who shall be selected as provided in AAA's Rules and Procedures. The aggrieved Party must file the arbitration complaint with the AAA and provide all other Parties against whom or which a claim is brought written notice no later than the expiration of the statute of limitations that the law prescribes for the claim. Otherwise, the claim shall be deemed waived. The arbitration complaint and written notice must identify and describe all claims, the facts upon which such claims are based, and the relief or remedy sought. Any arbitration shall be heard in Vancouver, Washington; provided, however, if arbitration in Vancouver, Washington is impractical because Executive's employment for the Company was located more than 100 miles from Vancouver, Washington, the arbitration may be held in the county and state where Executive last worked during Executive's employment for the Company.

(3) The Company shall be responsible for the arbitrator's fees and expenses in excess of any reasonable filing fee with the AAA; provided, however, each Party shall pay its own costs and attorneys' fees, if any. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. The arbitrator's decision shall be final, binding, and conclusive upon the Parties. Suit may be brought to compel arbitration or to enforce any arbitration award in a court of competent jurisdiction.

(4) Neither this agreement to arbitrate nor any demand for arbitration shall waive or otherwise affect the Company's right to obtain any provisional remedy, including, without limitation, injunctive relief for unfair competition, the use or unauthorized disclosure or misappropriation of trade secrets, the disclosure of any other Confidential Information, or the violation of the confidentiality or other provisions of Section 9 of this Agreement. This Agreement also does not prohibit Executive from filing an administrative charge or complaint with any governmental agency.

14. Miscellaneous.

(a) **Notices.** Any notice to be delivered under this Agreement shall be given in writing and shall be deemed delivered three (3) days after mailing by certified mail, postage prepaid, addressed to the Company's Chair of the Board or to Executive at Executive's last known address on record at the Company. Either Party may designate an address for notices by written notice to the other.

718735.0003/9045901.6 19

(b) **Governing Law; Venue & Jurisdiction.** Executive acknowledges that the Company maintains its headquarters in Vancouver, Washington. The Parties therefore agree that this Agreement shall be governed by and construed in accordance with the laws of the state of Washington, without giving effect to the rules governing the conflicts of laws, and without the aid of any canon, custom, or rule of law requiring construction against the drafter, and regardless of whether a Party changes domicile or residence. Executive hereby waives the right to argue to the contrary. In the event such election is invalid, then the court shall apply the law of the state or states in which Executive performs services for the Company. Executive consents to the exercise of personal jurisdiction by a court of competent jurisdiction in the state of Washington and agrees that venue for any action not subject to arbitration shall be in Clark County, Washington, and hereby waives the right to argue to the contrary.

(c) **Amendment; Waiver.** This Agreement may not be amended, released, discharged, abandoned, changed, or modified in any manner, except by an instrument in writing signed by each of the Parties; provided, however, the Board may extend the Employment Term of this Agreement in writing without the signature of Executive, as provided under Section 2. The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of any Party to enforce each and every such provision. No waiver or any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

(d) **Severability.** If any provision of this Agreement is held by a court or arbitrator to be invalid or unenforceable, the remaining provisions shall continue to be fully effective. If any part of this Agreement is held to be unenforceable as written, it shall be enforced to the maximum extent allowed by applicable law. The unenforceability of any provision in this Agreement in any jurisdiction shall not affect the enforceability of any provision of this Agreement in any other jurisdiction.

(e) **Entire Agreement.** This Agreement represents the entire agreement between the Parties regarding the matters addressed in this Agreement and, together with the Company's Employment Policies, govern the terms of Executive's employment. Where there is a conflict between this Agreement and the Company's Employment Policies, the terms of this Agreement shall govern. This Agreement supersedes any other prior oral or written employment agreements between the Parties. This Agreement does not supersede any incentive compensation agreement (including stock option or other equity incentive agreement agreements) and/or the CIC Agreement entered into separately by the Parties to this Agreement.

(f) **Code Section 409A Compliance.** For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service," as defined in Section 409A of the Code and the regulations thereunder ("Section 409A"). The Parties intend that this Agreement, to the extent

718735.0003/9045901.6 20

possible, will be administered in accordance with Section 409A and the Treasury Regulations and other applicable regulatory guidance issued thereunder, and will be interpreted in a manner, so that no payments made to Executive under this Agreement constitute a deferral of compensation or, if so, will constitute a deferral for which the payment and other terms are compliant with Section 409A, so as to avoid imposition of any additional tax to Executive under Section 409A. The Company makes no representation or warranty as to compliance with Section 409A, and shall have no liability to Executive or any other person for any adverse consequences arising under Section 409A. Notwithstanding anything else provided herein, to the extent any payments provided under this Agreement in connection with Executive's termination of employment constitute deferred compensation subject to Section 409A, and Executive is deemed at the time of such termination of employment to be a "specified Executive" under Section 409A, then such payment shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from Executive's separation from service from the Company or (ii) the date of Executive's death following such a separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including, without limitation, the additional tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. The first payment thereof will include a catch-up payment covering the amount that would have otherwise been paid during the period between Executive's termination of employment and the first payment date but for the application of this provision, and the balance of the installments (if any) will be payable in accordance with their original schedule. Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement is determined to be subject to Section 409A of the Code, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year, shall not affect the expenses eligible for reimbursement in any other taxable year (except for any lifetime or other aggregate limitation applicable to medical expenses), in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

(g) Assignment/Death/Binding Effect.

- (1)** Executive shall not assign or transfer any of Executive's rights under this Agreement, wholly or partially, to any other person or to delegate the performance of Executive's duties under the terms of this Agreement.
- (2)** Upon Executive's death, no death benefit is payable under this Agreement other than benefits that were already in pay status at the date of death. Executive's rights under this Agreement with respect to any benefits earned before the date of death shall inure to Executive's heirs, executors, administrators, or personal representatives.

718735.0003/9045901.6 21

(3) The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of the Company, regardless of the manner in which the successors or assigns succeed to the interests or assets of the Company. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company, by any merger, consolidation, or acquisition where the Company is not the surviving corporation, by any transfer of all or substantially all of the Company's assets, or by any other change in the Company's structure or the manner in which the Company's business or assets are held. Executive's employment shall not be deemed terminated upon the occurrence of one of the foregoing events. In the event of any merger, consolidation, or transfer of assets, this Agreement shall be binding upon and shall inure to the benefit of the surviving entity or the entity to which the assets are transferred.

(h) **Survival.** If any benefits provided to Executive under this Agreement are still owed, or claims under the Agreement are still pending at the time of the Termination Date, this Agreement shall continue in force with respect to those obligations or claims, until those benefits are paid in full or those claims are resolved in full. The covenants in Sections 8 through 11, and the dispute resolution provisions in Section 13 of this Agreement, shall survive the termination of this Agreement and shall be enforceable, regardless of any claim the Parties may have against one another.

(i) **Board's Authority.**

(1) The Board has the authority to interpret and construe the provisions of this Agreement, including the attached Separation Agreement. However, with respect to any decision of the Board regarding Executive's benefits under this Agreement or the attached Separation Agreement (including eligibility for benefits, the calculation of benefits, or the forfeiture of benefits), the burden of proof shall be on the Board and that decision shall be:

(A) Subject to the duty of good faith and fair dealing;

(B) Supported by a preponderance of the evidence; and

(C) Made by the affirmative vote of at least three-fourths of the Board.

(2) An arbitrator or a court reviewing such a decision by the Board shall make its own independent decision and not grant deference to the Board's decision.

(j) **Actions by Banking Regulatory Authorities.**

(1) If Executive is suspended and/or temporarily prohibited from participating in the conduct of the Company's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act (the "FDIA"),

718735.0003/9045901.6 22

12 U.S.C. §§ 1818(e)(3) and (g)(1), the Company's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Company may in its discretion:

(A) Pay Executive all or part of the payments under this Agreement that were withheld while its obligations under this Agreement were suspended; and/or

(B) Reinstate in whole or in part any of its obligations which were suspended.

(2) If Executive is removed and/or permanently prohibited from participating in the conduct of the Company's affairs by an order issued under Section 8(e)(4) or (g)(1) of the FDIA, 12 U.S.C. §§ 1818(e)(4) and (g)(1), Executive shall be terminated for Cause as of the effective date of the order.

(3) If the Company is in default (as defined in Section 3(x)(1) of the FDIA, 12 U.S.C. § 1813(x)(1)), all further obligations under this Agreement shall terminate as of the date of default.

(4) This Agreement may be terminated entirely or suspended for a period of time by the applicable banking regulatory authority, or as otherwise required by law, if:

- (A) The Federal Deposit Insurance Corporation ("FDIC") enters into an agreement to provide assistance to or on behalf of the Company under the authority contained in Section 13(c) of the FDIA, 12 U.S.C. § 1823(c);
- (B) The applicable banking regulatory authority approves a supervisory merger to resolve problems related to the operation of the Company; or
- (C) The applicable banking regulatory authority determines the Company is in an unsafe or unsound condition.

(5) The Severance Benefit and the indemnification rights granted under Section 5(f) are subject to and conditioned upon their compliance with 12 U.S.C. § 1828(k) and FDIC regulation 12 C.F.R. Part 359, "Golden Parachute and Indemnification Payments."

(k) **Attorneys' Fees and Costs.** In any dispute arising out of or relating to this Agreement, including in compelling arbitration, or enforcing or collecting an arbitration award, the prevailing Party shall be entitled to recover from the non-prevailing Party its own reasonable attorneys' fees, filing and services fees, witness fees, arbitrator's fees, and any other reasonably incurred expenses and costs, to the extent not expressly prohibited by applicable law.

718735.0003/9045901.6 23

(l) **Headings/Captions.** The headings and captions used in this Agreement are for convenience only and shall not affect the meaning or interpretation of the Agreement.

(m) **Counterparts.** For the convenience of the Parties, this Agreement may be executed by facsimile, electronic mail, or electronic signature, and in any number of counterparts, all of which when taken together shall constitute one and the same Agreement.

15. **Advice of Counsel.** Executive acknowledges that Executive has had adequate time to consult legal counsel and financial advisors before signing this Agreement. Executive understands that the Company makes no representations as to the tax consequences of any payments under this Agreement. Both Parties have participated and had an equal opportunity to participate in the drafting of this Agreement. No ambiguity shall be construed against any Party upon a claim that such Party drafted the ambiguous language.

[Signature page to follow]

718735.0003/9045901.6 24

EXECUTIVE:

Date: _____

RIVERVIEW BANK

By: _____
Title: _____
Date: _____

RIVERVIEW BANCORP, INC.

By: _____
Title: _____
Date: _____

718735.0003/9045901.6 25

Exhibit A

EMPLOYMENT SEPARATION AGREEMENT AND RELEASE OF CLAIMS

This is a confidential separation agreement (this "Separation Agreement") between you, _____, and us, Riverview Bank (the "Bank") and Riverview Bancorp, Inc. ("Bancorp") (Bancorp and the Bank are collectively referred to as "Riverview"). This Separation Agreement is dated for reference purposes _____, 20_____, which is the date we delivered this Separation Agreement to you for your consideration.

- 1. Termination of Employment.** Your employment terminates (or was terminated) on _____, 20_____, (the "Separation Date").
- 2. Payments.** In exchange for your agreeing to the release of claims and other terms in this Separation Agreement, we will pay you the Severance Benefit specified in Section 7 of the Employment Agreement between you and Riverview effective _____ (the "Employment Agreement"). You acknowledge that we are not obligated to make these payments to you, unless you enter this Separation Agreement, comply with the Restrictive Covenants in Section 9 of the Employment Agreement, and otherwise comply and continue to comply with the material terms of the Employment Agreement and of this Separation Agreement.
- 3. COBRA Continuation Coverage.** Your normal employee participation in Riverview's group health coverage will terminate on the Separation Date or, if provided under the group health plan, the last day of the month in which the Separation Date occurs. Continuation of group health coverage thereafter will be made available to you and your dependents, pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, or any applicable state health insurance continuation law (collectively, "COBRA"). You understand and agree that your right to benefits under Riverview's health and welfare benefit program, if any, shall be limited to those set forth under COBRA, and continuation of group health coverage after the

Separation Date is entirely at your expense, as provided under COBRA, unless Section 7 of the Employment Agreement provides otherwise.

4. Full Payment/Entitlement to Leave and Accommodations. You acknowledge having received full payment of all compensation of any kind (including, but not limited to, wages, salary, bonuses, paid time off, sick leave, reimbursable expenses, and incentive compensation) that you earned as a result of your employment by Riverview and that was owing to you as of the Separation Date. Any and all agreements to pay you bonuses or other incentive compensation are terminated. You understand and agree that you have no right to receive any further payments for bonuses or other incentive compensation, except the payments as described in Section 2 of this Separation Agreement (above). You also acknowledge you have taken and have not been deprived of any leave or accommodation to which you were legally entitled prior to the Separation Date, and that if any such leave was provided, the Company restored you to your position following leave in compliance with all applicable federal, state, and local leave laws, and that you have not suffered any adverse employment action of any kind (for example, termination, demotion, transfer,

A-1

718735.0003/9045901.6

harassment, or reduction or denial of pay or benefits) as a result of requesting or receiving leave or an accommodation.

5. Release of Claims.

(a) You hereby release and forever discharge, to the fullest extent permitted by law, the Released Parties from any and all claims, demands, causes of action, liabilities, debts, obligations, judgments, and damages (including attorneys' fees) of any kind whatsoever, known or unknown, that you may have or have ever had against the Released Parties by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter from the beginning of time, up to and including the date you signed this Separation Agreement. "Released Parties" means: (i) Riverview and its parent companies, divisions, subsidiaries, and affiliates, and each of their benefit plans (each, including Riverview, a "Riverview Affiliate"); (2) each of the Riverview Affiliates' past and present shareholders, executives, directors, members, officers, agents, employees, representatives, administrators, fiduciaries, and attorneys; and (3) the predecessors, successors, transferees, and assigns of each of such persons and entities.

(b) The claims you are releasing include, without limitation, wrongful termination, constructive discharge, breach of contract, violations arising under federal, state, or local laws or ordinances prohibiting discrimination or harassment on the basis of age, race, color, national origin, religion, sex, gender, disability, marital status, sexual orientation, or any other protected status, failure to accommodate a disability or religious practice, violation of public policy, retaliation, failure to hire, wage and hour violations, including overtime claims, tortious interference with contract or expectancy, fraud or negligent misrepresentation, breach of privacy, defamation, intentional or negligent infliction of emotional distress, unfair labor practices, breach of a right to stock or stock options or other equity interests, attorneys' fees or costs, and any other claims that are based on any legal obligations that arise out of or are related to the Employment Agreement and your employment relationship with Riverview.

(c) You specifically waive any rights or claims that you may have under Title 49 of the Revised Code of Washington, the Civil Rights Act of 1964 (including Title VII of that Act), the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Americans with Disabilities Act of 1990 (ADA), the Equal Pay Act of 1963 (EPA), the Genetic Information Nondiscrimination Act of 2008 (GINA), the Fair Labor Standards Act of 1938 (FLSA), the Family and Medical Leave Act of 1993 (FMLA), the Occupational Safety and Health Act (OSHA), the Sarbanes-Oxley Act of 2002, the Fair Credit Reporting Act (FCRA), the Uniformed Services Employment and Reemployment Rights Act of 1994, the Worker Adjustment and Retraining Notification Act (WARN), the Employee Retirement Income Security Act of 1974 (ERISA), the National Labor Relations Act (NLRA), the Washington Law Against Discrimination (WLAD), the Washington Industrial Welfare Act, the Washington Family Leave Act, the

A-2

718735.0003/9045901.6

Washington Minimum Wage Act, the Washington Wage Payment Act, the Washington Rebate Act, and all similar federal, state, and local laws. **The aforementioned claims are examples, not a complete list, of the released claims. It is the Parties' intent that you release any and all claims, including those arising from or related to your employment, your contract of employment, and separation of employment, of whatever kind or nature, known or unknown, to the greatest degree allowed by law, against the Released Parties, which arose or occurred on or before the date you sign this Separation Agreement.**

(d) You agree not to seek any personal recovery (of money damages, injunctive relief, or otherwise) for the claims you are releasing in this Separation Agreement, either through any complaint to any governmental agency or otherwise, whether individually or through a class action. You agree never to start or participate as a plaintiff in any lawsuit or arbitration asserting any of the claims you are releasing in this Separation Agreement. You represent and warrant that you have not initiated any complaint, charge, lawsuit, or arbitration, involving any of the claims you are releasing in this Separation Agreement.

(e) Should you apply for future employment with a Riverview Affiliate, the Riverview Affiliate has no obligation to consider you for future employment.

(f) You represent and warrant that you have all necessary authority to enter into this Separation Agreement (including, if you are married, on behalf of your marital community), and that you have not transferred any interest in any claims to your spouse or to any third party.

(g) This Separation Agreement does not affect your rights arising under any of Riverview's benefit plans through the Separation Date or afterwards under the terms of those plans to receive pension plan benefits, medical plan benefits, unemployment compensation benefits, or workers' compensation benefits.

(h) This Separation Agreement also does not affect your rights under agreements, bylaw provisions, insurance, or otherwise, to be indemnified, defended, or held harmless in connection with claims that may be asserted against you by third parties.

(i) This Separation Agreement also does not affect your rights to file a charge or complaint with or participate in an investigation by the Equal Employment Opportunity Commission or other government agency. But, you give up any right to recover or receive any personal relief or benefit from any such charge, complaint, or investigation, or from any lawsuit or administrative action filed by any government agency that is the result of any such charge, complaint, or participation by you. Personal relief or benefit includes attorneys' fees, monetary damages, and reinstatement. Nothing in this Agreement is intended to prevent you from reporting potential violations of the law, cooperating or participating in any investigation by the Equal Employment Opportunity Commission, SEC, or other government

A-3

718735.0003/9045901.6

agency concerning any of the Released Parties, or from testifying truthfully in any legal proceeding resulting from any government agency's enforcement actions.

(j) You understand that you are releasing potentially unknown claims, and that you have limited knowledge with respect to some of the claims being released. You acknowledge that there is a risk that, after signing this Separation Agreement, you may learn information that might have affected your decision to enter into this Separation Agreement. You assume this risk and all other risks of any mistake in entering into this Separation Agreement.

(k) You agree that this release is fairly and knowingly made.

6. No Admission of Liability. Neither this Separation Agreement, nor the payments made under this Separation Agreement, are an admission of liability or wrongdoing by any Party.

7. Riverview Materials. You represent and warrant that you have returned all keys, credit cards, documents, Confidential Information (as defined in Section 9(a) of the Employment Agreement), and other materials that belong to Riverview, and disclosed all computer user identifications and passwords used by you in the course of your employment or necessary for accessing information on our computer system, in accordance with Section 12 of the Employment Agreement.

8. Nondisclosure. You will comply with the covenant regarding Confidential Information in Section 9(a) of the Employment Agreement. You also agree to keep the terms of this Separation Agreement in strict confidence and not to disclose the same to any other person or entity, except as may be required by law. Except for litigation arising out of the breach of or attempt to enforce this Separation Agreement, this Separation Agreement shall not be admissible as evidence in any legal proceeding.

9. Non-Disparagement/Non-Incitement. You agree not to make, publish, or communicate (or causing others to make, publish, or communicate) any public or private disparaging statements concerning any Riverview Affiliate or their current or former officers, directors, members, shareholders, employees, agents, customers, suppliers, or investors, including, without limitation, statements made to employees of any Riverview Affiliate or statements made on Internet blogs, social media sites, and review sites; provided, however, that nothing in this Separation Agreement shall preclude you from making truthful statements that are required by applicable law, regulation, or legal process, or making any disclosures permitted by law, such as disclosing or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between the Company and an employee.

You may not disparage any Riverview Affiliate or its business or products, and may not encourage any third parties to sue a Riverview Affiliate.

10. Cooperation Regarding Other Claims. If any claim is asserted by or against a Riverview Affiliate as to which you have relevant knowledge, you will reasonably cooperate with

A-4

718735.0003/9045901.6

Riverview in the prosecution or defense of that claim, including by providing truthful information and testimony, as reasonably requested by Riverview, in accordance with Section 8 of the Employment Agreement.

11. Noncompetition/Non-solicitation/No Interference. You will comply with Sections 9(b), 9(c), and 9(d) of the Employment Agreement, and Riverview will have the right to enforce those provisions under the terms of Section 9(e) of the Employment Agreement. Following the expiration of the covenants referenced in the preceding sentence, you will not, apart from good-faith competition, interfere with any Riverview Affiliate's relationships with customers, employees, vendors, or others.

12. Liquidated Damages/Forfeiture. Any breach by you of provisions set out in Sections 7 through 11 above shall be a material breach of this Separation Agreement for which we agree that Riverview or any Riverview Affiliate would suffer irreparable harm and damage to its reputation, and for which damages in the amount equal to the Severance Benefit specified in Section 7 of the Employment Agreement or actual damages, whichever is greater, shall be assessed. The foregoing shall not be interpreted to preclude any additional remedy available to Riverview at law or in equity, including, but not limited to, injunctive relief.

13. Independent Legal Counsel. You are advised and encouraged to consult with an attorney before signing this Separation Agreement. You acknowledge that you have had an adequate opportunity to do so.

14. Consideration Period. You have twenty-one (21) days from the date this Separation Agreement is given to you to consider this Separation Agreement before signing it ("Consideration Period"). You may use as much or as little of this twenty-one (21)-day period as you wish before signing. You agree that any modifications, material or otherwise, made to this Separation Agreement do not restart or affect in any manner the Consideration Period. You acknowledge that if you are signing this Separation Agreement before the end of the Consideration Period, you have voluntarily decided not to use the full Consideration Period. If you do not sign and return this Separation Agreement within this twenty-one (21)-day period, you will not be eligible to receive the benefits described in this Separation Agreement.

15. Revocation Period and Effective Date. You have seven (7) calendar days after signing this Separation Agreement to revoke it. To revoke this Separation Agreement after signing it, you must deliver a written notice of revocation to Riverview's Chief Executive Officer or the Chairman of the Board before the seven (7)-day period expires. This Separation Agreement shall not become effective until the eighth (8th) calendar day after you sign it (the "Effective Date"). If you revoke this Separation Agreement, it will not become effective or enforceable, and you will not be entitled to the benefits described in this Separation Agreement.

16. Knowing and Voluntary Waivers under the ADEA. You acknowledge that you understand this is a full release of all existing claims, whether currently known or unknown, including, but not limited to, claims for age discrimination under the Age Discrimination

A-5

718735.0003/9045901.6

in Employment Act. You agree and acknowledge that you have read and understood this Separation Agreement, and that you have consulted with an attorney regarding the meaning and application of this

Separation Agreement, or, if you have not consulted with an attorney, you have been advised to do so and have had ample opportunity to do so. You enter into this Separation Agreement knowingly, voluntarily, free from duress, and as a result of your own free will and with the intention to waive, settle, and release all claims you have or may have against each Riverview Affiliate.

17. **Governing Law.** This Separation Agreement is governed by the laws of the state of Washington that apply to contracts executed and to be performed entirely within the state of Washington.
18. **Dispute Resolution.** Any dispute arising under this Agreement shall be subject to arbitration in accordance with Section 13 of the Employment Agreement.
19. **Saving Provision.** If any part of this Separation Agreement is held to be unenforceable, it shall not affect any other part, except if the release in Section 5 is determined to be invalid or unenforceable, this Separation Agreement shall be voidable by Riverview for a period of sixty (60) days following receipt of written notice of the invalidity or unenforceability.
20. **Final and Complete Agreement.** Except for the Employment Agreement and Change in Control Agreement, this Separation Agreement is the final and complete expression of all agreements between the Parties on all subjects relating to your employment or its termination, and supersedes and replaces all prior discussions, representations, agreements, policies, and practices. You acknowledge you are not signing this Separation Agreement relying on anything not set out in this Separation Agreement, the Employment Agreement, and the Change in Control Agreement. You further acknowledge that Section 6(d), Sections 8 through 11, and Section 13 of the Employment Agreement survive the termination of your employment and remain in full force and effect.
21. **Miscellaneous.** This Separation Agreement may be signed in counterparts, both of which shall be deemed an original, but both of which, taken together, shall constitute the same instrument. An electronic signature and a signature transmitted by facsimile or electronic mail shall have the same effect as the original signature. The Section headings used in this Separation Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify, or otherwise be used in the interpretation of any of the provisions hereof. This Separation Agreement was the result of the negotiations between the Parties. In the event of vagueness, ambiguity, or uncertainty, the Separation Agreement shall not be construed against the Party preparing it, but shall be construed as if both Parties prepared it jointly. If you or Riverview fails to enforce this Separation Agreement or to insist on performance of any term, that failure does not mean a waiver of that term or of the Separation Agreement. This Separation Agreement remains in full force and effect anyway.

[Signature page to follow]

A-6

718735.0003/9045901.6

Riverview Bank

By: _____

Title: _____

Date: _____

Riverview Bancorp, Inc.

By: _____

Title: _____

Date: _____

I, the undersigned, having been advised to consult with an attorney, hereby agree to be bound by this Separation Agreement, and confirm that I have read and understood each part of it.

Signature _____

Printed Name _____

Date _____

A-7

718735.0003/9045901.6

Exhibit 10.2

RIVERVIEW BANCORP, INC.

RIVERVIEW BANK

CHANGE IN CONTROL AGREEMENT

FOR

RIVERVIEW BANCORP, INC.

RIVERVIEW BANK

CHANGE IN CONTROL AGREEMENT

FOR

This CHANGE IN CONTROL AGREEMENT ("Agreement") is entered by and between RIVERVIEW BANCORP, INC., a registered bank holding company ("Bancorp"), RIVERVIEW BANK, a state-chartered commercial bank (the "Bank"), which is a

wholly owned subsidiary of Bancorp (Bancorp and the Bank are collectively referred to as the "Company"), and _____ ("Executive"), and is dated _____, 20____ (the "Effective Date"). The Company and Executive are referred to herein individually as a "Party" and collectively as the "Parties."

1. TERM; EXTENSIONS.

- (a) **Term.** The term of this Agreement begins on the Effective Date and shall continue until the one (1) year anniversary thereof, unless Executive's employment is terminated earlier (the "Term").
- (b) **Extensions.** At any time during the Term of this Agreement, the Company's Board of Directors (the "Board") may elect in writing to extend the Term of this Agreement on the same terms and conditions for one (1) additional year beyond the current Term. This Agreement may be extended in writing any number of times in the same manner.
- (c) **At-Will Employment.** Notwithstanding the Term of this Agreement or anything else contained herein, the Bank employs Executive on an "at-will" basis, which means the Company may terminate Executive's employment at any time, for any lawful reason or for no reason at all, subject to the provisions of this Agreement.

2. DEFINITIONS.

- (a) **"Cause."**
 - (1) **Definition.** Cause for termination of employment means the occurrence of any one or more of the following:
 - (A) Conviction of any felony, a misdemeanor involving moral turpitude, or of any crime in connection with Executive's duties;
 - (B) Removal of Executive from office or permanent prohibition of Executive from participating in the conduct of the Company's affairs by an order issued by a bank regulatory authority;
 - (C) Conduct involving dishonesty, embezzlement, misappropriation, fraud, or a material breach of a fiduciary duty in the performance of Executive's duties;

1

- (D) Participation in any incident compromising Executive's reputation and, as a consequence, materially diminishing Executive's ability to represent the Company with the public;
- (E) Conduct significantly harmful to the Company, including, but not limited to, public disparagement of the Company or any affiliate of the Company, intentional or reckless violation of law, or of any significant policy or procedure of the Company;
- (F) Willful misfeasance, gross negligence, or refusal or failure to act in accordance with any lawful stipulation, requirement, or directive of the Board or the Company's Chief Executive Officer (the "CEO"). As used in this Subsection 2(a)(1)(F), the term "reasonable" means any stipulation, requirement, or directive that falls under the Board's or the CEO's authority;

- (G) Material breach of any material obligations under this Agreement or any other written policies or procedures of the Company;
- (H) Sexual harassment, as defined by the Company's internal written policies;
- (I) Willful unauthorized disclosure of trade secrets and Confidential Information (as defined in Section 5); or
- (J) Chronic drug or alcohol abuse to an extent that materially impairs Executive's performance of Executive's duties.

(2) **Procedure for Termination for Cause.** Termination for Cause will be automatic upon the occurrence of an incident under Subsections (2)(a)(1)(A) or (B) above. Otherwise, the Board may not terminate Executive's employment for Cause unless:

- (A) With respect to incidents under Subsections (2)(a)(1)(C), (D), (E), (F), (G), (H), (I), or (J):
 - (i) Executive is given reasonable written notice (in no event less than five (5) business-days' notice) of the Board meeting called to make that determination; and
 - (ii) Executive and Executive's legal counsel are given the opportunity to address the incident(s) at that meeting.
- (B) In addition, with respect to incidents under Subsections 2(a)(1)(F) or (G) only, Executive is first given:
 - (i) Written notice by the Board or CEO specifying in detail the performance issues; and
 - (ii) A reasonable opportunity to cure the issues specified in the notice; provided, however, if the Company reasonably expects irreparable injury from a delay in termination, Company may terminate Executive without an opportunity to cure.
 - (iii) If an opportunity to cure is provided, the Company's Board shall also determine, in its sole discretion, whether Executive has in fact cured

2

the cause and done so in a timely manner.

(b) **“Good Reason.”**

(1) **Definition.** Subject to Subsection (2) below, Good Reason for Executive's resignation means any one or more of the following occurring without Executive's consent:

- (A) A material reduction of Executive's base salary as in effect immediately prior to the Change in Control (as defined in Subsection 2(c) below);
- (B) A relocation or transfer of Executive's principal place of employment that would require Executive to commute on a regular basis more than twenty-five (25) miles each way from the main business office of the Company as of the Effective Date of this Agreement;

- (C) A change in Executive's position of employment, such that Executive's authority, duties, or responsibilities are materially diminished; or
- (D) Any other action or inaction that constitutes a material breach of this Agreement by the Company.

(2) **Procedure for Resignation for Good Reason.** To resign for "Good Reason," Executive must give the Company:

- (A) Written notice of the intended resignation and a detailed description of the Good Reason not more than thirty (30) days after Executive becomes aware of the initial existence of the Good Reason; and
- (B) A reasonable opportunity of at least thirty (30) days in which to cure those circumstances.
- (C) Good Reason shall not exist if Executive (a) fails to provide such notice within the thirty (30)-day notice period, or (b) the Company cures the specified condition within the thirty (30)-day cure period.

(c) **"Change in Control"** means the occurrence of any of the following:

- (1) Bank or Bancorp merges or consolidates with another entity and, as a result, less than fifty-one percent (51%) of the combined voting power of the resulting entity immediately after the merger or consolidation is held by persons who were the holders of Bank's or Bancorp's voting securities immediately before the merger or consolidation. A Change of Control will be deemed to occur on the date the applicable transaction closes;
- (2) Any person, entity, or group of persons or entities, other than through merger or consolidation, acquires a majority of the Bank's or Bancorp's outstanding common stock or substantially all of the Bank's or Bancorp's assets, provided, that a Change in Control shall not occur if any person, entity, or group already owns more than a majority of the Bank's or Bancorp's outstanding common stock and acquires additional stock. A Change of Control will be deemed to occur on the date that any person, entity, or group first becomes the majority owner of the Bank's or Bancorp's common stock or acquires substantially all of the Bank's or Bancorp's assets;

3

- (3) A majority of the members of the Board are replaced during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election. A Change in Control will be deemed to occur on the date members of the incumbent board first cease to constitute at least a majority of the Board; or
- (4) Approval by Bancorp's or the Bank's shareholders of the Bank's complete liquidation, dissolution, or sale to another entity. A Change of Control will be deemed to occur on the date the applicable transaction closes.

3. CHANGE IN CONTROL BENEFITS.

(a) **Benefit Entitlement and Amount.**

(1) **Double Trigger.** Subject to the limitations under Subsections 3(a)(2) and 3(a)(4) below, if Executive's employment with the Bank is: (i) terminated by the Company without Cause or is terminated by Executive with Good Reason; and (ii) Executive's employment termination takes place within the time period of six (6) months prior to a Change in Control and twenty-four (24) months after a Change in Control (the "Change in Control Window"), the Company shall pay Executive a severance benefit (the "Change in Control Benefit") equal to:

- (A) Eighteen (18) months of Executive's annual base salary (based on the higher of Executive's base salary as of the Change in Control or as of the date of termination of employment);
- (B) Eighteen (18) months of Executive's target annual incentive compensation (based on the higher of Executive's target annual incentive compensation for the year in which the Change in Control occurs or as of the date of the termination of employment);
- (C) Any unpaid incentive compensation earned from the Company's Annual Incentive Plan and/or any successor incentive compensation plans ("Incentive Compensation") based on the fiscal year that ended immediately before the date of the termination;
- (D) Prorated Incentive Compensation for the fiscal year in which the termination occurs based on Executive's target annual Incentive Compensation through the month ended before the date of termination; and
- (E) If Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 or any applicable state health insurance continuation law ("COBRA"), the Company shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive's dependents. Executive shall be eligible to receive such reimbursement until the earliest of: (i) the eighteen (18)-month anniversary of the date Executive's employment is terminated; (ii) the date Executive is no longer eligible to receive COBRA continuation coverage; or (iii) the date on which Executive becomes eligible to receive substantially similar coverage from another employer or other source. Notwithstanding the foregoing, if the Company's payments under this Section 3(a)(1)(E) would violate the nondiscrimination rules applicable to

4

non-grandfathered plans under the Affordable Care Act (the "ACA"), or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder, the Parties agree to reform this Section 3(a)(1)(E) in a manner as is necessary to comply with the ACA.

The date upon which it can first be determined that Executive has either been terminated by the Company without Cause within the Change in Control Window or has terminated Executive's employment for Good Reason within the Change in Control Window shall be the referred to herein as the "Double Trigger Date."

In addition to the payments set forth above, all stock options and restricted stock shall become one-hundred percent (100%) vested.

(2) **Code Section 280G.**

(A) **Reduction.** Notwithstanding any other provision of this Agreement or any other plan, arrangement, or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to Executive or for Executive's benefit pursuant to the terms of this Agreement or otherwise ("Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of Internal Revenue Code of 1986, as amended (the "Code"), that would, but for this Subsection 3(a)(2), be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then the Covered Payments shall be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax.

(B) **Order of Reduction.** Any such reduction shall be made in accordance with Section 409A of the Code and the following:

- (i) The Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first; and
- (ii) All other Covered Payments shall then be reduced as follows: (i) cash payments shall be reduced before non-cash payments; and (ii) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

(C) **Determinations.** Any determination required under this Subsection, including whether any payments or benefits are Parachute Payments, shall be made by the Company in its sole discretion. Executive shall provide the Company with such information and documents as the Company may reasonably request in order to make a determination under this Subsection. The Company's determination shall be final and binding on Executive.

- (3) The Change in Control Benefit shall be subject to any withholding and payroll deduction requirements.
- (4) Any benefit to which Executive has become entitled under this Section 3 shall be reduced by any benefits already paid to Executive prior to the Change in Control under

5

the terms of Executive's Employment Agreement with the Company due to a termination of Executive's employment without Cause or for Good Reason, as those terms are defined in such Employment Agreement.

(b) **Payment of Benefit.**

- (1) **Payment Timing.** Subject to Subsection 3(b)(2) below, the Change in Control Benefit under Subsection 3(a)(1)(A), (B), (C), and (D) will be paid in a lump sum within thirty (30) days of the Double Trigger Date or, if later, within seven (7) days after the expiration of the Separation Agreement's revocation period, as described in Section 4(a) below. If the combined consideration and revocation periods (as defined in Sections 14 and 15 of the Separation Agreement) overlap two (2) calendar years, the payment will be made in the later of the two (2) years (irrespective of the year in which the Separation Agreement is effective and irrevocable), resulting in taxation to Executive in the second calendar year. The COBRA benefit will be paid, as described under Subsection 3(a)(1)(E).

(2) **Section 409A Compliance.** If the Change in Control Benefit is subject to Section 409A of the Code and Executive is deemed to be a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i), the lump-sum payment will not be made until the seventh month following termination of employment.

4. LIMITATIONS ON CHANGE IN CONTROL BENEFITS.

(a) **Release of Claims.** Executive's receipt of the Change in Control Benefit and the additional benefits under Section 3 is conditioned on Executive having executed a separation agreement in substantially the same form attached hereto as Exhibit A (the "Separation Agreement") and the revocation period having expired without Executive having revoked the Separation Agreement. Executive must execute the Separation Agreement and the revocation period must expire within sixty (60) days of the Double Trigger Date.

(b) **Compliance with Material Terms.** Receipt of the Change in Control Benefit is further conditioned on Executive not being in violation of any material term of this Agreement, including, without limitation, the restricted covenants in Section 5, or in violation of any material term of the Separation Agreement.

(c) **Regulatory Limitation.** Notwithstanding the foregoing, the Company shall make no payment of any benefit provided for under this Agreement to the extent that the payment would be prohibited by applicable banking regulations or any regulatory order. If such payment is so prohibited, the Company shall use its best efforts to secure the consent of the banking regulator to make the payments in the highest amount permissible, up to the amount provided for in this Agreement.

5. RESTRICTIVE COVENANTS.

(a) **Confidential Information.**

(1) **Executive's Obligations.** For an indefinite period, Executive shall protect against loss, theft, or other inadvertent disclosure, and will preserve as confidential any and all of the Company's Confidential Information (defined in Subsection 5(a)(2)) at any time known to Executive or in Executive's possession or control with not less than the diligence, care, and effort that a prudent owner would use to protect and preserve his or her own most sensitive information. Executive will not, directly or indirectly,

6

access, use, disclose, or disseminate to third parties, or allow others to access, disclose, disseminate, or use, any Confidential Information for any purpose other than for the sole benefit of the Company and as specifically approved in writing in advance by the Company's Board in each instance. Executive acknowledges and agrees that the covenants contained in this Subsection 5(a) shall supplement, rather than replace or contradict, any other rights or remedies that the Company may have under applicable law. If a dispute arises, Executive has the burden to show that information is not the Company's Confidential Information. If anyone tries to compel Executive to disclose any of the Company's Confidential Information by subpoena or otherwise, Executive will promptly notify the Board or the CEO, so that the Company may take any actions it deems necessary to protect its interests.

(2) **Definition of Confidential Information.** "Confidential Information" means information which (a) derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) are the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Confidential Information also includes proprietary or secret information belonging to the Company that was disclosed to or known by Executive as a consequence of Executive's employment with the Company and not otherwise publicly known, whether or not received prior to the Effective Date, whether or not marked confidential or labeled as Confidential Information, and whether or not considered a trade secret under applicable law. Confidential Information may consist of verbal, written, or electronically stored information, and may be tangible or merely remembered.

(A) **Examples of Confidential Information.** The Company provides the following list of Confidential Information by way of example, but this list is not intended to be exhaustive: inventions; technical information; algorithms, designs, concepts, systems, techniques, methods, models, procedures, or processes; know-how or methodologies; manuals, contracts, or reports; purchasing or accounting information; regulatory information and communications related thereto; financial history or projections; legal affairs; formulae; compositions; software or computer programs; research projects; business modes and information; the identity of all vendors, vendor lists, and vendor contact information; the identity of customers, customer lists, and customer contact information; pricing data; financial data; sources of supply; marketing plans and/or strategies, including price strategies, marketing, sales, technology, research and development, production, and merchandising systems or plans; and information pertaining to any aspect of any activity or business of the Company or its vendors, suppliers, distributors, or customers, including, without limitation, information entrusted to the Company by third parties (including vendors, customers, and prospective vendors or customers), or any trade secrets, proprietary or confidential matter of the Company or of such third parties.

(B) **Excluded Confidential Information.** Confidential Information does not include information that Executive can prove (a) was known by or in the possession of Executive prior to employment with the Company through means other than as a result of past relationships or business dealings between Executive and the Company or its vendors, suppliers, or customers; (b) consists in whole or in part of any Prior Intellectual Property (defined below

7

in Section 6); or (c) is known to or readily discoverable by others not under an obligation of confidentiality.

(C) **Permitted Disclosures.** Nothing in this Agreement prohibits Executive from disclosing any information when required to do so by law, such as pursuant to a valid subpoena or the valid order of a court of competent jurisdiction or authorized government agency, provided that the Company is notified in advance, whenever possible, and disclosure does not exceed the extent of disclosure required by such law, subpoena, or order. This Agreement also does not prevent Executive from making reports to any governmental agency, or making any disclosures permitted by law, such as disclosing or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between the Company and an employee.

(D) **DTSA Disclosure.** Pursuant to the Defend Trade Secrets Act of 2016, Executive will not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(b) **Non-solicitation.** For a one (1)-year period following termination of Executive's employment for any reason whatsoever, Executive will not, directly or indirectly, with or without compensation, solicit any Customer of the Company or of the Company's affiliates to cease or reduce the extent to which it is doing business with the Company or a Company affiliate. "Customers" mean all customers serviced by the Company or a Company affiliate at any time within twelve (12) months before the Termination Date.

(c) **Non-raiding of Employees.** Executive recognizes that the workforce of the Company and its affiliates are a vital part of the Company's business. Therefore, Executive agrees that, for twelve (12) months following termination of Executive's employment for any reason whatsoever, Executive will not, directly or indirectly, recruit or solicit any Company Employee to terminate his or her employment with the Company or any Company affiliate. This includes indirect solicitation by disclosing or identifying any Company Employee as a potential candidate to a third party; however, this does not restrict general solicitations, such as help-wanted ads or job postings, so long as those solicitations are not specifically directed to individuals who are known to be currently employed by the Company. For purposes of this Subsection, the "Company Employees" means all employees working for the Company as of the date of Executive's termination from the Company.

(d) **Injunctive Relief.** Executive acknowledges that the Company will suffer irreparable harm if Executive fails to observe the covenants in this Section 5, and it is impossible to measure in

8

money the damages that the Company will incur if Executive fails to observe the covenants in this Section 5 (the "Restrictive Covenants") and, therefore, Executive agrees that:

- (1) The Company shall be entitled to an injunction, restraining order, or such other equitable relief (without the requirement to post bond) restraining Executive from committing any breach or threatened breach of the Restrictive Covenants;
- (2) If the Company is required to post a bond in order to secure an injunction or other equitable remedy, that bond shall be no more than a nominal amount;
- (3) Executive waives any claim or defense that the Company is not irreparably harmed by Executive's breach, is not entitled to seek injunctive relief, or that an adequate remedy at law is available to the Company; and
- (4) These injunctive remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

(e) **Reasonableness.** The Parties acknowledge and agree that:

- (1) This Agreement in its entirety, and in particular the Restrictive Covenants, is reasonable both as to time and scope;
- (2) The Restrictive Covenants are necessary for the protection of the goodwill and other legitimate interests of the business of the Company;
- (3) The Restrictive Covenants are not any greater than are reasonably necessary to secure the Company's business and goodwill;
- (4) The degree of injury to the public due to the loss of the service and skill of Executive or the restrictions placed upon Executive's opportunity to make a living with Executive's skills upon enforcement of those covenants, does not and will not warrant non-enforcement of those restraints; and
- (5) If the scope of the Restrictive Covenants is adjudged too broad to be capable of enforcement, then the Parties authorize a court or arbitrator to narrow the Restrictive Covenants so as to make them capable of enforcement, given all relevant circumstances, and to enforce them to the fullest extent allowed.

(f) **Survival.** This Section shall survive the termination of this Agreement.

6. PROTECTION OF INTELLECTUAL PROPERTY.

- (a) **The Company's Ownership.** The Company owns all Inventions and Works (as defined below in Subsection 6(b)) that Executive makes, conceives, develops, discovers, reduces to practice or fixes in a tangible medium of expression, alone or with others, either (a) during Executive's employment by the Company (including past and future employment, and whether or not during working hours), or (b) within one (1) year after the termination of Executive's employment in each case, if the Invention or Works results from any work Executive performed for the Company or involves the use or assistance of the Company's facilities, equipment, materials, personnel, or Confidential Information. If Executive has any pre-existing Invention or Work that Executive requests to exclude from the Company ownership ("Prior Intellectual Property"), Executive shall make full written disclosure to the Company by submitting an attachment to this Agreement listing the Prior Intellectual Property (the "Prior Intellectual Property Disclosure"). If Executive does not attach a Prior Intellectual

9

Property Disclosure to this Agreement, Executive represents and warrants that Executive owns no Prior Intellectual Property that Executive requests to exclude from the Company ownership.

- (b) **Definitions of Invention and Works.** "Inventions" means discoveries, developments, concepts, ideas, improvements to existing technology, processes, procedures, machines, products, compositions of matter, trade secrets, formulas, algorithms, computer programs and techniques, custom software, and all other matters ordinarily intended by the word "invention," whether or not patentable or copyrightable. "Inventions" also includes all records and expressions of those matters. "Works" means original works of authorship, including interim work product, modifications and derivative works, and all similar matters, whether or not copyrightable.

(c) **Disclosure and Assignment.** Executive will promptly disclose to the Company, will hold in trust for the Company's sole benefit, will assign to the Company, and hereby does assign to the Company, all Inventions and Works described in Subsections 6(a) and 6(b), including all copyrights, patent rights, and trade secret rights, vested and contingent, except those pre-existing Inventions identified on the Prior Intellectual Property Disclosure. To the extent that such Inventions and Works may be considered "works made for hire" under the copyright act, they are hereby agreed to be works made for hire; otherwise, Executive hereby irrevocably assigns and conveys all such rights, title, and interest to the Company, subject to no liens, claims, or reserved rights. Executive will waive and hereby does waive any moral rights Executive has or may have in the Inventions and Works described in Subsections 6(a) and 6(b). Executive further agrees that if the foregoing waiver is not effective, Executive agrees not to assert any such moral rights. To the extent that Executive cannot assign the rights contemplated in Subsections 6(a) and 6(b), including moral rights, Executive hereby grants to the Company a fully-paid, royalty free, worldwide, perpetual, exclusive license to use, create, and own derivative works of and otherwise exploit such rights. At the Company's direction and expense, Executive will execute all documents and take all actions necessary or convenient for the Company to document, obtain, maintain, or assign its rights to these Inventions and Works. The Company shall have full control over all applications for patents or other legal protection of these Inventions and Works.

(d) **Disclaimer Regarding Inventions Developed Entirely on Executive's Own Time.** Pursuant to RCW 49.44.140(3), Subsection 6(c) of this Agreement regarding the assignment of certain inventions to the Company does not apply to an Invention for which no equipment, supplies, facilities, or trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (a) the Invention relates (i) directly to the Company's business, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by Executive for the Company.

7. **RETURN OF COMPANY PROPERTY.** Executive will safeguard and return to the Company when Executive's employment ends, or sooner if the Company requests, all documents and property in Executive's care, custody or control relating to Executive's employment or the Company's business and customers (including, but not limited to, Confidential Information (defined above), keys, pass cards, identification cards), or any reproductions thereof, whether such information is reduced to writing, existing in hard copies or electronic form, and whether residing on the Company's computers, or Executive's own personal computer, laptop, tablet, or mobile device, or other electronic media used for the Company business. After employment ends, or sooner if the Company requests, Executive must disclose all computer user identifications and passwords used by Executive in the course of employment or necessary for accessing information on the Company's computer system, and Executive will not retain copies of any Confidential Information or other materials belonging to the Company, unless expressly authorized in writing by the Company. The obligations in this Section

10

include the return of documents and other materials that may be in Executive's desk at work, car, or place of residence, or in any other location under Executive's control.

8. **DISPUTE RESOLUTION.**

(a) **Arbitration.**

(1) The Parties agree to submit any dispute arising under this Agreement or Executive's employment with the Company, regardless of the nature of the dispute or the legal concepts involved, to final, binding, and private arbitration. Disputes subject to arbitration include not only disputes involving the negotiation, meaning, or performance of this Agreement, but also claims Executive may have against the Company, the Company's affiliates, or against any of their officers, directors, supervisors, managers, employees, or agents for violation of any federal, state, or local statute arising out of Executive's employment relationship with the Company. Executive and the Company intend and agree that class action and representative action procedures are hereby waived and shall not be asserted, nor will they apply, in any arbitration pursuant to this Agreement. The Parties also agree that the following claims are not subject to arbitration: (a) claims that cannot be subject to arbitration as a matter of law; (b) claims for workers' compensation or unemployment compensation; and (c) claims under an employee benefit or pension plan that specifies a different procedure.

(2) All claims subject to arbitration shall be settled by final and binding arbitration in accordance with the employment dispute resolution rules of the American Arbitration Association ("AAA") in effect at the time the demand for arbitration is made ("Rules and Procedures"), which are available online at <https://www.adr.org/sites/default/files/Employment%20Rules.pdf>. Accordingly, the Parties are not permitted to pursue court action regarding claims that are subject to arbitration. Such arbitration shall be filed with the AAA and shall be heard before a single neutral arbitrator who is experienced in employment law, who shall be selected as provided in AAA's Rules and Procedures. The aggrieved Party must file the arbitration complaint with AAA and provide all other Parties against whom or which a claim is brought written notice no later than the expiration of the statute of limitations that the law prescribes for the claim. Otherwise, the claim shall be deemed waived. The arbitration complaint and written notice must identify and describe all claims, the facts upon which such claims are based, and the relief or remedy sought. Any arbitration shall be heard in Vancouver, Washington; provided, however, if arbitration in Vancouver, Washington is impractical because Executive's employment for the Company is located more than 100 miles from Vancouver, Washington, the arbitration may be held in the county and state where Executive last worked during Executive's employment for the Company.

(3) The Company shall be responsible for the arbitrator's fees and expenses in excess of any reasonable filing fee with the AAA; provided, however, each Party shall pay its own costs and attorneys' fees, if any. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. The arbitrator's decision shall be final, binding, and conclusive upon the Parties. Suit may be brought to compel arbitration or to enforce any arbitration award in a court of competent jurisdiction.

(4) Neither this agreement to arbitrate nor any demand for arbitration shall waive or otherwise affect the Company's right to obtain any provisional remedy, including, without limitation, injunctive relief for unfair competition, the use or unauthorized

11

disclosure or misappropriation of trade secrets, the disclosure of any other Confidential Information, or the violation of the confidentiality or other provisions of Section 5 of this Agreement. This Agreement also does not prohibit Executive from filing an administrative charge or complaint with any governmental agency.

9. MISCELLANEOUS

(a) **Notices.** Any notice to be delivered under this Agreement shall be given in writing and shall be deemed delivered three (3) days after mailing by certified mail, postage prepaid, addressed to the Company's Chair of the Board or to Executive at Executive's last known address on record at the Company. Either Party may designate an address for notices by written notice to the other.

(b) **Governing Law; Venue & Jurisdiction.** Executive acknowledges that the Company maintains its headquarters in Vancouver, Washington. The Parties therefore agree that this Agreement shall be governed by and construed in accordance with the laws of the state of Washington, without giving effect to the rules governing the conflicts of laws, and without the aid of any canon, custom, or rule of law requiring construction against the drafter, and regardless of whether a Party changes domicile or residence. Executive hereby waives the right to argue to the contrary. In the event such election is invalid, then the court shall apply the law of the state or states in which Executive performs services for the Company. Executive consents to the exercise of personal jurisdiction by a court of competent jurisdiction in the state of Washington and agrees that venue for any action not subject to arbitration shall be in Clark County, Washington, and hereby waives the right to argue to the contrary.

(c) **Amendment/Waiver.**

(1) This Agreement may not be amended, released, discharged, abandoned, changed, or modified in any manner, except by an instrument in writing signed by each of the Parties hereto.

(2) The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of any Party to enforce each and every such provision. No waiver or any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

(d) **Severability.** If any provision of this Agreement is held by a court or arbitrator to be invalid or unenforceable, the remaining provisions shall continue to be fully effective. If any part of this Agreement is held to be unenforceable as written, it shall be enforced to the maximum extent allowed by applicable law. The unenforceability of any provision in this Agreement in any jurisdiction shall not affect the enforceability of any provision of this Agreement in any other jurisdiction.

(e) **Entire Agreement.** This Agreement represents the entire agreement between the Parties regarding the matters addressed in this Agreement. This Agreement supersedes any other prior oral or written employment agreements between the Parties; provided, however, this Agreement does not supersede any incentive compensation agreement (including stock option or other equity incentive agreements).

(f) **Code Section 409A Compliance.** For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service" as defined in Section 409A of the Code and the regulations thereunder ("Section 409A"). The Parties intend that this Agreement, to the extent possible, will be administered

in accordance with Section 409A and the Treasury Regulations and other applicable regulatory guidance issued thereunder, and will be interpreted in a manner, so that no payments made to Executive under this Agreement constitute a deferral of compensation or, if so, will constitute a deferral for which the payment and other terms are compliant with Section 409A, so as to avoid imposition of any additional tax to Executive under Section 409A. The Company makes no representation or warranty as to compliance with Section 409A and shall have no liability to Executive or any other person for any adverse consequences arising under Section 409A. Notwithstanding anything else provided herein, to the extent any payments provided under this Agreement in connection with Executive's termination of employment constitute deferred compensation subject to Section 409A, and Executive is deemed at the time of such termination of employment to be a "specified Executive" under Section 409A, then

such payment shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from Executive's separation from service from the Company or (ii) the date of Executive's death following such a separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including, without limitation, the additional tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. The first payment thereof will include a catch-up payment covering the amount that would have otherwise been paid during the period between Executive's termination of employment and the first payment date but for the application of this provision, and the balance of the installments (if any) will be payable in accordance with their original schedule.

(g) Assignment; Death; Binding Effect.

- (1) Executive shall not assign or transfer any of Executive's rights under this Agreement, wholly or partially, to any other person or to delegate the performance of Executive's duties under the terms of this Agreement.
- (2) Upon Executive's death, no death benefit is payable under this Agreement other than benefits that were already in pay status at the date of death. Executive's rights under this Agreement with respect to any benefits earned before the date of death shall inure to Executive's heirs, executors, administrators, or personal representatives.
- (3) The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of the Company, regardless of the manner in which the successors or assigns succeed to the interests or assets of the Company. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company, by any merger, consolidation or acquisition where the Company is not the surviving corporation, by any transfer of all or substantially all of the Company's assets, or by any other change in the Company's structure or the manner in which the Company's business or assets are held. Executive's employment shall not be deemed terminated upon the occurrence of one of the foregoing events. In the event of any merger, consolidation, or sale or transfer of assets, this Agreement shall be binding upon and shall inure to the benefit of the surviving business or the business entity to which the assets are transferred.

(h) Survival. If any benefits provided to Executive under this Agreement are still owed, or claims under the Agreement are still pending at the time of termination of this Agreement, this Agreement shall continue in force with respect to those obligations or claims, until those benefits are paid in full or those claims are resolved in full. The covenants in Section 5 and Section 6, and the dispute resolution provisions in Section 8 of this Agreement, shall survive the termination of this Agreement and shall be enforceable, regardless of any claim Executive may have against the Company.

13

(i) Board of Director's Authority.

- (1) Bancorp's Board of Directors has the authority to interpret and construe the provisions of this Agreement, including the attached Separation Agreement.
- (2) Bancorp's Board of Directors has the authority to decide matters relating to termination for Cause or Good Reason, the violation of the Restrictive Covenants and the calculation of benefits.
- (3) In a decision under Subsection (1) or (2) above, the burden of proof shall be on that Board of Directors and that decision shall be:

(A) Subject to the duty of good faith and fair dealing;

(B) Supported by clear and convincing evidence; and

(C) Made by the affirmative vote of at least three-fourths (3/4) of that Board of Directors.

(4) An arbitrator or a court reviewing such a decision by that Board of Directors shall make its own independent decision and not grant deference to the that Board of Director's decision.

(j) **Joint and Several Obligation.** Bancorp and the Bank will be jointly and severally liable for the payment obligations under this Agreement.

(k) **Actions by Banking Regulatory Authorities.**

(1) If Executive is suspended and/or temporarily prohibited from participating in the conduct of the Company's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act (the "FDIA"), 12 U.S.C. § 1818(e)(3) and (g)(1), the Company's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Company may in its discretion:

(A) Pay Executive all or part of the payments under this Agreement that were withheld while its obligations under this Agreement were suspended; and/or

(B) Reinstate in whole or in part any of its obligations which were suspended.

(2) If Executive is removed and/or permanently prohibited from participating in the conduct of the Company's affairs by an order issued under Section 8(e)(4) or (g)(1) of the FDIA, 12 U.S.C. § 1818(e)(4) and (g)(1), Executive shall be terminated for Cause as of the effective date of the order.

(3) If the Company is in default (as defined in Section 3(x)(1) of the FDIA, 12 U.S.C. § 1813(x)(1)), all further obligations under this Agreement shall terminate as of the date of default.

(4) This Agreement may be terminated entirely or suspended for a period of time by the applicable banking regulatory authority, or as otherwise required by law, if:

(A) The Federal Deposit Insurance Corporation ("FDIC") enters into an

14

agreement to provide assistance to or on behalf of the Company under the authority contained in Section 13(c) of the FDIA, 12 U.S.C. § 1823(c);

(B) The applicable banking regulatory authority approves a supervisory merger to resolve problems related to the operation of the Company; or

(C) The applicable banking regulatory authority determines the Company is in an unsafe or unsound condition.

(5) The Change in Control Benefit is subject to and conditioned upon its compliance with 12 U.S.C. § 1828(k) and FDIC regulation 12 C.F.R. Part 359, "Golden Parachute and Indemnification Payments."

(l) **Attorneys' Fees and Costs.** In any dispute arising out of or relating to this Agreement, including in compelling arbitration, or enforcing or collecting an arbitration award, the prevailing Party shall be entitled to recover from the non-prevailing Party its own reasonable attorneys' fees, filing and services fees, witness fees, arbitrator's fees, and any other reasonably incurred expenses and costs, to the extent not expressly prohibited by applicable law.

(m) **Headings, Captions.** The headings and captions used in this Agreement are for convenience only and shall not affect the meaning or interpretation of the Agreement.

(n) **Counterparts.** For the convenience of the Parties, this Agreement may be executed by facsimile, electronic mail, or electronic signature, and in any number of counterparts, all of which when taken together shall constitute one and the same Agreement.

10. **ADVICE OF COUNSEL.** Executive acknowledges that Executive has had adequate time to consult legal counsel and financial advisors before signing this Agreement. Executive understands that the Company makes no representations as to the tax consequences of any payments under this Agreement. Both Parties have participated and had an equal opportunity to participate in the drafting of this Agreement. No ambiguity shall be construed against any Party upon a claim that such Party drafted the ambiguous language.

[Signature page to follow]

15

EXECUTIVE

Date: _____

RIVERVIEW BANKRIVERVIEW BANCORP, INC.

By: _____ By: _____
Title: _____ Title: _____
Date: _____ Date: _____

16

Exhibit A

EMPLOYMENT SEPARATION AGREEMENT AND RELEASE OF CLAIMS

This is a confidential separation agreement (this "Separation Agreement") between you, _____, and us, Riverview Bank (the "Bank") and Riverview Bancorp, Inc. ("Bancorp") (Bancorp and the Bank are collectively referred to as "Riverview"). This Separation Agreement is dated for reference purposes _____, 20____, which is the date we delivered this Separation Agreement to you for your consideration.

1. **Termination of Employment.** Your employment terminates (or was terminated) on _____, 20____ (the "Separation Date"), which was within the number of months of a Change in Control as specified in Section 3(a)(1) in the Change in Control Agreement between you and Riverview dated _____, 20____ (the "CIC Agreement")
2. **Payments.** In exchange for your agreeing to the release of claims and other terms in this Separation Agreement, we will pay you the Change in Control Benefit and other payments in Section 3 of the CIC Agreement. You acknowledge that we are not obligated to make these payments to you, unless you enter into this Separation Agreement, comply with the Restrictive Covenants in Section 5 of the CIC Agreement, and otherwise comply and continue to comply with the material terms of the CIC Agreement and of this Separation Agreement.
3. **COBRA Continuation Coverage.** Your normal employee participation in Riverview's group health coverage will terminate on the Separation Date or, if provided under the group health plan, the last day of the month in which the Separation Date occurs. Continuation of group health coverage thereafter will be made available to you and your dependents pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, or any applicable state health insurance continuation law (collectively, "COBRA"). You understand and agree that your right to benefits under Riverview's health and welfare benefit program, if any, shall be limited to those set forth under COBRA and continuation of group health coverage after the Separation Date is entirely at your expense, as provided under COBRA, unless Section 3 of the CIC provides otherwise.
4. **Full Payment and Entitlement to Leave and Accommodations.** You acknowledge having received full payment of all compensation of any kind (including, but not limited to, wages, salary, bonuses, paid time off, sick leave, reimbursable expenses, and incentive compensation) that you earned as a result of your employment by Riverview and that was owing to you as of the Separation Date. Any and all agreements to pay you bonuses or other incentive compensation are terminated. You understand and agree that you have no right to receive any further payments for bonuses or other incentive compensation, except the payments as described in Section 2 of this Agreement (above). You also acknowledge you have taken and have not been deprived of any leave or accommodation to which you were legally entitled prior to the Separation Date, and that if any such leave was provided, the Company restored you to your position following leave in compliance with all applicable federal, state, and local leave laws, and that you have not suffered any adverse employment action of any kind (for example, termination, demotion, transfer, harassment, or reduction or denial of pay or benefits) as a result of requesting or receiving leave or an accommodation.

5. **Release of Claims.**

- (a) You hereby release and forever discharge, to the fullest extent permitted by law, the Released Parties from any and all claims, demands, causes of action, liabilities, debts, obligations, judgments, and damages (including attorneys' fees) of any kind whatsoever, known or unknown, that you may have or have ever had against the Released Parties by reason of any

A-1

actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter from the beginning of time, up to and including the date you signed this Separation Agreement. "Released Parties" means: (1) Riverview and its parent companies, divisions, subsidiaries, and affiliates, and each of their benefit plans (each, including Riverview, a "Riverview Affiliate"); (2) each of the Riverview Affiliates' past and present shareholders, executives, directors, members, officers, agents, employees, representatives, administrators, fiduciaries, and attorneys; and (3) the predecessors, successors, transferees, and assigns of each of such persons and entities.

(b) The claims you are releasing include, without limitation, wrongful termination, constructive discharge, breach of contract, violations arising under federal, state, or local laws or ordinances prohibiting discrimination or harassment on the basis of age, race, color, national origin, religion, sex, gender, disability, marital status, sexual orientation, or any other protected status, failure to accommodate a disability or religious practice, violation of public policy, retaliation, failure to hire, wage and hour violations, including overtime claims, tortious interference with contract or expectancy, fraud or negligent misrepresentation, breach of privacy, defamation, intentional or negligent infliction of emotional distress, unfair labor practices, breach of a right to stock or stock options or other equity interests, attorneys' fees or costs, and any other claims that are based on any legal obligations that arise out of or are related to your employment relationship with Riverview.

(c) You specifically waive any rights or claims that you may have under Title 49 of the Revised Code of Washington, the Civil Rights Act of 1964 (including Title VII of that Act), the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Americans with Disabilities Act of 1990 (ADA), the Equal Pay Act of 1963 (EPA), the Genetic Information Nondiscrimination Act of 2008 (GINA), the Fair Labor Standards Act of 1938 (FLSA), the Family and Medical Leave Act of 1993 (FMLA), the Occupational Safety and Health Act (OSHA), the Sarbanes-Oxley Act of 2002, the Fair Credit Reporting Act (FCRA), the Uniformed Services Employment and Reemployment Rights Act of 1994, the Worker Adjustment and Retraining Notification Act (WARN), the Employee Retirement Income Security Act of 1974 (ERISA), the National Labor Relations Act (NLRA), the Washington Law Against Discrimination (WLAD), the Washington Industrial Welfare Act, the Washington Family Leave Act, the Washington Minimum Wage Act, the Washington Wage Payment Act, the Washington Rebate Act, and all similar federal, state, and local laws. **The aforementioned claims are examples, not a complete list, of the released claims. It is the Parties' intent that you release any and all claims, including those arising from or related to your employment, your contract of employment, and separation of employment, of whatever kind or nature, known or unknown, to the greatest degree allowed by law, against the Released Parties, which arose or occurred on or before the date you sign this Separation Agreement.**

(d) You agree not to seek any personal recovery (of money damages, injunctive relief, or otherwise) for the claims you are releasing in this Separation Agreement, either through any complaint to any governmental agency or otherwise, whether individually or through a class action. You agree never to start or participate as a plaintiff in any lawsuit or arbitration asserting any of the claims you are releasing in this Separation Agreement. You represent and warrant that you have not initiated any complaint, charge, lawsuit, or arbitration involving any of the claims you are releasing in this Separation Agreement.

(e) Should you apply for future employment with a Riverview Affiliate, the Riverview Affiliate has no obligation to consider you for future employment.

A-2

(f) You represent and warrant that you have all necessary authority to enter into this Separation Agreement (including, if you are married, on behalf of your marital community), and that you have not transferred any interest in any claims to your spouse or to any third party.

(g) This Separation Agreement does not affect your rights arising under any of Riverview's benefit plans through the Separation Date or afterwards under the terms of those plans to receive pension plan benefits, medical plan benefits, unemployment compensation benefits, or workers' compensation benefits.

(h) This Separation Agreement also does not affect your rights under agreements, bylaw provisions, insurance or otherwise, to be indemnified, defended, or held harmless in connection with claims that may be asserted against you by third parties.

(i) This Separation Agreement also does not affect your rights to file a charge or complaint with or participate in an investigation by the Equal Employment Opportunity Commission or other government agency. But, you give up any right to recover or receive any personal relief or benefit from any such charge, complaint, or investigation, or from any lawsuit or administrative action filed by any government agency that is the result of any such charge, complaint, or participation by you. Personal relief or benefit includes attorneys' fees, monetary damages, and reinstatement. Nothing in this Agreement is intended to prevent you from reporting potential violations of the law, cooperating or participating in any investigation by the Equal Employment Opportunity Commission, SEC, or other government agency concerning any of the Released Parties, or from testifying truthfully in any legal proceeding resulting from any government agency's enforcement actions.

(j) You understand that you are releasing potentially unknown claims, and that you have limited knowledge with respect to some of the claims being released. You acknowledge that there is a risk that, after signing this Separation Agreement, you may learn information that might have affected your decision to enter into this Separation Agreement. You assume this risk and all other risks of any mistake in entering into this Separation Agreement.

(k) You agree that this release is fairly and knowingly made.

6. **No Admission of Liability.** Neither this Separation Agreement nor the payments made under this Separation Agreement are an admission of liability or wrongdoing by any Party.

7. **Riverview Materials.** You represent and warrant that you have, or no later than the Separation Date will have, returned all keys, credit cards, documents, Confidential Information (as defined in Section 5 of the CIC Agreement), and other materials that belong to Riverview, and disclosed all computer user identifications and passwords used by you in the course of your employment or necessary for accessing information on our computer system, in accordance with Section 7 of the CIC Agreement.

8. **Nondisclosure Agreement.** You will comply with the covenant regarding Confidential Information in Section 5(a) of the CIC Agreement. You also agree to keep the terms of this Separation Agreement in strict confidence and not to disclose the same to any other person or entity, except as may be required by law. Except for litigation arising out of the breach of or attempt to enforce this Separation Agreement, this Separation Agreement shall not be admissible as evidence in any legal proceeding.

9. **Non-Disparagement and Non-Incitement.** You agree not to make, publish, or communicate (or causing others to make, publish, or communicate) any public or private disparaging statements concerning any Riverview Affiliate or their current or former officers, directors, members, shareholders, employees, agents, customers, suppliers, or investors, including, without limitation, statements made to employees of any Riverview Affiliate or statements made on internet blogs, social

A-3

media sites, and review sites; provided, however, that nothing in this Separation Agreement shall preclude you from making truthful statements that are required by applicable law, regulation, or legal process, or making any disclosures permitted by law, such as disclosing or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between Riverview and an employee. You may not disparage any Riverview Affiliate or its business or products, and may not encourage any third parties to sue a Riverview Affiliate.

10. **Cooperation Regarding Other Claims.** If any claim is asserted by or against a Riverview Affiliate as to which you have relevant knowledge, you will reasonably cooperate with Riverview in the prosecution or defense of that claim, including by providing truthful information and testimony as reasonably requested by Riverview.

11. **Nonsolicitation; No Interference.** You will comply with Sections 5(b) and 5(c) of the CIC Agreement, and Riverview will have the right to enforce those provisions under the terms of Section 5(d) of the CIC Agreement. Following the expiration of the covenants referenced in the preceding sentence, you will not, apart from good-faith competition, interfere with any Riverview Affiliate's relationships with customers, employees, vendors, or others.
12. **Liquidated Damages.** Any breach by you of provisions set out in Sections 7 through 11 above shall be a material breach of this Separation Agreement for which we agree that Riverview or one of its affiliates would suffer irreparable harm and damage to its reputation, and for which liquidated damages in an amount equal to the Change in Control Benefit specified in Section 3 of the CIC Agreement or actual damages, whichever is greater, shall be assessed. The foregoing shall not be interpreted to preclude any additional remedy available to Riverview at law or in equity, including, but not limited to, injunctive relief.
13. **Independent Legal Counsel.** You are advised and encouraged to consult with an attorney before signing this Separation Agreement. You acknowledge that you have had an adequate opportunity to do so.
14. **Consideration Period.** You have twenty-one (21) days from the date this Separation Agreement is given to you to consider this Separation Agreement before signing it. You may use as much or as little of this twenty-one (21)-day period as you wish before signing. You acknowledge that if you are signing this Separation Agreement before the end of the Consideration Period, you have voluntarily decided not to use the full Consideration Period. If you do not sign and return this Separation Agreement within this twenty-one (21)-day period, you will not be eligible to receive the benefits described in this Separation Agreement.
15. **Revocation Period and Effective Date.** You have seven (7) calendar days after signing this Separation Agreement to revoke it. To revoke this Separation Agreement after signing it, you must deliver a written notice of revocation to Riverview's Chief Executive Officer or the Chairman of the Board before the seven (7)-day period expires. This Separation Agreement shall not become effective until the eighth (8th) calendar day after you sign it (the "Effective Date"). If you revoke this Separation Agreement, it will not become effective or enforceable, and you will not be entitled to the benefits described in this Separation Agreement.
16. **Knowing and Voluntary Waivers under the ADEA.** You acknowledge that you understand this is a full release of all existing claims, whether currently known or unknown, including, but not limited to, claims for age discrimination under the Age Discrimination in Employment Act. You agree and acknowledge that you have read and understood this Separation Agreement, and that you have consulted with an attorney regarding the meaning and application of this Separation Agreement, or, if

A-4

you have not consulted with an attorney, you have been advised to do so and have had ample opportunity to do so. You enter into this Separation Agreement knowingly, voluntarily, free from duress, and as a result of your own free will and with the intention to waive, settle, and release all claims you have or may have against each Riverview Affiliate.

17. **Governing Law.** This Separation Agreement is governed by the laws of the state of Washington that apply to contracts executed and to be performed entirely within the state of Washington.
18. **Dispute Resolution.** Any dispute arising under this Agreement shall be subject to arbitration in accordance with Section 8 of the CIC Agreement.
19. **Saving Provision.** If any part of this Separation Agreement is held to be unenforceable, it shall not affect any other part, except if the release in Section 5 is determined to be invalid or unenforceable, this Separation Agreement shall be voidable by Riverview for a period of sixty (60) days following receipt of written notice of the invalidity or unenforceability.

20. **Final and Complete Agreement.** Except for the CIC Agreement and/or the Employment Agreement, this Separation Agreement is the final and complete expression of all agreements between the Parties on all subjects relating to your employment or its termination and supersedes and replaces all prior discussions, representations, agreements, policies, and practices. You acknowledge you are not signing this Separation Agreement relying on anything not set out in this Separation Agreement, the Employment Agreement, and the CIC Agreement. You further acknowledge that Sections 5, 6, and 9 of the CIC Agreement survive the termination of your employment and remain in full force and effect.

21. **Miscellaneous.** This Separation Agreement may be signed in counterparts, both of which shall be deemed an original, but both of which, taken together, shall constitute the same instrument. An electronic signature and a signature transmitted by facsimile or electronic mail shall have the same effect as the original signature. The section headings used in this Separation Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify, or otherwise be used in the interpretation of any of the provisions hereof. This Separation Agreement was the result of the negotiations between the Parties. In the event of vagueness, ambiguity, or uncertainty, the Separation Agreement shall not be construed against the Party preparing it, but shall be construed as if both Parties prepared it jointly. If you or Riverview fails to enforce this Separation Agreement or to insist on performance of any term, that failure does not mean a waiver of that term or of the Separation Agreement. This Separation Agreement remains in full force and effect anyway.

[Signature page to follow]

A-5

Riverview Bank

By:

Title:

Date:

Riverview Bancorp, Inc.

By:

Title:

Date:

I, the undersigned, having been advised to consult with an attorney, hereby agree to be bound by this Separation Agreement and confirm that I have read and understood each part of it.

Print Name

Date:

A-6

Exhibit 10.3

RIVERVIEW BANCORP, INC.
RIVERVIEW BANK
RIVERVIEW TRUST COMPANY

EMPLOYMENT AGREEMENT
FOR

RIVERVIEW BANCORP, INC.

RIVERVIEW BANK

EMPLOYMENT AGREEMENT

FOR

This EMPLOYMENT AGREEMENT (this "Agreement") is entered into by and between RIVERVIEW BANCORP, INC., a registered bank holding company ("Bancorp"), and RIVERVIEW BANK, a state-chartered commercial bank (the "Bank"), which is a wholly owned subsidiary of Bancorp, and RIVERVIEW TRUST COMPANY (the "Trust") (Bancorp, Trust, and the Bank are collectively referred to as the "Company"), and _____ ("Executive"), and

is dated ____, 20 ____ (the "Effective Date"). The Company and Executive are referred to herein individually as a "Party" and collectively as the "Parties."

1. At-Will Employment

. The Bank will commence or continue to employ Executive, subject to the terms and conditions set forth in this Agreement. Executive's employment is "at will" and, as such, the Company may terminate Executive's employment at any time, for any lawful reason or for no reason at all, subject to the provisions of this Agreement. Similarly, Executive may terminate Executive's employment at any time, for any reason, subject to the provisions of this Agreement.

2. Term/Extension.

- (a) The term of this Agreement begins on the Effective Date and shall continue until the one (1) year anniversary thereof, unless Executive's employment is terminated earlier pursuant to Section 6. The period during which Executive is employed by the Bank under this Agreement is referred to as the "Employment Term."
- (b) At any time during the Employment Term, the any's Board of Directors (the "Board") may elect, in writing, to extend the Employment Term of this Agreement on the same terms and conditions for one (1) additional year beyond the current Employment Term. This Agreement may be extended in writing any number of times in the same manner.
- (c) Executive's Termination Date shall be the last date of the Employment Term, unless Executive's employment is terminated earlier pursuant to Section 6.

3. Position. Executive will serve as the Trust's President and Chief Executive Officer or such other position as the Company may designate from time to time. Executive also agrees to serve, if elected, as an officer and/or director of the Company or any of its affiliates.

1

Executive will faithfully and diligently perform the duties that are normal and customary to the position, as well as other duties assigned by the Board and/or the Bank's Chief Executive Officer (the "Bank CEO"). Executive's duties and responsibilities shall be subject to change from time to time in the Board's or the Bank CEO's discretion; provided, however, that the foregoing shall not vitiate or modify the application of the termination for Cause provision of Subsection 6(b) hereof, or Executive's rights upon any resignation for Good Reason in Subsection 6(c).

4. Obligations.

- (a) Executive shall devote Executive's best efforts, energies, and skills to the position, and will perform Executive's duties, responsibilities, and functions for the Company to the best of Executive's abilities in a diligent, trustworthy, professional, and efficient manner.
- (b) Executive shall exercise the highest degree of good faith in Executive's dealings with and on behalf of the Company, and shall not engage in any other business or professional or employment activity that would prevent Executive from fully and satisfactorily performing the duties required by the Company or that might reasonably be deemed to be contrary to the Company's interests. Activities approved in writing in advance by the Board, and passive investments that do not involve Executive providing any advice or services to the businesses in which the investments are made, will not be deemed contrary to the Company's interests.

- (c) The principal place of Executive's employment shall be the Company's headquarters in the greater Vancouver, Washington metropolitan area, provided that Executive may be required to travel on Company business during the Employment Term. Executive agrees to maintain a full-time residence in close proximity to Vancouver, Washington during the Employment Term.
- (d) Executive's employment shall be governed by any employment policies, procedures, and handbooks that may be adopted by the Company and applicable to employees (the "Company's Employment Policies"), as they may be modified from time to time, except to the extent the Company's Employment Policies are inconsistent with the terms of this Agreement, in which case this Agreement shall control. The Company's Employment Policies may include, but are not limited to, the Personnel Policy Manual, the Code of Conduct, the Conflict of Interest and Whistleblower Policy, and the Technology Use Policy. In performing Executive's duties, Executive also agrees to act in accordance with applicable federal, state, and local laws.
- (e) The Company anticipates that Executive will be active in community associations in the Company's market area.

5. Compensation/Benefits.

- (a) **Base Salary.** For services performed under this Agreement, Executive's annual rate of pay as of the Effective Date is \$ _____ (the "Base Salary"). The

2

Base Salary will be paid in periodic installments, in accordance with the Company's regular payroll policies and schedule and subject to all lawful and authorized deductions and withholdings. Executive's Base Salary shall be reviewed at least annually by the Board after taking into consideration the Executive's performance individually and as part of the Company, and the Board may, but shall not be required to, increase the Base Salary during the Employment Term.

- (b) **Incentive Compensation.** In addition to the Base Salary, Executive will participate in the Company's Annual Incentive Plan and Equity Incentive Plan, and any successor incentive compensation plans, and be eligible for incentive compensation, to be paid in compliance with the terms and conditions of applicable incentive compensation plans (the "Incentive Compensation").
- (c) **Phone/Auto Allowance.** Executive will receive an allowance of \$ _____ per month, for expenses related to use of Executive's personal mobile phone and vehicle for business purposes. **Each monthly allowance will be payable at the end of that calendar month, and will be pro-rated for any partial month of employment.**
- (d) **Other Benefits.** During the term of this Agreement, Executive shall be entitled to participate in the Company's health and welfare, retirement, and all other employee benefit plans, practices, and programs maintained by the Company (including paid time off benefits), as in effect from time to time (collectively, "Employee Benefit Plans"), and which other employees of the Company are generally eligible, subject to the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or terminate any Employee Benefit Plans at any time in its sole discretion, subject to the terms of such Employee Benefit Plans and applicable law.
- (e) **Reimbursable Expenses.** Executive is authorized to receive reimbursement for reasonable expenses incurred in performing Executive's duties and in promoting the business of the Company, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established from time to time, by the Company, and further provided that all such reimbursements shall comply with Section 409A of the Internal Revenue Code of 1986, as it may be amended from time to time (the "Code").

(f) **Insurance and Indemnification.** The Company shall provide Executive (including Executive's heirs, executors, and administrators) with coverage under a standard directors' and officers' liability insurance policy at the Company's expense and, with respect to any claims not covered by that policy, shall indemnify Executive (and Executive's heirs, executors, and administrators) to the fullest extent permitted under law against all expenses and liabilities reasonably incurred by Executive in connection with or arising out of any action, suit, or proceeding brought by a third party against the Company in which Executive may be involved by reason of having been a director or officer of the Company or any of its affiliates (whether or not Executive continues to be a director or officer at the time of incurring those expenses or liabilities). Those expenses and liabilities include, but

3

are not limited to, court costs, attorneys' fees and expenses, judgments, and reasonable settlement costs; provided, however, the Company shall not be required to reimburse Executive for any expenses and liabilities caused by Executive's intentional or reckless violation of the Company's Employment Policies or the law.

(g) **Withholding Taxes.** All amounts payable to Executive as compensation and benefits hereunder, including any bonuses or other monetary incentives, shall be subject to such federal, state, and local taxes, as may be required to be withheld pursuant to any applicable law or regulation.

6. **Termination of Employment.** Executive's employment and this Agreement may be terminated by the Company, with or without cause (as defined below), or by Executive, with or without Good Reason (as defined below). The Party seeking to terminate employment must provide written notice of its intent to terminate, citing the specific Subsection below upon which the Party is relying. Executive's employment may also terminate due to death or disability (as defined below).

(a) **Death or Disability.** Upon death, this Agreement automatically terminates as of the date of death, which shall be the Termination Date. Additionally, the Company may terminate this Agreement because of disability by delivering written notice to Executive stating the Termination Date. The Company's decision to terminate because of disability shall be based on its good-faith determination that Executive is unable, as result of physical or mental illness, to perform the essential functions of Executive's position, despite reasonable accommodation, for an aggregate of ninety (90) days during any period of one hundred eighty (180) consecutive days (unless a longer period is required by law, in which case the longer period would apply). The Company's disability determination should be based on evidence from a competent health care provider obtained with the cooperation of Executive, and should consider any reasonable accommodation that the Company may provide without undue hardship, and any other considerations required by law.

(b) **With or Without Cause.**

(1) **Definition of Cause.** "Cause" for termination of employment means the occurrence of any one or more of the following:

- (A) Conviction of any felony, a misdemeanor involving moral turpitude, or of any crime in connection with Executive's duties;
- (B) Removal of Executive from office or permanent prohibition of Executive from participating in the conduct of the Company's affairs by an order issued by a bank regulatory authority;
- (C) Conduct involving dishonesty, embezzlement, misappropriation, fraud, or a material breach of a fiduciary duty in the performance of Executive's duties;

- (D) Participation in any incident compromising Executive's reputation and, as a consequence, materially diminishing Executive's ability to represent the Company with the public;
- (E) Conduct significantly harmful to the Company, including, but not limited to, public disparagement of the Company or any affiliate of the Company, or intentional or reckless violation of law or of any significant policy or procedure of the Company;
- (F) Willful misfeasance, gross negligence, or refusal or failure to act in accordance with any lawful and reasonable stipulation, requirement, or directive of the Board or the Bank CEO. As used in this Subsection 6(b)(1)(F), the term "reasonable" means any stipulation, requirement, or directive that falls under the Board's or the Bank CEO's authority;
- (G) Material breach of any material obligations under this Agreement or any other written policies or procedures of the Company;
- (H) Sexual harassment, as defined by the Company's Employment Policies;
- (I) Willful unauthorized disclosure of trade secrets and Confidential Information (as defined in Subsection 9(a)); or
- (J) Chronic drug or alcohol abuse to an extent that materially impairs Executive's performance of Executive's duties.

(2) **Procedure for Termination for Cause.** Termination for Cause will be automatic upon the occurrence of an incident under Subsections 6(b)(1)(A) or (1)(B) above. Otherwise, the Board may not terminate Executive's employment for Cause unless:

- (A) With respect to incidents under Subsections 6(b)(1)(C), (1)(D), (1)(E), (1)(F), (1)(G), (1)(H), (1)(I), or (1)(J):
 - (i) Executive is given reasonable written notice (in no event less than five (5)-business days' notice) of the Board meeting called to make that determination; and
 - (ii) Executive and Executive's legal counsel are given the opportunity to address the incident(s) at that meeting.
- (B) In addition, with respect to incidents under Subsections (1)(F) or (1)(G) only, Executive is first given:
 - (i) Written notice by the Board or the Bank CEO specifying in detail the performance issues; and

- (ii) A reasonable opportunity to cure the issues specified in the notice; provided, however, if the Company reasonably expects irreparable injury from a delay in termination, the Company may terminate Executive without an opportunity to cure.
- (iii) If an opportunity to cure is provided, the Company's Board shall also determine, in its sole discretion, whether Executive has in fact cured the cause and done so in a timely manner.

(3) **Procedure for Termination Without Cause.** The Company may terminate Executive's employment and this Agreement during the Employment Term without Cause by delivering at least thirty (30)-days' prior written notice stating the Termination Date. During the period between the delivery of the notice of termination and the Termination Date, the Executive's employment shall continue and Executive shall continue to perform Executive's duties and cooperate in the orderly transition of Executive's duties. At the Company's discretion, it may pay the Executive's then-current Base Salary for the notice period and excuse Executive from any further duties during such period.

(c) **With Good Reason.**

- (1) **Definition of Good Reason.** Subject to Subsection 6(c)(2) below, "Good Reason" for Executive's resignation means any one or more of the following occurring without Executive's consent:
 - (A) A 15% or more material reduction of Executive's Base Salary;
 - (B) A relocation or transfer of Executive's principal place of employment that would require Executive to commute on a regular basis more than twenty-five (25) miles each way from the main business office of the Company as of the Effective Date; or
 - (C) Any other action or inaction that constitutes a material breach of this Agreement by the Company.
- (2) **Procedure for Resignation for Good Reason.** To resign for Good Reason, Executive must give the Company:
 - (A) Written notice of the intended resignation and a detailed description of the Good Reason not more than thirty (30) days after Executive becomes aware of the initial existence of the Good Reason; and
 - (B) A reasonable opportunity of at least thirty (30) days in which to cure those circumstances.

6

- (C) Good Reason shall not exist if Executive (a) fails to provide such notice within the thirty (30)-day notice period, or (b) the Company cures the specified condition within the thirty (30)-day cure period.
- (d) **Resignation of All Other Positions.** Upon termination of Executive's employment hereunder for any reason (including expiration of this Agreement), Executive agrees to resign from all positions that Executive holds as an officer or member of a board (or a committee thereof) of the Company or any Company Affiliate (as defined in Subsection 9(f)(1)).

7. **Separation Benefits.**

(a) **Payment of Accrued Salary and Benefits.** Upon termination of Executive's employment for any reason, Executive will receive payments for all Base Salary and benefits accrued and payable as of Executive's Termination Date, which shall be paid in accordance with applicable law. All further compensation and benefits shall terminate as of the Termination Date, except as otherwise required by law (e.g., COBRA coverage) or as provided in Subsections 7(c), (d), or (e) below.

(b) **Termination for Cause or Without Good Reason.** If Executive's employment is terminated upon death, by the Company for Cause, by Executive without Good Reason, or expiration of this Agreement, Executive will have no right to receive additional compensation past the Termination Date and will have no right to any unpaid Incentive Compensation.

(c) **Termination Without Cause or for Good Reason.**

(1) Subject to the limitations in Subsection 7(c)(3) below, if Executive's employment is terminated by the Company without Cause or by Executive with Good Reason, the Company will pay Executive (or in the event of Executive's subsequent death, Executive's beneficiaries or estate) a severance benefit (the "Severance Benefit") in an aggregate amount equal to:

(A) Twelve (12) months of Executive's monthly Base Salary (based on the Executive's Base Salary as of the Termination Date), to be paid for a period of twelve (12) months beginning on the commencement date, as determined under Subsection 7(c)(3)(B) below, subject to all applicable payroll tax withholding and other deductions required by law;

(B) Any unpaid Incentive Compensation based on the fiscal year that ended immediately before the Termination Date, to be paid on the same date and in the same manner Executive would be paid if Executive remained employed with the Company, subject to all applicable payroll tax withholding and other deductions required by law; and

7

(C) If Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 or any applicable state health insurance continuation law ("COBRA"), the Company shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive's dependents (at the same percentage as paid by the Company as of the Termination Date). Executive shall be eligible to receive such reimbursement until the earliest of: (i) the twelve (12)-month anniversary of the Termination Date; (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; or (iii) the date on which Executive becomes eligible to receive substantially similar coverage from another employer or other source. Notwithstanding the foregoing, if the Company's payments under this Subsection 7(c)(1)(C) would violate the nondiscrimination rules applicable to non-grandfathered plans under the Affordable Care Act (the "ACA"), or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder, the Parties agree to reform this Subsection 7(c)(1)(C) in a manner as is necessary to comply with the ACA.

(2) The Parties intend the Severance Payments under this Section 7 to qualify for the exemption from Section 409A of the Code, for separation pay, pursuant to Treasury Regulations 1.409A-1(b)(9)(iii).

(3) **Severance Benefit Limitations.** Payment of the Severance Benefit will be subject to the following limitations:

(A) **Release of Claims.** Executive's receipt of the Severance Benefit is conditioned on Executive having executed a separation agreement in substantially the same form attached hereto as Exhibit A (the "Separation Agreement") and the revocation period having expired without Executive having revoked the Separation Agreement. Executive must execute the Separation Agreement and the revocation period must expire within sixty (60) days of the Termination Date.

(B) **Commencement of Payment.** The first payment of the Severance Benefit is payable after the Separation Agreement is effective, but no later than sixty (60) days following the Termination Date; notwithstanding the foregoing to the contrary, where Executive's Termination Date occurs after November 1 of a calendar year, assuming the Company receives a fully executed Separation Agreement within sixty (60) days following the Termination Date, the first payment shall be made as soon as practicable after the beginning of the next following calendar year, but in no event later than March 15 of such calendar year.

8

(C) **Conclusion of Payment.** The Company's obligation to pay the Severance Benefit under this Agreement shall end immediately upon Executive engaging in Prohibited Activity (as defined under Subsection 9(b)), or upon the conclusion of the twelve (12)-month period, whichever occurs first. Executive agrees to notify the Company in writing immediately upon Executive's commencement of Prohibited Activity. Executive understands and agrees that Executive must immediately return or repay to the Company any Severance Benefit, or portion thereof, that was made to Executive after the time Executive engages in Prohibited Activity. The conclusion of payment for engaging in Prohibited Activity shall apply, even if Executive's noncompetition restriction does not extend beyond Executive's Employment Term.

(D) **Compliance With Material Terms.** Receipt of the Severance Benefit is further conditioned on Executive not being in violation of any material term of this Agreement, including, without limitation, the restricted covenants in Section 9, or in violation of any material term of the Separation Agreement. If Executive violates any material term of this Agreement or the Separation Agreement, the Company may immediately stop paying the Severance Benefit and will have no further payment obligations.

(E) **Regulatory Limitation.** The Company shall make no payment for the Severance Benefit provided for under this Agreement to the extent that the payment would be prohibited by applicable banking regulations or any regulatory order. If the payment is prohibited, the Company shall use reasonable efforts to secure the consent of the banking regulator to make the payment in the highest amount permissible, up to the amount provided for in this Agreement.

(d) **Change in Control Benefits.**

(1) If Executive's employment terminates under circumstances that qualify as a payment event under the Change In Control Agreement between the Company and Executive, as amended (the "CIC Agreement"), Executive will receive:

(A) Only those payments under this Agreement that are payable under Subsection 7(a) above; and

(B) The benefits payable in accordance with the terms and conditions of the CIC Agreement, in lieu of or offset by any Severance Benefit payable under Subsection 7(c) above.

(2) If Executive's employment terminates under circumstances that do not qualify as a payment event under the CIC Agreement, the compensation and

9

benefits payable to Executive upon termination of employment will be determined solely under this Section 7.

(e) **Disability.**

(1) **Transition Payment.** If Executive becomes disabled, as defined in Subsection 6(a) above, Executive's employment will terminate and the Company will pay Executive, as transition pay and in lieu of the Severance Benefit, a lump sum payment equal to four (4) months of Executive's Base Salary as of the Termination Date (the "Transition Payment"). The Transition Payment is subject to the limitations in Subsections 7(c)(3)(A), 7(c)(3)(D), and 7(c)(3)(E) above.

(2) **Commencement of Payment.** The Transition Payment is payable after the Separation Agreement is effective, but no later than sixty (60) days following the Termination Date; notwithstanding the foregoing to the contrary, where Executive's Termination Date occurs after November 1 of a calendar year, assuming the Company receives a fully executed Separation Agreement within sixty (60) days following the Termination Date, the Transition Payment shall be made as soon as practicable after the beginning of the next following calendar year, but in no event later than March 15 of such calendar year.

(3) **Transition Benefits.** If Executive becomes disabled, as defined in Subsection 6(a) above, Executive's employment will terminate and the Company will, if reasonably possible, continue Executive's life, medical, dental, and disability coverage on the policies in existence as of the Termination Date until the earliest of:

- (A) Executive's full-time employment with another employer;
- (B) Executive's death; or
- (C) The twelve (12)-month anniversary of the Termination Date.

8. Cooperation Following Termination of Employment. Executive agrees that when Executive's employment ends, whether voluntarily or involuntarily, Executive will cooperate fully with the Company in all matters relating to the completion of pending work, the orderly transfer of any such pending work to other employees, the return of all Company property, and in any business or legal matters in which participation is requested. Executive further agrees to preserve the attorney-client privilege regarding any legal matters to which Executive was privy during Executive's employment with the Company. If the Company asks Executive to assist in any litigation after employment ends, Executive agrees to cooperate by assisting the Company's counsel in the preparation and execution of sworn declarations, appearing voluntarily without subpoena, and testifying truthfully in declarations, depositions, and at any arbitrations, administrative hearings, or trials. If requested by the Company to provide such assistance, Executive shall be reimbursed for any reasonable out-of-pocket expenses.

10

9. **Restrictive Covenants.**

(a) **Confidential Information.**

(1) During and after the term of this Agreement, Executive shall protect against loss, theft, or other inadvertent disclosure, and will preserve as confidential, any and all Confidential Information (defined in Subsection 9(a)(2)) at any time known to Executive or in Executive's possession or control with not less than the diligence, care, and effort that a prudent owner would use to protect and preserve his or her own most sensitive information. Executive will not, directly or indirectly, access, use, disclose, or disseminate to third parties, or allow others to access, disclose, disseminate, or use, any Confidential Information for any purpose other than for the sole benefit of the Company or as specifically required for the performance of Executive's duties on behalf of the Company, unless the Board consents to the use or disclosure in advance and in writing. Executive acknowledges and agrees that the covenants contained in this Subsection 5(a) shall supplement, rather than replace or contradict, any other rights or remedies that Company may have under applicable law. If a dispute arises, Executive has the burden to show that information is not Company's Confidential Information. If anyone tries to compel Executive to disclose any of Company's Confidential Information by subpoena or otherwise, Executive will promptly notify the Board or Bank CEO, so that Company may take any actions it deems necessary to protect its interests.

(2) "Confidential Information" means information of the Company or any Company Affiliate (defined in Subsection 9(f)(1)), which (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Confidential Information also includes proprietary or secret information belonging to the Company or any Company Affiliate that was disclosed to or known by Executive as a consequence of Executive's employment with the Company and not otherwise publicly known, whether or not received prior to the Effective Date, whether or not marked confidential or labeled as Confidential Information, and whether or not considered a trade secret under applicable law. Confidential Information may consist of verbal, written, or electronically stored information, and may be tangible or merely remembered.

(A) The Company provides the following list of Confidential Information by way of example, but this list is not intended to be exhaustive: inventions; technical information; algorithms, designs, concepts, systems, techniques, methods, models, procedures, or processes; know-how or methodologies; manuals, contracts, or reports; purchasing or accounting information; regulatory

information and communications related thereto; financial history or projections; legal affairs; formulae; compositions; software or computer programs; research projects; business modes and information; the identity of all vendors, vendor lists, and vendor contact information; the identity of customers, customer lists, and customer contact information; pricing data; financial data; sources of supply; marketing plans and/or strategies, including price strategies; marketing, sales, technology, research and development, production, and merchandising systems or plans; and information pertaining to any aspect of any activity or business of the Company or Company Affiliates, or their vendors, suppliers, distributors, or customers, including, without limitation, information entrusted to the Company by third parties (including vendors, customers, and prospective vendors or customers), or any trade secrets or proprietary or confidential matter of the Company or of such third parties.

(B) Confidential Information does not include information that Executive can prove (i) was known by or in the possession of Executive prior to employment with the Company through means other than as a result of past relationships or business dealings between Executive and the Company or its vendors, suppliers, or customers; or (ii) consists in whole or in part of any Prior Intellectual Property (defined in Subsection 10(a)).

(3) Nothing in this Agreement prohibits Executive from disclosing any information when required to do so by law, such as pursuant to a valid subpoena or the valid order of a court of competent jurisdiction or authorized government agency, provided that the Company is notified in advance, whenever possible, and disclosure does not exceed the extent of disclosure required by such law, subpoena, or order. This Agreement also does not prevent Executive from making reports to any governmental agency, or making any disclosures permitted by law, such as disclosing or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between the Company and an employee.

(4) Pursuant to the Defend Trade Secrets Act of 2016, Executive will not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation against the Company for

12

reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(b) **Noncompetition.**

(1) During the term of employment and for a one (1)-year period following the Termination Date (unless the Company terminates Executive's employment without Cause (as defined in Subsection 6(b)(3)), Executive resigns for Reason (as defined in Subsection 6(c)), or the Company terminates Executive's employment because of disability (as defined under Subsection 6(a)), Executive agrees and covenants not to, directly or indirectly, with or without compensation, engage in any "Prohibited Activity" in any city, town, or county in which the Company or any Company Affiliate (defined in Subsection 9(f)(1)) has an office or branch or has filed an application for regulatory approval to establish an office or branch. For the sake of clarity, this noncompetition restriction shall not extend beyond Executive's Employment Term if Executive's employment is terminated by the Company without Cause (as defined under Subsection 6(b)(3)), Executive resigns for Good Reason (as defined under Subsection 6(c)(1)), or the Company terminates Executive because of disability (as defined under Subsection 6(a)). "Prohibited Activity" is defined as an activity Executive engages in or which Executive contributes Executive's knowledge, directly or indirectly, in whole or in part, as an employee, employer, operator, manager, advisor, consultant, contractor, agent, partner, director, stockholder, officer, volunteer, intern, or any other similar capacity, in the same or similar business of the Company, including, without limitation, the business of providing depository, lending, trust, or wealth management services. "Prohibited Activity" also includes activity that may require or inevitably require disclosure of trade secrets, proprietary information, or Confidential Information, including, without limitation, directly or indirectly, soliciting, inducing, or encouraging suppliers, vendors, investors, financial institutions, and other persons and entities with whom the Company is conducting business, or has conducted business during the twelve (12) months before the Termination Date, to terminate or limit their relationship with the Company or assist any person, group, or entity to do so or attempt to do so. Nothing herein shall prohibit Executive from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that Executive is not a controlling person of, or a member of a group that controls, such corporation.

(2) Notwithstanding the foregoing, this Subsection 9(b) is not enforceable against Executive if (A) Executive's primary work location is in the state of Washington; and (B) on the earlier of either the date of enforcement or the

13

Termination Date, Executive's annualized earnings do not meet or exceed the threshold established by the state of Washington for the enforceability of non-compete agreements. If Executive's employment is terminated as a result of a layoff, this Subsection 9(b) shall not be enforceable against Executive, unless the Company provides Executive written notice that it intends to enforce this Subsection 9(b) for a period not to exceed eighteen (18) months following the Termination Date, and the Company pays Executive an amount equal to Executive's Base Salary as of the Termination Date for the period of time the Company elects to enforce this Subsection 9(b), minus any and all compensation earned by Executive through subsequent employment during the period of enforcement. The Parties believe this Subsection 9(b) complies with all applicable law and regulations, including, without limitation, RCW 46.62. If at any time Executive believes this Subsection 9(b) violates applicable law, Executive agrees to provide the Company written notice of the alleged non-compliance, and shall give the Company thirty (30) days to cure such alleged non-compliance or agree not to enforce the allegedly non-compliant provision before Executive commences legal proceedings or reports such allegations to any governmental authority.

(c) **Non-solicitation.** During employment and for a one (1)-year period following the Termination Date, Executive will not, directly or indirectly, with or without compensation, solicit any Customer of the Company or of any Company Affiliate (defined in Subsection 9(f)(1)) to cease or reduce the extent to which it is doing business with the Company or any Company Affiliate. "Customers" mean all customers serviced by the Company or any Company Affiliate at any time within twelve (12) months before the Termination Date.

(d) **Non-raiding of Employees.** Executive recognizes that the workforce of the Company and Company Affiliates are a vital part of the Company's business. Therefore, Executive agrees that while employed by the Company and for twelve (12) months following the Termination Date, Executive will not, directly or indirectly, recruit or solicit any Company Employee to terminate his or her employment with the Company or any Company Affiliate. This includes indirect solicitation by disclosing or identifying any Company Employee as a potential candidate to a third party; however, this does not restrict general solicitations, such as help-wanted ads or job postings, so long as those solicitations are not specifically directed to individuals who are known to be currently employed by Company. For purposes of this Subsection, "Company Employees" means all employees working for the Company or any Company Affiliate as of the Termination Date.

(e) **Injunctive Relief.** Executive acknowledges that the Company will suffer irreparable harm if Executive fails to observe the covenants in this Section 9, and it is impossible to measure in money the damages that the Company will incur if Executive fails to observe the covenants in this Section 9 (the "Restrictive Covenants"), and, therefore, Executive agrees that:

14

(1) The Company shall be entitled to an injunction, restraining order, or such other equitable relief (without the requirement to post bond), restraining Executive from committing any breach or threatened breach of the Restrictive Covenants;

(2) If the Company is required to post a bond in order to secure an injunction or other equitable remedy, that bond shall be no more than a nominal amount;

(3) Executive waives any claim or defense that the Company is not irreparably harmed by Executive's breach, is not entitled to seek injunctive relief, or that an adequate remedy at law is available to the Company; and

(4) These injunctive remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

(f) **Reasonableness.** The Parties acknowledge and agree that:

(1) The Company and its parent, affiliates, partnerships, joint ventures, predecessors, successors, assigns, and other entities, directly or indirectly, controlled by, or under common control with, the Company ("Company Affiliates"), have developed substantial intellectual property and goodwill, including its reputation, brand, special skills, operating methods, and vendor and customer relationships, and has developed, and will receive from third parties, confidential information and trade secrets. Executive acknowledges and agrees that the Company is engaged in a highly competitive business, and that its competitive position depends upon its ability to maintain the confidentiality of its Confidential Information (as defined in Subsection 9(a)(2)). Executive acknowledges and agrees that the Confidential Information of the Company and Company Affiliates was developed, compiled, and acquired by the Company and Company Affiliates over a considerable period of time and at great effort and expense;

(2) As a result of Executive's employment with the Company, Executive has been, and will continue to be, personally entrusted with and exposed to Confidential Information and customers, vendors, inventors, and other business relationships of the Company and Company Affiliates, and may reasonably be expected to contribute to such Confidential Information. Any disclosure, divulging, revelation, or use of any Confidential Information, other than in connection with the Company's business or as specifically authorized by the Company, will be highly detrimental to the Company, and the Company would suffer great and material loss and irreparable harm if Executive uses Confidential Information, goodwill, or business relationships during or after employment ends for improper purposes;

(3) The Company would not employ Executive unless Executive agreed to the terms and conditions of Section 9, and as consideration for signing this

15

Agreement, which the Parties agree is adequate and sufficient, consists of (A) Executive's hire and/or ongoing employment with the Company; (B) compensation now and later paid to Executive; (C) access to the Confidential Information; (D) the benefits of the Company's goodwill, including introductions to the Company's customers and business partners; (E) training in the Company's know-how and unique techniques and methods; and (F) the terms and conditions of, and benefits received under, this Agreement;

(4) This Agreement in its entirety, and in particular the Restrictive Covenants, is reasonable both as to time and scope;

(5) The Restrictive Covenants are necessary for the protection of the goodwill and other legitimate interests of the business of the Company;

(6) The Restrictive Covenants are not any greater than are reasonably necessary to secure the Company's business and goodwill;

(7) The degree of injury to the public due to the loss of the service and skill of Executive or the restrictions placed upon Executive's opportunity to make a living with Executive's skills upon enforcement of those Restrictive Covenants, does not and will not warrant non-enforcement of those restraints; and

(8) If the scope of the Restrictive Covenants is adjudged too broad to be capable of enforcement, then the Parties authorize a court or arbitrator to narrow the Restrictive Covenants, so as to make them capable of enforcement, given all relevant circumstances, and to enforce them to the fullest extent allowed.

(g) **Survival.** This Section 9 shall survive the termination and expiration of this Agreement.

10. Protection of Intellectual Property.

(a) **Company's Ownership.** The Company owns all Inventions and Works (as defined below in Subsection 10(b)) that Executive makes, conceives, develops, discovers, reduces to practice, or fixes in a tangible medium of expression, alone or with others, either (a) during Executive's employment by the Company (including the Employment Term and past employment, and whether or not during working hours), or (b) within one (1) year after the Termination Date in each case, if the Invention or Works results from any work Executive performed for the Company or involves the use or assistance of the Company's facilities, equipment, materials, personnel, or Confidential Information. If Executive has any pre-existing Invention or Work that Executive requests to exclude from Company ownership ("Prior Intellectual Property"), Executive shall make full written disclosure to the Company by submitting an attachment to this Agreement listing the Prior Intellectual Property (the "Prior Intellectual Property Disclosure"). If Executive does not attach a Prior Intellectual Property Disclosure to this Agreement,

16

Executive represents and warrants that Executive owns no Prior Intellectual Property that Executive requests to exclude from Company ownership.

(b) **Definitions of Inventions and Works.** "Inventions" means discoveries, developments, concepts, ideas, improvements to existing technology, processes, procedures, machines, products, compositions of matter, trade secrets, formulas, algorithms, computer programs and techniques, custom software, and all other matters ordinarily intended by the word "invention," whether or not patentable or copyrightable. "Inventions" also includes all records and expressions of those matters. "Works" means original works of authorship, including interim work product, modifications, and derivative works, and all similar matters, whether or not copyrightable.

(c) **Disclosure and Assignment.** Executive will promptly disclose to the Company, will hold in trust for the Company's sole benefit, will assign to the Company, and hereby does assign to the Company, all Inventions and Works described in Subsections 10(a) and 10(b), including all copyrights, patent rights, and trade secret rights, vested and contingent, except those pre-existing Inventions identified on the Prior Intellectual Property Disclosure. To the extent that such Inventions and Works may be considered "works made for hire" under the copyright act, they are hereby agreed to be works made for hire; otherwise, Executive hereby irrevocably assigns and conveys all such rights, title, and interest to the Company, subject to no liens, claims, or reserved rights. Executive will waive and hereby does waive any moral rights Executive has or may have in the Inventions and Works described in Subsections 10(a) and 10(b). Executive further agrees that if the foregoing waiver is not effective, Executive agrees not to assert any such moral rights. To the extent that Executive cannot assign the rights contemplated in Subsections 10(a) and 10(b), including moral rights, Executive hereby grants to the Company a fully-paid, royalty-free, worldwide, perpetual, exclusive license to use, create, and own derivative works of and otherwise exploit such rights. At the Company's direction and expense, Executive will execute all documents and take all actions necessary or convenient for the Company to document, obtain, maintain, or assign its rights to these Inventions and Works. The Company shall have full control over all applications for patents or other legal protection of these Inventions and Works.

(d) **Disclaimer Regarding Inventions Developed Entirely on Executive's Own Time.** Pursuant to RCW 49.44.140(3), Subsection 10(c) of this Agreement regarding the assignment of certain inventions to the Company does not apply to an Invention for which no equipment, supplies, facilities, or trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (a) the Invention relates (i) directly to the Company's business, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by Executive for the Company.

11. **Non-Disparagement.** Executive agrees and covenants that Executive will not at any time make, publish, or communicate to any person or entity or in any public forum, any

17

defamatory or disparaging remarks, comments, or statements concerning the Company or Company Affiliates, or any of its employees, officers, investors, known customers, or other associated third parties; provided, however, that nothing in this Agreement shall preclude Executive from making truthful statements that are required or permitted by applicable law, regulation, or legal process, in accordance with Subsection 9(a)(3).

12. **Return of Company Property.** Executive will safeguard and return to the Company when Executive's employment ends, or sooner if the Company requests, all documents and property in Executive's care, custody, or control relating to Executive's employment or the Company's business and customers (including, but not limited to, Confidential Information (as defined in Subsection 9(a)(2)), keys, pass cards, identification cards, or any reproductions thereof, whether such information is reduced to writing, existing in hard copy or electronic form, and whether residing on the Company's or Executive's own personal computer, laptop, tablet, or mobile device, or other electronic media used for Company business. After employment ends, or sooner if the Company requests, Executive must disclose all computer user identifications and passwords used by Executive in the course of employment or necessary for accessing information on the Company's computer system, and Executive will not retain copies of any Confidential Information or other materials belonging to the Company, unless expressly authorized in writing by the Company. The obligations in this Section 12 include the return of documents and other materials that may be in Executive's desk at work, car, or place of residence, or in any other location under Executive's control.

13. **Dispute Resolution.**

(a) **Arbitration.**

(1) The Parties agree to submit any dispute arising under this Agreement or Executive's employment with the Company, regardless of the nature of the dispute or the legal concepts involved, to final, binding, and private arbitration. Disputes subject to arbitration include not only disputes involving the negotiation, meaning, or performance of this Agreement, but also claims Executive may have against the Company or any Company Affiliate, or against any of their officers, directors, supervisors, managers, employees, or agents, arising out of Executive's employment relationship with the Company. Executive and the Company intend and agree that class action and representative action procedures are hereby waived and shall not be asserted, nor will they apply, in any arbitration pursuant to this Agreement. The Parties also agree that the following claims are not subject to arbitration: (a) claims that cannot be subject to arbitration as a matter of law; (b) claims for workers' compensation or unemployment compensation; and (c) claims under an Employee Benefit Plan that specifies a different procedure.

(2) All claims subject to arbitration shall be settled by final and binding arbitration in accordance with the employment dispute resolution rules of the American Arbitration Association ("AAA") in effect at the time the

18

demand for arbitration is made ("Rules and Procedures"), which are available online at <https://www.adr.org/sites/default/files/Employment%20Rules.pdf>. Accordingly, the Parties are not permitted to pursue court action regarding claims that are subject to arbitration. Such arbitration shall be filed with the AAA and shall be heard before a single neutral arbitrator who is experienced in employment law and who shall be selected as provided in AAA's Rules and Procedures. The aggrieved Party must file the arbitration complaint with the AAA and provide all other Parties against whom or which a claim is brought written notice no later than the expiration of the statute of limitations that the law prescribes for the claim. Otherwise, the claim shall be deemed waived. The arbitration complaint and written notice must identify and describe all claims, the facts upon which such claims are based, and the relief or remedy sought. Any arbitration shall be heard in Vancouver, Washington; provided, however, if arbitration in Vancouver, Washington is impractical because Executive's employment for the Company was located more than 100 miles from Vancouver, Washington, the arbitration may be held in the county and state where Executive last worked during Executive's employment for the Company.

- (3) The Company shall be responsible for the arbitrator's fees and expenses in excess of any reasonable filing fee with the AAA; provided, however, each Party shall pay its own costs and attorneys' fees, if any. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. The arbitrator's decision shall be final, binding, and conclusive upon the Parties. Suit may be brought to compel arbitration or to enforce any arbitration award in a court of competent jurisdiction.
- (4) Neither this agreement to arbitrate nor any demand for arbitration shall waive or otherwise affect the Company's right to obtain any provisional remedy, including, without limitation, injunctive relief for unfair competition, the use or unauthorized disclosure or misappropriation of trade secrets, the disclosure of any other Confidential Information, or the violation of the confidentiality or other provisions of Section 9 of this Agreement. This Agreement also does not prohibit Executive from filing an administrative charge or complaint with any governmental agency.

14. Miscellaneous.

- (a) **Notices.** Any notice to be delivered under this Agreement shall be given in writing and shall be deemed delivered three (3) days after mailing by certified mail, postage prepaid, addressed to the Company's Chair of the Board or to Executive at Executive's last known address on record at the Company. Either Party may designate an address for notices by written notice to the other.
- (b) **Governing Law; Venue & Jurisdiction.** Executive acknowledges that the Company maintains its headquarters in Vancouver, Washington. The Parties therefore agree that this Agreement shall be governed by and construed in accordance with the laws of the state of Washington, without giving effect to the rules governing the conflicts of laws, and without the aid of any canon, custom, or rule of law requiring construction against the drafter, and regardless of whether a Party changes domicile or residence. Executive hereby waives the right to argue to the contrary. In the event such election is invalid, then the court shall apply the law of the state or states in which Executive performs services for the Company. Executive consents to the exercise of personal jurisdiction by a court of competent jurisdiction in the state of Washington and agrees that venue for any action not subject to arbitration shall be in Clark County, Washington, and hereby waives the right to argue to the contrary.

(c) **Amendment; Waiver.** This Agreement may not be amended, released, discharged, abandoned, changed, or modified in any manner, except by an instrument in writing signed by each of the Parties; provided, however, the Board may extend the Employment Term of this Agreement in writing without the signature of Executive, as provided under Section 2. The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of any Party to enforce each and every such provision. No waiver or any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

(d) **Severability.** If any provision of this Agreement is held by a court or arbitrator to be invalid or unenforceable, the remaining provisions shall continue to be fully effective. If any part of this Agreement is held to be unenforceable as written, it shall be enforced to the maximum extent allowed by applicable law. The unenforceability of any provision in this Agreement in any jurisdiction shall not affect the enforceability of any provision of this Agreement in any other jurisdiction.

(e) **Entire Agreement.** This Agreement represents the entire agreement between the Parties regarding the matters addressed in this Agreement and, together with the Company's Employment Policies, govern the terms of Executive's employment. Where there is a conflict between this Agreement and the Company's Employment Policies, the terms of this Agreement shall govern. This Agreement supersedes any other prior oral or written employment agreements between the Parties. This Agreement does not supersede any incentive compensation agreement (including stock option or other equity incentive agreement agreements) and/or the CIC Agreement entered into separately by the Parties to this Agreement.

(f) **Code Section 409A Compliance.** For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service," as defined in Section 409A of the Code and the regulations thereunder ("[Section 409A](#)"). The Parties intend that this Agreement, to the extent

possible, will be administered in accordance with Section 409A and the Treasury Regulations and other applicable regulatory guidance issued thereunder, and will be interpreted in a manner, so that no payments made to Executive under this Agreement constitute a deferral of compensation or, if so, will constitute a deferral for which the payment and other terms are compliant with Section 409A, so as to avoid imposition of any additional tax to Executive under Section 409A. The Company makes no representation or warranty as to compliance with Section 409A, and shall have no liability to Executive or any other person for any adverse consequences arising under Section 409A. Notwithstanding anything else provided herein, to the extent any payments provided under this Agreement in connection with Executive's termination of employment constitute deferred compensation subject to Section 409A, and Executive is deemed at the time of such termination of employment to be a "specified Executive" under Section 409A, then such payment shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from Executive's separation from service from the Company or (ii) the date of Executive's death following such a separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including, without limitation, the additional tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. The first payment thereof will include a catch-up payment covering the amount that would have otherwise been paid during the period between Executive's termination of employment and the first payment date but for the application of this provision, and the balance of the installments (if any) will be payable in accordance with their original schedule. Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement is determined to be subject to Section 409A of the Code, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year, shall not affect the expenses eligible for reimbursement in any other taxable year (except for any lifetime or other aggregate limitation applicable to medical expenses), in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

(g) Assignment/Death/Binding Effect.

- (1)** Executive shall not assign or transfer any of Executive's rights under this Agreement, wholly or partially, to any other person or to delegate the performance of Executive's duties under the terms of this Agreement.
- (2)** Upon Executive's death, no death benefit is payable under this Agreement other than benefits that were already in pay status at the date of death. Executive's rights under this Agreement with respect to any benefits earned before the date of death shall inure to Executive's heirs, executors, administrators, or personal representatives.

(3) The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of the Company, regardless of the manner in which the successors or assigns succeed to the interests or assets of the Company. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company, by any merger, consolidation, or acquisition where the Company is not the surviving corporation, by any transfer of all or substantially all of the Company's assets, or by any other change in the Company's structure or the manner in which the Company's business or assets are held. Executive's employment shall not be deemed terminated upon the occurrence of one of the foregoing events. In the event of any merger, consolidation, or transfer of assets, this Agreement shall be binding upon and shall inure to the benefit of the surviving entity or the entity to which the assets are transferred.

(h) **Survival.** If any benefits provided to Executive under this Agreement are still owed, or claims under the Agreement are still pending at the time of the Termination Date, this Agreement shall continue in force with respect to those obligations or claims, until those benefits are paid in full or those claims are resolved in full. The covenants in Sections 8 through 11, and the dispute resolution provisions in Section 13 of this Agreement, shall survive the termination of this Agreement and shall be enforceable, regardless of any claim the Parties may have against one another.

(i) **Board's Authority.**

(1) The Board has the authority to interpret and construe the provisions of this Agreement, including the attached Separation Agreement. However, with respect to any decision of the Board regarding Executive's benefits under this Agreement or the attached Separation Agreement (including eligibility for benefits, the calculation of benefits, or the forfeiture of benefits), the burden of proof shall be on the Board and that decision shall be:

(A) Subject to the duty of good faith and fair dealing;

(B) Supported by a preponderance of the evidence; and

(C) Made by the affirmative vote of at least three-fourths of the Board.

(2) An arbitrator or a court reviewing such a decision by the Board shall make its own independent decision and not grant deference to the Board's decision.

(j) **Actions by Banking Regulatory Authorities.**

(1) If Executive is suspended and/or temporarily prohibited from participating in the conduct of the Company's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act (the "FDIA"),

22

12 U.S.C. §§ 1818(e)(3) and (g)(1), the Company's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Company may in its discretion:

(A) Pay Executive all or part of the payments under this Agreement that were withheld while its obligations under this Agreement were suspended; and/or

(B) Reinstate in whole or in part any of its obligations which were suspended.

(2) If Executive is removed and/or permanently prohibited from participating in the conduct of the Company's affairs by an order issued under Section 8(e)(4) or (g)(1) of the FDIA, 12 U.S.C. §§ 1818(e)(4) and (g)(1), Executive shall be terminated for Cause as of the effective date of the order.

(3) If the Company is in default (as defined in Section 3(x)(1) of the FDIA, 12 U.S.C. § 1813(x)(1)), all further obligations under this Agreement shall terminate as of the date of default.

(4) This Agreement may be terminated entirely or suspended for a period of time by the applicable trust or banking regulatory authority, or as otherwise required by law, if:

- (A) The Federal Deposit Insurance Corporation ("FDIC") enters into an agreement to provide assistance to or on behalf of the Company under the authority contained in Section 13(c) of the FDIA, 12 U.S.C. § 1823(c);
- (B) The applicable trust or banking regulatory authority approves a supervisory merger to resolve problems related to the operation of the Company; or
- (C) The applicable trust or banking regulatory authority determines the Company is in an unsafe or unsound condition.

(5) The Severance Benefit and the indemnification rights granted under Section 5(f) are subject to and conditioned upon their compliance with 12 U.S.C. § 1828(k) and FDIC regulation 12 C.F.R. Part 359, "Golden Parachute and Indemnification Payments."

(k) **Attorneys' Fees and Costs.** In any dispute arising out of or relating to this Agreement, including in compelling arbitration, or enforcing or collecting an arbitration award, the prevailing Party shall be entitled to recover from the non-prevailing Party its own reasonable attorneys' fees, filing and services fees, witness fees, arbitrator's fees, and any other reasonably incurred expenses and costs, to the extent not expressly prohibited by applicable law.

23

(l) **Headings/Captions.** The headings and captions used in this Agreement are for convenience only and shall not affect the meaning or interpretation of the Agreement.

(m) **Counterparts.** For the convenience of the Parties, this Agreement may be executed by facsimile, electronic mail, or electronic signature, and in any number of counterparts, all of which when taken together shall constitute one and the same Agreement.

15. **Advice of Counsel.** Executive acknowledges that Executive has had adequate time to consult legal counsel and financial advisors before signing this Agreement. Executive understands that the Company makes no representations as to the tax consequences of any payments under this Agreement. Both Parties have participated and had an equal opportunity to participate in the drafting of this Agreement. No ambiguity shall be construed against any Party upon a claim that such Party drafted the ambiguous language.

[Signature page to follow]

24

EXECUTIVE:

Date: _____

RIVERVIEW TRUST COMPANY

By: _____

Title: _____

Date: _____

RIVERVIEW BANK

By: _____

Title: _____

Date: _____

RIVERVIEW BANCORP, INC.

By: _____

Title: _____

Date: _____

25

Exhibit A

EMPLOYMENT SEPARATION AGREEMENT AND RELEASE OF CLAIMS

This is a confidential separation agreement (this "Separation Agreement") between you, _____, and us, Riverview Bank (the "Bank"), Riverview Bancorp, Inc. ("Bancorp") and Riverview Trust Company (the "Trust") (Bancorp and the Bank are collectively referred to as "Riverview"). This Separation Agreement is dated for reference purposes _____, 20____, which is the date we delivered this Separation Agreement to you for your consideration.

1. **Termination of Employment.** Your employment terminates (or was terminated) on _____, 20____ (the "Separation Date").
2. **Payments.** In exchange for your agreeing to the release of claims and other terms in this Separation Agreement, we will pay you the Severance Benefit specified in Section 7 of the Employment Agreement between you and Riverview effective _____ (the "Employment Agreement"). You acknowledge that we are not obligated to make these payments to you, unless you enter this Separation Agreement, comply with the Restrictive Covenants in Section 9 of the Employment Agreement, and otherwise comply and continue to comply with the material terms of the Employment Agreement and of this Separation Agreement.
3. **COBRA Continuation Coverage.** Your normal employee participation in Riverview's group health coverage will terminate on the Separation Date or, if provided under the group health plan, the last day of the month in which the Separation Date occurs. Continuation of group health coverage thereafter will be made available to you and your dependents, pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, or any applicable state health insurance continuation law (collectively, "COBRA"). You understand and agree that your right to benefits under Riverview's health and welfare benefit program, if any, shall be limited to those set forth under COBRA, and continuation of group health coverage after the Separation Date is entirely at your expense, as provided under COBRA, unless Section 7 of the Employment Agreement provides otherwise.
4. **Full Payment/Entitlement to Leave and Accommodations.** You acknowledge having received full payment of all compensation of any kind (including, but not limited to, wages, salary, bonuses, paid time off, sick leave, reimbursable expenses, and incentive compensation) that you earned as a result of your employment by Riverview and that was owing to you as of the Separation Date. Any and all agreements to pay you bonuses or other incentive compensation are terminated. You understand and agree that you have no right to receive any further payments for bonuses or other incentive compensation, except the payments as described in Section 2 of this Separation Agreement (above). You also acknowledge you have taken and have not been deprived of any leave or accommodation to which you were legally entitled prior to the Separation Date, and that if any such leave was provided, the Company restored you to your position following leave in compliance with all applicable federal, state, and local leave laws, and that you have not suffered any adverse employment action of any kind (for example, termination, demotion, transfer,

A-1

harassment, or reduction or denial of pay or benefits) as a result of requesting or receiving leave or an accommodation.

5. **Release of Claims.**
 - (a) You hereby release and forever discharge, to the fullest extent permitted by law, the Released Parties from any and all claims, demands, causes of action, liabilities, debts, obligations, judgments, and damages (including attorneys' fees) of any kind whatsoever, known or unknown, that you may have or have ever had against the Released Parties by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter from the beginning of time, up to and including the date you signed this Separation Agreement. "Released Parties" means: (i) Riverview and its parent companies, divisions, subsidiaries, and affiliates, and each of their benefit plans (each, including Riverview, a "Riverview Affiliate"); (2) each of the Riverview Affiliates' past and present shareholders, executives, directors, members, officers, agents, employees, representatives, administrators, fiduciaries, and attorneys; and (3) the predecessors, successors, transferees, and assigns of each of such persons and entities.

(b) The claims you are releasing include, without limitation, wrongful termination, constructive discharge, breach of contract, violations arising under federal, state, or local laws or ordinances prohibiting discrimination or harassment on the basis of age, race, color, national origin, religion, sex, gender, disability, marital status, sexual orientation, or any other protected status, failure to accommodate a disability or religious practice, violation of public policy, retaliation, failure to hire, wage and hour violations, including overtime claims, tortious interference with contract or expectancy, fraud or negligent misrepresentation, breach of privacy, defamation, intentional or negligent infliction of emotional distress, unfair labor practices, breach of a right to stock or stock options or other equity interests, attorneys' fees or costs, and any other claims that are based on any legal obligations that arise out of or are related to the Employment Agreement and your employment relationship with Riverview.

(c) You specifically waive any rights or claims that you may have under Title 49 of the Revised Code of Washington, the Civil Rights Act of 1964 (including Title VII of that Act), the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Americans with Disabilities Act of 1990 (ADA), the Equal Pay Act of 1963 (EPA), the Genetic Information Nondiscrimination Act of 2008 (GINA), the Fair Labor Standards Act of 1938 (FLSA), the Family and Medical Leave Act of 1993 (FMLA), the Occupational Safety and Health Act (OSHA), the Sarbanes-Oxley Act of 2002, the Fair Credit Reporting Act (FCRA), the Uniformed Services Employment and Reemployment Rights Act of 1994, the Worker Adjustment and Retraining Notification Act (WARN), the Employee Retirement Income Security Act of 1974 (ERISA), the National Labor Relations Act (NLRA), the Washington Law Against Discrimination (WLAD), the Washington Industrial Welfare Act, the Washington Family Leave Act, the

A-2

Washington Minimum Wage Act, the Washington Wage Payment Act, the Washington Rebate Act, and all similar federal, state, and local laws. The aforementioned claims are examples, not a complete list, of the released claims. It is the Parties' intent that you release any and all claims, including those arising from or related to your employment, your contract of employment, and separation of employment, of whatever kind or nature, known or unknown, to the greatest degree allowed by law, against the Released Parties, which arose or occurred on or before the date you sign this Separation Agreement.

(d) You agree not to seek any personal recovery (of money damages, injunctive relief, or otherwise) for the claims you are releasing in this Separation Agreement, either through any complaint to any governmental agency or otherwise, whether individually or through a class action. You agree never to start or participate as a plaintiff in any lawsuit or arbitration asserting any of the claims you are releasing in this Separation Agreement. You represent and warrant that you have not initiated any complaint, charge, lawsuit, or arbitration, involving any of the claims you are releasing in this Separation Agreement.

(e) Should you apply for future employment with a Riverview Affiliate, the Riverview Affiliate has no obligation to consider you for future employment.

(f) You represent and warrant that you have all necessary authority to enter into this Separation Agreement (including, if you are married, on behalf of your marital community), and that you have not transferred any interest in any claims to your spouse or to any third party.

(g) This Separation Agreement does not affect your rights arising under any of Riverview's benefit plans through the Separation Date or afterwards under the terms of those plans to receive pension plan benefits, medical plan benefits, unemployment compensation benefits, or workers' compensation benefits.

(h) This Separation Agreement also does not affect your rights under agreements, bylaw provisions, insurance, or otherwise, to be indemnified, defended, or held harmless in connection with claims that may be asserted against you by third parties.

(i) This Separation Agreement also does not affect your rights to file a charge or complaint with or participate in an investigation by the Equal Employment Opportunity Commission or other government agency. But, you give up any right to recover or receive any personal relief or benefit from any such charge, complaint, or investigation, or from any lawsuit or administrative action filed by any government agency that is the result of any such charge, complaint, or participation by you. Personal relief or benefit includes attorneys' fees, monetary damages, and reinstatement. Nothing in this Agreement is intended to prevent you from reporting potential violations of the law, cooperating or participating in any investigation by the Equal Employment Opportunity Commission, SEC, or other government

A-3

agency concerning any of the Released Parties, or from testifying truthfully in any legal proceeding resulting from any government agency's enforcement actions.

(j) You understand that you are releasing potentially unknown claims, and that you have limited knowledge with respect to some of the claims being released. You acknowledge that there is a risk that, after signing this Separation Agreement, you may learn information that might have affected your decision to enter into this Separation Agreement. You assume this risk and all other risks of any mistake in entering into this Separation Agreement.

(k) You agree that this release is fairly and knowingly made.

6. No Admission of Liability. Neither this Separation Agreement, nor the payments made under this Separation Agreement, are an admission of liability or wrongdoing by any Party.

7. Riverview Materials. You represent and warrant that you have returned all keys, credit cards, documents, Confidential Information (as defined in Section 9(a) of the Employment Agreement), and other materials that belong to Riverview, and disclosed all computer user identifications and passwords used by you in the course of your employment or necessary for accessing information on our computer system, in accordance with Section 12 of the Employment Agreement.

8. Nondisclosure. You will comply with the covenant regarding Confidential Information in Section 9(a) of the Employment Agreement. You also agree to keep the terms of this Separation Agreement in strict confidence and not to disclose the same to any other person or entity, except as may be required by law. Except for litigation arising out of the breach of or attempt to enforce this Separation Agreement, this Separation Agreement shall not be admissible as evidence in any legal proceeding.

9. Non-Disparagement/Non-Incitement. You agree not to make, publish, or communicate (or causing others to make, publish, or communicate) any public or private disparaging statements concerning any Riverview Affiliate or their current or former officers, directors, members, shareholders, employees, agents, customers, suppliers, or investors, including, without limitation, statements made to employees of any Riverview Affiliate or statements made on Internet blogs, social media sites, and review sites; provided, however, that nothing in this Separation Agreement shall preclude you from making truthful statements that are required by applicable law, regulation, or legal process, or making any disclosures permitted by law, such as disclosing

or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between the Company and an employee.

You may not disparage any Riverview Affiliate or its business or products, and may not encourage any third parties to sue a Riverview Affiliate.

10. Cooperation Regarding Other Claims. If any claim is asserted by or against a Riverview Affiliate as to which you have relevant knowledge, you will reasonably cooperate with

A-4

Riverview in the prosecution or defense of that claim, including by providing truthful information and testimony, as reasonably requested by Riverview, in accordance with Section 8 of the Employment Agreement.

11. Noncompetition/Non-solicitation/No Interference. You will comply with Sections 9(b), 9(c), and 9(d) of the Employment Agreement, and Riverview will have the right to enforce those provisions under the terms of Section 9(e) of the Employment Agreement. Following the expiration of the covenants referenced in the preceding sentence, you will not, apart from good-faith competition, interfere with any Riverview Affiliate's relationships with customers, employees, vendors, or others.

12. Liquidated Damages/Forfeiture. Any breach by you of provisions set out in Sections 7 through 11 above shall be a material breach of this Separation Agreement for which we agree that Riverview or any Riverview Affiliate would suffer irreparable harm and damage to its reputation, and for which damages in the amount equal to the Severance Benefit specified in Section 7 of the Employment Agreement or actual damages, whichever is greater, shall be assessed. The foregoing shall not be interpreted to preclude any additional remedy available to Riverview at law or in equity, including, but not limited to, injunctive relief.

13. Independent Legal Counsel. You are advised and encouraged to consult with an attorney before signing this Separation Agreement. You acknowledge that you have had an adequate opportunity to do so.

14. Consideration Period. You have twenty-one (21) days from the date this Separation Agreement is given to you to consider this Separation Agreement before signing it ("Consideration Period"). You may use as much or as little of this twenty-one (21)-day period as you wish before signing. You agree that any modifications, material or otherwise, made to this Separation Agreement do not restart or affect in any manner the Consideration Period. You acknowledge that if you are signing this Separation Agreement before the end of the Consideration Period, you have voluntarily decided not to use the full Consideration Period. If you do not sign and return this Separation Agreement within this twenty-one (21)-day period, you will not be eligible to receive the benefits described in this Separation Agreement.

15. Revocation Period and Effective Date. You have seven (7) calendar days after signing this Separation Agreement to revoke it. To revoke this Separation Agreement after signing it, you must deliver a written notice of revocation to Riverview's Chief Executive Officer or the Chairman of the Board before the seven (7)-day period expires. This Separation Agreement shall not become effective until the eighth (8th) calendar day after you sign it (the "Effective Date"). If you revoke this Separation Agreement, it will not become effective or enforceable, and you will not be entitled to the benefits described in this Separation Agreement.

16. Knowing and Voluntary Waivers under the ADEA. You acknowledge that you understand this is a full release of all existing claims, whether currently known or unknown, including, but not limited to, claims for age discrimination under the Age Discrimination

A-5

in Employment Act. You agree and acknowledge that you have read and understood this Separation Agreement, and that you have consulted with an attorney regarding the meaning and application of this Separation Agreement, or, if you have not consulted with an attorney, you have been advised to do so and have had ample opportunity to do so. You enter into this Separation Agreement knowingly, voluntarily, free from duress, and as a result of your own free will and with the intention to waive, settle, and release all claims you have or may have against each Riverview Affiliate.

17. **Governing Law.** This Separation Agreement is governed by the laws of the state of Washington that apply to contracts executed and to be performed entirely within the state of Washington.
18. **Dispute Resolution.** Any dispute arising under this Agreement shall be subject to arbitration in accordance with Section 13 of the Employment Agreement.
19. **Saving Provision.** If any part of this Separation Agreement is held to be unenforceable, it shall not affect any other part, except if the release in Section 5 is determined to be invalid or unenforceable, this Separation Agreement shall be voidable by Riverview for a period of sixty (60) days following receipt of written notice of the invalidity or unenforceability.
20. **Final and Complete Agreement.** Except for the Employment Agreement and Change in Control Agreement, this Separation Agreement is the final and complete expression of all agreements between the Parties on all subjects relating to your employment or its termination, and supersedes and replaces all prior discussions, representations, agreements, policies, and practices. You acknowledge you are not signing this Separation Agreement relying on anything not set out in this Separation Agreement, the Employment Agreement, and the Change in Control Agreement. You further acknowledge that Section 6(d), Sections 8 through 11, and Section 13 of the Employment Agreement survive the termination of your employment and remain in full force and effect.
21. **Miscellaneous.** This Separation Agreement may be signed in counterparts, both of which shall be deemed an original, but both of which, taken together, shall constitute the same instrument. An electronic signature and a signature transmitted by facsimile or electronic mail shall have the same effect as the original signature. The Section headings used in this Separation Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify, or otherwise be used in the interpretation of any of the provisions hereof. This Separation Agreement was the result of the negotiations between the Parties. In the event of vagueness, ambiguity, or uncertainty, the Separation Agreement shall not be construed against the Party preparing it, but shall be construed as if both Parties prepared it jointly. If you or Riverview fails to enforce this Separation Agreement or to insist on performance of any term, that failure does not mean a waiver of that term or of the Separation Agreement. This Separation Agreement remains in full force and effect anyway.

[Signature page to follow]

A-6

RIVERVIEW TRUST COMPANY

By: _____

Title: _____

Date: _____

RIVERVIEW BANK

By: _____

Title: _____

Date: _____

RIVERVIEW BANCORP, INC.

By: _____

Title: _____

Date: _____

I, the undersigned, having been advised to consult with an attorney, hereby agree to be bound by this Separation Agreement, and confirm that I have read and understood each part of it.

Signature

Printed Name

Date

A-7

Exhibit 10.4

RIVERVIEW BANCORP, INC.

RIVERVIEW BANK

RIVERVIEW TRUST COMPANY

CHANGE IN CONTROL AGREEMENT

FOR

RIVERVIEW BANCORP, INC.

RIVERVIEW BANK

RIVERVIEW TRUST COMPANY

CHANGE IN CONTROL AGREEMENT

FOR

This CHANGE IN CONTROL AGREEMENT ("Agreement") is entered by and between RIVERVIEW BANCORP, INC., a registered bank holding company ("Bancorp"), RIVERVIEW TRUST COMPANY (THE "TRUST"), RIVERVIEW BANK, a state-chartered commercial bank (the "Bank"), which is a wholly owned subsidiary of Bancorp (Bancorp, the Bank and the Trust are collectively referred to as the "Company"), and _____ ("Executive"), and is dated _____, 20____ (the "Effective Date"). The Company and Executive are referred to herein individually as a "Party" and collectively as the "Parties".

1. TERM; EXTENSIONS.

- (a) **Term.** The term of this Agreement begins on the Effective Date and shall continue until the one (1) year anniversary thereof, unless Executive's employment is terminated earlier (the "Term").
- (b) **Extensions.** At any time during the Term of this Agreement, the Company's Board of Directors (the "Board") may elect in writing to extend the Term of this Agreement on the same terms and conditions for one (1) additional year beyond the current Term. This Agreement may be extended in writing any number of times in the same manner.
- (c) **At-Will Employment.** Notwithstanding the Term of this Agreement or anything else contained herein, the Bank employs Executive on an "at-will" basis, which means the Company may terminate Executive's employment at any time, for any lawful reason or for no reason at all, subject to the provisions of this Agreement.

2. DEFINITIONS.

- (a) **"Cause."**

(1) **Definition.** Cause for termination of employment means the occurrence of any one or more of the following:

- (A) Conviction of any felony, a misdemeanor involving moral turpitude, or of any crime in connection with Executive's duties;
- (B) Removal of Executive from office or permanent prohibition of Executive from participating in the conduct of the Company's affairs by an order issued by a bank regulatory authority;

A-1

(C) Conduct involving dishonesty, embezzlement, misappropriation, fraud, or a material breach of a fiduciary duty in the performance of Executive's duties;

(D) Participation in any incident compromising Executive's reputation and, as a consequence, materially diminishing Executive's ability to represent the Company with the public;

(E) Conduct significantly harmful to the Company, including, but not limited to, public disparagement of the Company or any affiliate of the Company, intentional or reckless violation of law, or of any significant policy or procedure of the Company;

(F) Willful misfeasance, gross negligence, or refusal or failure to act in accordance with any lawful stipulation, requirement, or directive of the Board or the Company's Chief Executive Officer (the "CEO"). As used in this Subsection 2(a)(1)(F), the term "reasonable" means any stipulation, requirement, or directive that falls under the Board's or the CEO's authority;

(G) Material breach of any material obligations under this Agreement or any other written policies or procedures of the Company;

(H) Sexual harassment, as defined by the Company's internal written policies;

(I) Willful unauthorized disclosure of trade secrets and Confidential Information (as defined in Section 5); or

(J) Chronic drug or alcohol abuse to an extent that materially impairs Executive's performance of Executive's duties.

(2) **Procedure for Termination for Cause.** Termination for Cause will be automatic upon the occurrence of an incident under Subsections (2)(a)(1)(A) or (B) above. Otherwise, the Board may not terminate Executive's employment for Cause unless:

- (A) With respect to incidents under Subsections (2)(a)(1)(C), (D), (E), (F), (G), (H), (I), or (J):
 - (i) Executive is given reasonable written notice (in no event less than five (5) business-days' notice) of the Board meeting called to make that determination; and
 - (ii) Executive and Executive's legal counsel are given the opportunity to address the incident(s) at that meeting.

(B) In addition, with respect to incidents under Subsections 2(a)(1)(F) or (G) only, Executive is first given:

- (i) Written notice by the Board or CEO specifying in detail the performance issues; and
- (ii) A reasonable opportunity to cure the issues specified in the notice; provided, however, if the Company reasonably expects irreparable injury from a delay in termination, Company may terminate Executive without an opportunity to cure.

A-2

- (iii) If an opportunity to cure is provided, the Company's Board shall also determine, in its sole discretion, whether Executive has in fact cured the cause and done so in a timely manner.

(b) **“Good Reason.”**

(1) **Definition.** Subject to Subsection (2) below, Good Reason for Executive's resignation means any one or more of the following occurring without Executive's consent:

- (A) A material reduction of Executive's base salary as in effect immediately prior to the Change in Control (as defined in Subsection 2(c) below);
- (B) A relocation or transfer of Executive's principal place of employment that would require Executive to commute on a regular basis more than twenty-five (25) miles each way from the main business office of the Company as of the Effective Date of this Agreement;
- (C) A change in Executive's position of employment, such that Executive's authority, duties, or responsibilities are materially diminished; or
- (D) Any other action or inaction that constitutes a material breach of this Agreement by the Company.

(2) **Procedure for Resignation for Good Reason.** To resign for “Good Reason,” Executive must give the Company:

- (A) Written notice of the intended resignation and a detailed description of the Good Reason not more than thirty (30) days after Executive becomes aware of the initial existence of the Good Reason; and
- (B) A reasonable opportunity of at least thirty (30) days in which to cure those circumstances.
- (C) Good Reason shall not exist if Executive (a) fails to provide such notice within the thirty (30)-day notice period, or (b) the Company cures the specified condition within the thirty (30)-day cure period.

(c) **“Change in Control”** means the occurrence of any of the following:

(1) Bank or Bancorp merges or consolidates with another entity and, as a result, less than fifty-one percent (51%) of the combined voting power of the resulting entity immediately after the merger or consolidation is held by persons who were the holders of Bank's or Bancorp's voting securities immediately before the merger or consolidation. A Change of Control will be deemed to occur on the date the applicable transaction closes;

(2) Any person, entity, or group of persons or entities, other than through merger or consolidation, acquires a majority of the Bank's or Bancorp's outstanding common stock or substantially all of the Bank's or Bancorp's assets, provided, that a Change in Control shall not occur if any person, entity, or group already owns more than a majority of the Bank's or Bancorp's outstanding common stock and acquires

A-3

additional stock. A Change of Control will be deemed to occur on the date that any person, entity, or group first becomes the majority owner of the Bank's or Bancorp's common stock or acquires substantially all of the Bank's or Bancorp's assets;

(3) A majority of the members of the Board are replaced during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election. A Change in Control will be deemed to occur on the date members of the incumbent board first cease to constitute at least a majority of the Board; or

(4) Approval by Bancorp's or the Bank's shareholders of the Bank's complete liquidation, dissolution, or sale to another entity. A Change of Control will be deemed to occur on the date the applicable transaction closes.

3. **CHANGE IN CONTROL BENEFITS.**

(a) **Benefit Entitlement and Amount.**

(1) **Double Trigger.** Subject to the limitations under Subsections 3(a)(2) and 3(a)(4) below, if Executive's employment with the Bank is: (i) terminated by the Company without Cause or is terminated by Executive with Good Reason; and (ii) Executive's employment termination takes place within the time period of six (6) months prior to a Change in Control and twenty-four (24) months after a Change in Control (the "Change in Control Window"), the Company shall pay Executive a severance benefit (the "Change in Control Benefit") equal to:

(A) Thirty (30) months of Executive's annual base salary (based on the higher of Executive's base salary as of the Change in Control or as of the date of termination of employment);

(B) Thirty (30) months of Executive's target annual incentive compensation (based on the higher of Executive's target annual incentive compensation for the year in which the Change in Control occurs or as of the date of the termination of employment);

(C) Any unpaid incentive compensation earned from the Company's Annual Incentive Plan and/or any successor incentive compensation plans ("Incentive Compensation") based on the fiscal year that ended immediately before the date of the termination;

(D) Prorated Incentive Compensation for the fiscal year in which the termination occurs based on Executive's target annual Incentive Compensation through the month ended before the date of termination; and

(E) If Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 or any applicable state health insurance continuation law ("COBRA"), the Company shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive's dependents. Executive shall be eligible to receive such reimbursement until the earliest of: (i) the eighteen (18)-month anniversary of the date Executive's employment is terminated; (ii) the date Executive is no longer eligible to receive COBRA continuation coverage; or (iii) the date on which Executive becomes eligible to receive

A-4

substantially similar coverage from another employer or other source. Notwithstanding the foregoing, if the Company's payments under this Section 3(a)(1)(E) would violate the nondiscrimination rules applicable to non-grandfathered plans under the Affordable Care Act (the "ACA"), or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder, the Parties agree to reform this Section 3(a)(1)(E) in a manner as is necessary to comply with the ACA.

The date upon which it can first be determined that Executive has either been terminated by the Company without Cause within the Change in Control Window or has terminated Executive's employment for Good Reason within the Change in Control Window shall be referred to herein as the "Double Trigger Date."

In addition to the payments set forth above, all stock options and restricted stock shall become one-hundred percent (100%) vested.

(2) **Code Section 280G.**

(A) **Reduction.** Notwithstanding any other provision of this Agreement or any other plan, arrangement, or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to Executive or for Executive's benefit pursuant to the terms of this Agreement or otherwise ("Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of Internal Revenue Code of 1986, as amended (the "Code"), that would, but for this Subsection 3(a)(2), be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then the Covered Payments shall be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax.

(B) **Order of Reduction.** Any such reduction shall be made in accordance with Section 409A of the Code and the following:

(i) The Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first; and

(ii) All other Covered Payments shall then be reduced as follows: (i) cash payments shall be reduced before non-cash payments; and (ii) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

(C) **Determinations.** Any determination required under this Subsection, including whether any payments or benefits are Parachute Payments, shall be made by the Company in its sole discretion. Executive shall provide the Company with such information and documents as the Company may reasonably request in order to make a determination under this Subsection. The Company's determination shall be final and binding on Executive.

(3) The Change in Control Benefit shall be subject to any withholding and payroll deduction requirements.

A-5

(4) Any benefit to which Executive has become entitled under this Section 3 shall be reduced by any benefits already paid to Executive prior to the Change in Control under the terms of Executive's Employment Agreement with the Company due to a termination of Executive's employment without Cause or for Good Reason, as those terms are defined in such Employment Agreement.

(b) **Payment of Benefit.**

(1) **Payment Timing.** Subject to Subsection 3(b)(2) below, the Change in Control Benefit under Subsection 3(a)(1)(A), (B), (C), and (D) will be paid in a lump sum within thirty (30) days of the Double Trigger Date or, if later, within seven (7) days after the expiration of the Separation Agreement's revocation period, as described in Section 4(a) below. If the combined consideration and revocation periods (as defined in Sections 14 and 15 of the Separation Agreement) overlap two (2) calendar years, the payment will be made in the later of the two (2) years (irrespective of the year in which the Separation Agreement is effective and irrevocable), resulting in taxation to Executive in the second calendar year. The COBRA benefit will be paid, as described under Subsection 3(a)(1)(E).

(2) **Section 409A Compliance.** If the Change in Control Benefit is subject to Section 409A of the Code and Executive is deemed to be a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i), the lump-sum payment will not be made until the seventh month following termination of employment.

4. **LIMITATIONS ON CHANGE IN CONTROL BENEFITS.**

(a) **Release of Claims.** Executive's receipt of the Change in Control Benefit and the additional benefits under Section 3 is conditioned on Executive having executed a separation agreement in substantially the same form attached hereto as Exhibit A (the "Separation Agreement") and the revocation period having expired without Executive having revoked the Separation Agreement. Executive must execute the Separation Agreement and the revocation period must expire within sixty (60) days of the Double Trigger Date.

(b) **Compliance with Material Terms.** Receipt of the Change in Control Benefit is further conditioned on Executive not being in violation of any material term of this Agreement, including, without limitation, the restricted covenants in Section 5, or in violation of any material term of the Separation Agreement.

(c) **Regulatory Limitation.** Notwithstanding the foregoing, the Company shall make no payment of any benefit provided for under this Agreement to the extent that the payment would be prohibited by applicable banking regulations or any regulatory order. If such payment is so prohibited, the Company shall use its best efforts to secure the consent of the banking regulator to make the payments in the highest amount permissible, up to the amount provided for in this Agreement.

5. **RESTRICTIVE COVENANTS.**

(a) **Confidential Information.**

(1) **Executive's Obligations.** For an indefinite period, Executive shall protect against loss, theft, or other inadvertent disclosure, and will preserve as confidential any and all of the Company's Confidential Information (defined in Subsection 5(a)(2)) at any

A-6

time known to Executive or in Executive's possession or control with not less than the diligence, care, and effort that a prudent owner would use to protect and preserve his or her own most sensitive information. Executive will not, directly or indirectly, access, use, disclose, or disseminate to third parties, or allow others to access, disclose, disseminate, or use, any Confidential Information for any purpose other than for the sole benefit of the Company and as specifically approved in writing in advance by the Company's Board in each instance. Executive acknowledges and agrees that the covenants contained in this Subsection 5(a) shall supplement, rather than replace or contradict, any other rights or remedies that the Company may have under applicable law. If a dispute arises, Executive has the burden to show that information is not the Company's Confidential Information. If anyone tries to compel Executive to disclose any of the Company's Confidential Information by subpoena or otherwise, Executive will promptly notify the Board or the CEO, so that the Company may take any actions it deems necessary to protect its interests.

(2) **Definition of Confidential Information.** "Confidential Information" means information which (a) derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) are the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Confidential Information also includes proprietary or secret information belonging to the Company that was disclosed to or known by Executive as a consequence of Executive's employment with the Company and not otherwise publicly known, whether or not received prior to the Effective Date, whether or not marked confidential or labeled as Confidential Information, and whether or not considered a trade secret under applicable law. Confidential Information may consist of verbal, written, or electronically stored information, and may be tangible or merely remembered.

(A) **Examples of Confidential Information.** The Company provides the following list of Confidential Information by way of example, but this list is not intended to be exhaustive: inventions; technical information; algorithms, designs, concepts, systems, techniques, methods, models, procedures, or processes; know-how or methodologies; manuals, contracts, or reports; purchasing or accounting information; regulatory information and communications related thereto; financial history or projections; legal affairs; formulae; compositions; software or computer programs; research projects; business modes and information; the identity of all vendors, vendor lists, and vendor contact information; the identity of customers, customer lists, and customer contact information; pricing data; financial data; sources of supply; marketing plans and/or strategies, including price strategies, marketing, sales, technology, research and development, production, and merchandising systems or plans; and information pertaining to any aspect of any activity or business of the Company or its vendors, suppliers, distributors, or customers, including, without limitation, information entrusted to the Company by third parties (including vendors, customers, and prospective vendors or customers), or any trade secrets, proprietary or confidential matter of the Company or of such third parties.

(B) **Excluded Confidential Information.** Confidential Information does not include information that Executive can prove (a) was known by or in the possession of Executive prior to employment with the Company through means other than as a result of past relationships or business dealings between

A-7

Executive and the Company or its vendors, suppliers, or customers; (b) consists in whole or in part of any Prior Intellectual Property (defined below in Section 6); or (c) is known to or readily discoverable by others not under an obligation of confidentiality.

(C) **Permitted Disclosures.** Nothing in this Agreement prohibits Executive from disclosing any information when required to do so by law, such as pursuant to a valid subpoena or the valid order of a court of competent jurisdiction or authorized government agency, provided that the Company is notified in advance, whenever possible, and disclosure does not exceed the extent of disclosure required by such law, subpoena, or order. This Agreement also does not prevent Executive from making reports to any governmental agency, or making any disclosures permitted by law, such as disclosing or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between the Company and an employee.

(D) **DTSA Disclosure.** Pursuant to the Defend Trade Secrets Act of 2016, Executive will not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(b) **Non-solicitation.** For a one (1)-year period following termination of Executive's employment for any reason whatsoever, Executive will not, directly or indirectly, with or without compensation, solicit any Customer of the Company or of the Company's affiliates to cease or reduce the extent to which it is doing business with the Company or a Company affiliate. "Customers" mean all customers serviced by the Company or a Company affiliate at any time within twelve (12) months before the Termination Date.

(c) **Non-raiding of Employees.** Executive recognizes that the workforce of the Company and its affiliates are a vital part of the Company's business. Therefore, Executive agrees that, for twelve (12) months following termination of Executive's employment for any reason whatsoever, Executive will not, directly or indirectly, recruit or solicit any Company Employee to terminate his or her employment with the Company or any Company affiliate. This includes indirect solicitation by disclosing or identifying any Company Employee as a potential candidate to a third party; however, this does not restrict general solicitations, such as help-wanted ads or job postings, so long as those solicitations are not specifically directed to individuals who are known to be currently employed by the Company. For purposes of this Subsection, the "Company Employees" means all employees working for the Company as of the date of Executive's termination from the Company.

A-8

(d) **Injunctive Relief.** Executive acknowledges that the Company will suffer irreparable harm if Executive fails to observe the covenants in this Section 5, and it is impossible to measure in money the damages that the Company will incur if Executive fails to observe the covenants in this Section 5 (the "Restrictive Covenants") and, therefore, Executive agrees that:

- (1) The Company shall be entitled to an injunction, restraining order, or such other equitable relief (without the requirement to post bond) restraining Executive from committing any breach or threatened breach of the Restrictive Covenants;
- (2) If the Company is required to post a bond in order to secure an injunction or other equitable remedy, that bond shall be no more than a nominal amount;
- (3) Executive waives any claim or defense that the Company is not irreparably harmed by Executive's breach, is not entitled to seek injunctive relief, or that an adequate remedy at law is available to the Company; and
- (4) These injunctive remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

(e) **Reasonableness.** The Parties acknowledge and agree that:

- (1) This Agreement in its entirety, and in particular the Restrictive Covenants, is reasonable both as to time and scope;
- (2) The Restrictive Covenants are necessary for the protection of the goodwill and other legitimate interests of the business of the Company;
- (3) The Restrictive Covenants are not any greater than are reasonably necessary to secure the Company's business and goodwill;
- (4) The degree of injury to the public due to the loss of the service and skill of Executive or the restrictions placed upon Executive's opportunity to make a living with Executive's skills upon enforcement of those covenants, does not and will not warrant non-enforcement of those restraints; and
- (5) If the scope of the Restrictive Covenants is adjudged too broad to be capable of enforcement, then the Parties authorize a court or arbitrator to narrow the Restrictive Covenants so as to make them capable of enforcement, given all relevant circumstances, and to enforce them to the fullest extent allowed.

(f) **Survival.** This Section shall survive the termination of this Agreement.

6. PROTECTION OF INTELLECTUAL PROPERTY.

(a) **The Company's Ownership.** The Company owns all Inventions and Works (as defined below in Subsection 6(b)) that Executive makes, conceives, develops, discovers, reduces to practice or fixes in a tangible medium of expression, alone or with others, either (a) during Executive's employment by the Company (including past and future employment, and whether or not during working hours), or (b) within one (1) year after the termination of Executive's employment in each case, if the Invention or Works results from any work Executive performed for the Company or involves the use or assistance of the Company's facilities, equipment, materials, personnel, or Confidential Information. If Executive has any pre-existing Invention or Work that Executive requests to exclude from the Company ownership ("Prior Intellectual Property"), Executive shall make full written disclosure to the

A-9

Company by submitting an attachment to this Agreement listing the Prior Intellectual Property (the "Prior Intellectual Property Disclosure"). If Executive does not attach a Prior Intellectual Property Disclosure to this Agreement, Executive represents and warrants that Executive owns no Prior Intellectual Property that Executive requests to exclude from the Company ownership.

(b) **Definitions of Invention and Works.** "Inventions" means discoveries, developments, concepts, ideas, improvements to existing technology, processes, procedures, machines, products, compositions of matter, trade secrets, formulas, algorithms, computer programs and techniques, custom software, and all other matters ordinarily intended by the word "invention," whether or not patentable or copyrightable. "Inventions" also includes all records and expressions of those matters. "Works" means original works of authorship, including interim work product, modifications and derivative works, and all similar matters, whether or not copyrightable.

(c) **Disclosure and Assignment.** Executive will promptly disclose to the Company, will hold in trust for the Company's sole benefit, will assign to the Company, and hereby does assign to the Company, all Inventions and Works described in Subsections 6(a) and 6(b), including all copyrights, patent rights, and trade secret rights, vested and contingent, except those pre-existing Inventions identified on the Prior Intellectual Property Disclosure. To the extent that such Inventions and Works may be considered "works made for hire" under the copyright act, they are hereby agreed to be works made for hire; otherwise, Executive hereby irrevocably assigns and conveys all such rights, title, and interest to the Company, subject to no liens, claims, or reserved rights. Executive will waive and hereby does waive any moral rights Executive has or may have in the Inventions and Works described in Subsections 6(a) and 6(b). Executive further agrees that if the foregoing waiver is not effective, Executive agrees not to assert any such moral rights. To the extent that Executive cannot assign the rights contemplated in Subsections 6(a) and 6(b), including moral rights, Executive hereby grants to the Company a fully-paid, royalty free, worldwide, perpetual, exclusive license to use, create, and own derivative works of and otherwise exploit such rights. At the Company's direction and expense, Executive will execute all documents and take all actions necessary or convenient for the Company to document, obtain, maintain, or assign its rights to these Inventions and Works. The Company shall have full control over all applications for patents or other legal protection of these Inventions and Works.

(d) **Disclaimer Regarding Inventions Developed Entirely on Executive's Own Time.** Pursuant to RCW 49.44.140(3), Subsection 6(c) of this Agreement regarding the assignment of certain inventions to the Company does not apply to an Invention for which no equipment, supplies, facilities, or trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (a) the Invention relates (i) directly to the Company's business, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by Executive for the Company.

7. **RETURN OF COMPANY PROPERTY.** Executive will safeguard and return to the Company when Executive's employment ends, or sooner if the Company requests, all documents and property in Executive's care, custody or control relating to Executive's employment or the Company's business and customers (including, but not limited to, Confidential Information (defined above), keys, pass cards, identification cards), or any reproductions thereof, whether such information is reduced to writing, existing in hard copies or electronic form, and whether residing on the Company's computers, or Executive's own personal computer, laptop, tablet, or mobile device, or other electronic media used for the Company business. After employment ends, or sooner if the Company requests, Executive must disclose all computer user identifications and passwords used by Executive in the course of

A-10

employment or necessary for accessing information on the Company's computer system, and Executive will not retain copies of any Confidential Information or other materials belonging to the Company, unless expressly authorized in writing by the Company. The obligations in this Section include the return of documents and other materials that may be in Executive's desk at work, car, or place of residence, or in any other location under Executive's control.

8. **DISPUTE RESOLUTION.**

(a) **Arbitration.**

(1) The Parties agree to submit any dispute arising under this Agreement or Executive's employment with the Company, regardless of the nature of the dispute or the legal concepts involved, to final, binding, and private arbitration. Disputes subject to arbitration include not only disputes involving the negotiation, meaning, or performance of this Agreement, but also claims Executive may have against the Company, the Company's affiliates, or against any of their officers, directors, supervisors, managers, employees, or agents for violation of any federal, state, or local statute arising out of Executive's employment relationship with the Company. Executive and the Company intend and agree that class action and representative action procedures are hereby waived and shall not be asserted, nor will they apply, in any arbitration pursuant to this Agreement. The Parties also agree that the following claims are not subject to arbitration: (a) claims that cannot be subject to arbitration as a matter of law; (b) claims for workers' compensation or unemployment compensation; and (c) claims under an employee benefit or pension plan that specifies a different procedure.

(2) All claims subject to arbitration shall be settled by final and binding arbitration in accordance with the employment dispute resolution rules of the American Arbitration Association ("AAA") in effect at the time the demand for arbitration is made ("Rules and Procedures"), which are available online at <https://www.adr.org/sites/default/files/Employment%20Rules.pdf>. Accordingly, the Parties are not permitted to pursue court action regarding claims that are subject to arbitration. Such arbitration shall be filed with the AAA and shall be heard before a single neutral arbitrator who is experienced in employment law, who shall be selected as provided in AAA's Rules and Procedures. The aggrieved Party must file the arbitration complaint with AAA and provide all other Parties against whom or which a claim is brought written notice no later than the expiration of the statute of limitations that the law prescribes for the claim. Otherwise, the claim shall be deemed waived. The arbitration complaint and written notice must identify and describe all claims, the facts upon which such claims are based, and the relief or remedy sought. Any arbitration shall be heard in Vancouver, Washington; provided, however, if arbitration in Vancouver, Washington is impractical because Executive's employment for the Company is located more than 100 miles from Vancouver, Washington, the arbitration may be held in the county and state where Executive last worked during Executive's employment for the Company.

(3) The Company shall be responsible for the arbitrator's fees and expenses in excess of any reasonable filing fee with the AAA; provided, however, each Party shall pay its own costs and attorneys' fees, if any. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. The arbitrator's decision shall be final, binding, and conclusive upon the Parties. Suit may be brought to compel arbitration or to enforce any arbitration award in a court of competent jurisdiction.

A-11

(4) Neither this agreement to arbitrate nor any demand for arbitration shall waive or otherwise affect the Company's right to obtain any provisional remedy, including, without limitation, injunctive relief for unfair competition, the use or unauthorized disclosure or misappropriation of trade secrets, the disclosure of any other Confidential Information, or the violation of the confidentiality or other provisions of Section 5 of this Agreement. This Agreement also does not prohibit Executive from filing an administrative charge or complaint with any governmental agency.

9. **MISCELLANEOUS.**

(a) **Notices.** Any notice to be delivered under this Agreement shall be given in writing and shall be deemed delivered three (3) days after mailing by certified mail, postage prepaid, addressed to the Company's Chair of the Board or to Executive at Executive's last known address on record at the Company. Either Party may designate an address for notices by written notice to the other.

(b) **Governing Law; Venue & Jurisdiction.** Executive acknowledges that the Company maintains its headquarters in Vancouver, Washington. The Parties therefore agree that this Agreement shall be governed by and construed in accordance with the laws of the state of Washington, without giving effect to the rules governing the conflicts of laws, and without the aid of any canon, custom, or rule of law requiring construction against the drafter, and regardless of whether a Party changes domicile or residence. Executive hereby waives the right to argue to the contrary. In the event such election is invalid, then the court shall apply the law of the state or states in which Executive performs services for the Company. Executive consents to the exercise of personal jurisdiction by a court of competent jurisdiction in the state of Washington and agrees that venue for any action not subject to arbitration shall be in Clark County, Washington, and hereby waives the right to argue to the contrary.

(c) **Amendment/Waiver.**

- (1) This Agreement may not be amended, released, discharged, abandoned, changed, or modified in any manner, except by an instrument in writing signed by each of the Parties hereto.
- (2) The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of any Party to enforce each and every such provision. No waiver or any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

(d) **Severability.** If any provision of this Agreement is held by a court or arbitrator to be invalid or unenforceable, the remaining provisions shall continue to be fully effective. If any part of this Agreement is held to be unenforceable as written, it shall be enforced to the maximum extent allowed by applicable law. The unenforceability of any provision in this Agreement in any jurisdiction shall not affect the enforceability of any provision of this Agreement in any other jurisdiction.

(e) **Entire Agreement.** This Agreement represents the entire agreement between the Parties regarding the matters addressed in this Agreement. This Agreement supersedes any other prior oral or written employment agreements between the Parties; provided, however, this Agreement does not supersede any incentive compensation agreement (including stock option or other equity incentive agreements).

(f) **Code Section 409A Compliance.** For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service" as defined in Section 409A of the Code and the regulations thereunder ("Section 409A"). The Parties intend that this Agreement, to the extent possible, will be administered in accordance with Section 409A and the Treasury Regulations and other applicable regulatory guidance issued thereunder, and will be interpreted in a manner, so that no payments made to Executive under this Agreement constitute a deferral of compensation or, if so, will constitute a deferral for which the payment and other terms are compliant with Section 409A, so as to avoid imposition of any additional tax to Executive under Section 409A. The Company makes no representation or warranty as to compliance with Section 409A and shall have no liability to Executive or any other person for any adverse consequences arising under Section 409A. Notwithstanding anything else provided herein, to the extent any payments provided under this Agreement in connection with Executive's termination of employment constitute deferred compensation subject to Section 409A, and Executive is deemed at the time of such termination of employment to be a "specified Executive" under Section 409A, then such payment shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from Executive's separation from service from the Company or (ii) the date of Executive's death following such a separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including, without limitation, the additional tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. The first payment thereof will include a catch-up payment covering the amount that would have otherwise been paid during the period between Executive's termination of employment and the first payment date but for the application of this provision, and the balance of the installments (if any) will be payable in accordance with their original schedule.

(g) **Assignment; Death; Binding Effect.**

- (1) Executive shall not assign or transfer any of Executive's rights under this Agreement, wholly or partially, to any other person or to delegate the performance of Executive's duties under the terms of this Agreement.
- (2) Upon Executive's death, no death benefit is payable under this Agreement other than benefits that were already in pay status at the date of death. Executive's rights under this Agreement with respect to any benefits earned before the date of death shall inure to Executive's heirs, executors, administrators, or personal representatives.
- (3) The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of the Company, regardless of the manner in which the successors or assigns succeed to the interests or assets of the Company. This Agreement shall not be terminated by the voluntary or involuntary dissolution of the Company, by any merger, consolidation or acquisition where the Company is not the surviving corporation, by any transfer of all or substantially all of the Company's assets, or by any other change in the Company's structure or the manner in which the Company's business or assets are held. Executive's employment shall not be deemed terminated upon the occurrence of one of the foregoing events. In the event of any merger, consolidation, or sale or transfer of assets, this Agreement shall be binding upon and shall inure to the benefit of the surviving business or the business entity to which the assets are transferred.

(h) **Survival.** If any benefits provided to Executive under this Agreement are still owed, or claims under the Agreement are still pending at the time of termination of this Agreement, this

A-13

Agreement shall continue in force with respect to those obligations or claims, until those benefits are paid in full or those claims are resolved in full. The covenants in Section 5 and Section 6, and the dispute resolution provisions in Section 8 of this Agreement, shall survive the termination of this Agreement and shall be enforceable, regardless of any claim Executive may have against the Company.

(i) **Board of Director's Authority.**

- (1) Bancorp's Board of Directors has the authority to interpret and construe the provisions of this Agreement, including the attached Separation Agreement.
- (2) Bancorp's Board of Directors has the authority to decide matters relating to termination for Cause or Good Reason, the violation of the Restrictive Covenants and the calculation of benefits.
- (3) In a decision under Subsection (1) or (2) above, the burden of proof shall be on that Board of Directors and that decision shall be:
 - (A) Subject to the duty of good faith and fair dealing;
 - (B) Supported by clear and convincing evidence; and
 - (C) Made by the affirmative vote of at least three-fourths (3/4) of that Board of Directors.
- (4) An arbitrator or a court reviewing such a decision by that Board of Directors shall make its own independent decision and not grant deference to the that Board of Director's decision.

(j) **Joint and Several Obligation.** Bancorp, the Bank and the Trust will be jointly and severally liable for the payment obligations under this Agreement.

(k) **Actions by Banking Regulatory Authorities.**

- (1) If Executive is suspended and/or temporarily prohibited from participating in the conduct of the Company's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act (the "FDIA"), 12 U.S.C. § 1818(e)(3) and (g)(1), the Company's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Company may in its discretion:
 - (A) Pay Executive all or part of the payments under this Agreement that were withheld while its obligations under this Agreement were suspended; and/or
 - (B) Reinstate in whole or in part any of its obligations which were suspended.
- (2) If Executive is removed and/or permanently prohibited from participating in the conduct of the Company's affairs by an order issued under Section 8(e)(4) or (g)(1) of the FDIA, 12 U.S.C. § 1818(e)(4) and (g)(1), Executive shall be terminated for Cause as of the effective date of the order.
- (3) If the Company is in default (as defined in Section 3(x)(1) of the FDIA, 12 U.S.C. § 1813(x)(1)), all further obligations under this Agreement shall terminate

A-14

as of the date of default.

- (4) This Agreement may be terminated entirely or suspended for a period of time by the applicable banking regulatory authority, or as otherwise required by law, if:

- (A) The Federal Deposit Insurance Corporation ("FDIC") enters into an agreement to provide assistance to or on behalf of the Company under the authority contained in Section 13(c) of the FDIA, 12 U.S.C. § 1823(c);
- (B) The applicable banking regulatory authority approves a supervisory merger to resolve problems related to the operation of the Company; or
- (C) The applicable banking regulatory authority determines the Company is in an unsafe or unsound condition.

(5) The Change in Control Benefit is subject to and conditioned upon its compliance with 12 U.S.C. § 1828(k) and FDIC regulation 12 C.F.R. Part 359, "Golden Parachute and Indemnification Payments."

- (l) **Attorneys' Fees and Costs.** In any dispute arising out of or relating to this Agreement, including in compelling arbitration, or enforcing or collecting an arbitration award, the prevailing Party shall be entitled to recover from the non-prevailing Party its own reasonable attorneys' fees, filing and services fees, witness fees, arbitrator's fees, and any other reasonably incurred expenses and costs, to the extent not expressly prohibited by applicable law.
- (m) **Headings, Captions.** The headings and captions used in this Agreement are for convenience only and shall not affect the meaning or interpretation of the Agreement.
- (n) **Counterparts.** For the convenience of the Parties, this Agreement may be executed by facsimile, electronic mail, or electronic signature, and in any number of counterparts, all of which when taken together shall constitute one and the same Agreement.

10. **ADVICE OF COUNSEL.** Executive acknowledges that Executive has had adequate time to consult legal counsel and financial advisors before signing this Agreement. Executive understands that the Company makes no representations as to the tax consequences of any payments under this Agreement. Both Parties have participated and had an equal opportunity to participate in the drafting of this Agreement. No ambiguity shall be construed against any Party upon a claim that such Party drafted the ambiguous language.

A-15

EXECUTIVE:

Date: _____

RIVERVIEW TRUST COMPANY

By: _____

Title: _____

Date: _____

RIVERVIEW BANK

By: _____

Title: _____

Date: _____

RIVERVIEW BANCORP, INC.

By: _____

Title: _____

Date: _____

A-16

Exhibit A

EMPLOYMENT SEPARATION AGREEMENT AND RELEASE OF CLAIMS

This is a confidential separation agreement (this "Separation Agreement") between you, _____, and us, Riverview Bank (the "Bank"), Riverview Trust Company (the "Trust"), and Riverview Bancorp, Inc. ("Bancorp") (Bancorp, the Bank and the Trust are collectively referred to as "Riverview"). This Separation Agreement is dated for reference purposes _____, 20____, which is the date we delivered this Separation Agreement to you for your consideration.

1. **Termination of Employment.** Your employment terminates (or was terminated) on _____, 20____ (the "Separation Date"), which was within the number of months of a Change in Control as specified in Section 3(a)(1) in the Change in Control Agreement between you and Riverview dated _____, 20____ (the "CIC Agreement")

2. **Payments.** In exchange for your agreeing to the release of claims and other terms in this Separation Agreement, we will pay you the Change in Control Benefit and other payments in Section 3 of the CIC Agreement. You acknowledge that we are not obligated to make these payments to you, unless you enter into this Separation Agreement, comply with the Restrictive Covenants in Section 5 of the CIC Agreement, and otherwise comply and continue to comply with the material terms of the CIC Agreement and of this Separation Agreement.

3. **COBRA Continuation Coverage.** Your normal employee participation in Riverview's group health coverage will terminate on the Separation Date or, if provided under the group health plan, the last day of the month in which the Separation Date occurs. Continuation of group health coverage thereafter will be made available to you and your dependents pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, or any applicable state health insurance continuation law (collectively, "COBRA"). You understand and agree that your right to benefits under Riverview's health and welfare benefit program, if any, shall be limited to those set forth under COBRA and continuation of group health coverage after the Separation Date is entirely at your expense, as provided under COBRA, unless Section 3 of the CIC provides otherwise.
4. **Full Payment and Entitlement to Leave and Accommodations.** You acknowledge having received full payment of all compensation of any kind (including, but not limited to, wages, salary, bonuses, paid time off, sick leave, reimbursable expenses, and incentive compensation) that you earned as a result of your employment by Riverview and that was owing to you as of the Separation Date. Any and all agreements to pay you bonuses or other incentive compensation are terminated. You understand and agree that you have no right to receive any further payments for bonuses or other incentive compensation, except the payments as described in Section 2 of this Agreement (above). You also acknowledge you have taken and have not been deprived of any leave or accommodation to which you were legally entitled prior to the Separation Date, and that if any such leave was provided, the Company restored you to your position following leave in compliance with all applicable federal, state, and local leave laws, and that you have not suffered any adverse employment action of any kind (for example, termination, demotion, transfer, harassment, or reduction or denial of pay or benefits) as a result of requesting or receiving leave or an accommodation.

5. **Release of Claims.**

- (a) You hereby release and forever discharge, to the fullest extent permitted by law, the Released Parties from any and all claims, demands, causes of action, liabilities, debts, obligations, judgments, and damages (including attorneys' fees) of any kind whatsoever, known or unknown, that you may have or have ever had against the Released Parties by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter from

A-17

the beginning of time, up to and including the date you signed this Separation Agreement. "Released Parties" means: (i) Riverview and its parent companies, divisions, subsidiaries, and affiliates, and each of their benefit plans (each, including Riverview, a "Riverview Affiliate"); (2) each of the Riverview Affiliates' past and present shareholders, executives, directors, members, officers, agents, employees, representatives, administrators, fiduciaries, and attorneys; and (3) the predecessors, successors, transferees, and assigns of each of such persons and entities.

- (b) The claims you are releasing include, without limitation, wrongful termination, constructive discharge, breach of contract, violations arising under federal, state, or local laws or ordinances prohibiting discrimination or harassment on the basis of age, race, color, national origin, religion, sex, gender, disability, marital status, sexual orientation, or any other protected status, failure to accommodate a disability or religious practice, violation of public policy, retaliation, failure to hire, wage and hour violations, including overtime claims, tortious interference with contract or expectancy, fraud or negligent misrepresentation, breach of privacy, defamation, intentional or negligent infliction of emotional distress, unfair labor practices, breach of a right to stock or stock options or other equity interests, attorneys' fees or costs, and any other claims that are based on any legal obligations that arise out of or are related to your employment relationship with Riverview.

(c) You specifically waive any rights or claims that you may have under Title 49 of the Revised Code of Washington, the Civil Rights Act of 1964 (including Title VII of that Act), the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Americans with Disabilities Act of 1990 (ADA), the Equal Pay Act of 1963 (EPA), the Genetic Information Nondiscrimination Act of 2008 (GINA), the Fair Labor Standards Act of 1938 (FLSA), the Family and Medical Leave Act of 1993 (FMLA), the Occupational Safety and Health Act (OSHA), the Sarbanes-Oxley Act of 2002, the Fair Credit Reporting Act (FCRA), the Uniformed Services Employment and Reemployment Rights Act of 1994, the Worker Adjustment and Retraining Notification Act (WARN), the Employee Retirement Income Security Act of 1974 (ERISA), the National Labor Relations Act (NLRA), the Washington Law Against Discrimination (WLAD), the Washington Industrial Welfare Act, the Washington Family Leave Act, the Washington Minimum Wage Act, the Washington Wage Payment Act, the Washington Rebate Act, and all similar federal, state, and local laws. **The aforementioned claims are examples, not a complete list, of the released claims. It is the Parties' intent that you release any and all claims, including those arising from or related to your employment, your contract of employment, and separation of employment, of whatever kind or nature, known or unknown, to the greatest degree allowed by law, against the Released Parties, which arose or occurred on or before the date you sign this Separation Agreement.**

(d) You agree not to seek any personal recovery (of money damages, injunctive relief, or otherwise) for the claims you are releasing in this Separation Agreement, either through any complaint to any governmental agency or otherwise, whether individually or through a class action. You agree never to start or participate as a plaintiff in any lawsuit or arbitration asserting any of the claims you are releasing in this Separation Agreement. You represent and warrant that you have not initiated any complaint, charge, lawsuit, or arbitration involving any of the claims you are releasing in this Separation Agreement.

(e) Should you apply for future employment with a Riverview Affiliate, the Riverview Affiliate has no obligation to consider you for future employment.

(f) You represent and warrant that you have all necessary authority to enter into this Separation

A-18

Agreement (including, if you are married, on behalf of your marital community), and that you have not transferred any interest in any claims to your spouse or to any third party.

(g) This Separation Agreement does not affect your rights arising under any of Riverview's benefit plans through the Separation Date or afterwards under the terms of those plans to receive pension plan benefits, medical plan benefits, unemployment compensation benefits, or workers' compensation benefits.

(h) This Separation Agreement also does not affect your rights under agreements, bylaw provisions, insurance or otherwise, to be indemnified, defended, or held harmless in connection with claims that may be asserted against you by third parties.

(i) This Separation Agreement also does not affect your rights to file a charge or complaint with or participate in an investigation by the Equal Employment Opportunity Commission or other government agency. But, you give up any right to recover or receive any personal relief or benefit from any such charge, complaint, or investigation, or from any lawsuit or administrative action filed by any government agency that is the result of any such charge, complaint, or participation by you. Personal relief or benefit includes attorneys' fees, monetary damages, and reinstatement. Nothing in this Agreement is intended to prevent you from reporting potential violations of the law, cooperating or participating in any investigation by the Equal Employment Opportunity Commission, SEC, or other government agency concerning any of the Released Parties, or from testifying truthfully in any legal proceeding resulting from any government agency's enforcement actions.

(j) You understand that you are releasing potentially unknown claims, and that you have limited knowledge with respect to some of the claims being released. You acknowledge that there is a risk that, after signing this Separation Agreement, you may learn information that might have affected your decision to enter into this Separation Agreement. You assume this risk and all other risks of any mistake in entering into this Separation Agreement.

(k) You agree that this release is fairly and knowingly made.

6. **No Admission of Liability.** Neither this Separation Agreement nor the payments made under this Separation Agreement are an admission of liability or wrongdoing by any Party.

7. **Riverview Materials.** You represent and warrant that you have, or no later than the Separation Date will have, returned all keys, credit cards, documents, Confidential Information (as defined in Section 5 of the CIC Agreement), and other materials that belong to Riverview, and disclosed all computer user identifications and passwords used by you in the course of your employment or necessary for accessing information on our computer system, in accordance with Section 7 of the CIC Agreement.

8. **Nondisclosure Agreement.** You will comply with the covenant regarding Confidential Information in Section 5(a) of the CIC Agreement. You also agree to keep the terms of this Separation Agreement in strict confidence and not to disclose the same to any other person or entity, except as may be required by law. Except for litigation arising out of the breach of or attempt to enforce this Separation Agreement, this Separation Agreement shall not be admissible as evidence in any legal proceeding.

9. **Non-Disparagement and Non-Incitement.** You agree not to make, publish, or communicate (or causing others to make, publish, or communicate) any public or private disparaging statements concerning any Riverview Affiliate or their current or former officers, directors, members, shareholders, employees, agents, customers, suppliers, or investors, including, without limitation, statements made to employees of any Riverview Affiliate or statements made on internet blogs, social media sites, and review sites; provided, however, that nothing in this Separation Agreement shall

A-19

preclude you from making truthful statements that are required by applicable law, regulation, or legal process, or making any disclosures permitted by law, such as disclosing or discussing conduct Executive reasonably believes to be illegal discrimination, illegal harassment, illegal retaliation, sexual assault, a wage and hour violation, or other conduct recognized as against a clear mandate of public policy, occurring at the workplace or a work-related event between employees or between Riverview and an employee. You may not disparage any Riverview Affiliate or its business or products, and may not encourage any third parties to sue a Riverview Affiliate.

10. **Cooperation Regarding Other Claims.** If any claim is asserted by or against a Riverview Affiliate as to which you have relevant knowledge, you will reasonably cooperate with Riverview in the prosecution or defense of that claim, including by providing truthful information and testimony as reasonably requested by Riverview.

11. **Nonsolicitation; No Interference.** You will comply with Sections 5(b) and 5(c) of the CIC Agreement, and Riverview will have the right to enforce those provisions under the terms of Section 5(d) of the CIC Agreement. Following the expiration of the covenants referenced in the preceding sentence, you will not, apart from good-faith competition, interfere with any Riverview Affiliate's relationships with customers, employees, vendors, or others.

12. **Liquidated Damages.** Any breach by you of provisions set out in Sections 7 through 11 above shall be a material breach of this Separation Agreement for which we agree that Riverview or one of its affiliates would suffer irreparable harm and damage to its reputation, and for which liquidated damages in an amount equal to the Change in Control Benefit specified in Section 3 of the CIC Agreement or actual damages, whichever is greater, shall be assessed. The foregoing shall not be interpreted to preclude any additional remedy available to Riverview at law or in equity, including, but not limited to, injunctive relief.
13. **Independent Legal Counsel.** You are advised and encouraged to consult with an attorney before signing this Separation Agreement. You acknowledge that you have had an adequate opportunity to do so.
14. **Consideration Period.** You have twenty-one (21) days from the date this Separation Agreement is given to you to consider this Separation Agreement before signing it. You may use as much or as little of this twenty-one (21)-day period as you wish before signing. You acknowledge that if you are signing this Separation Agreement before the end of the Consideration Period, you have voluntarily decided not to use the full Consideration Period. If you do not sign and return this Separation Agreement within this twenty-one (21)-day period, you will not be eligible to receive the benefits described in this Separation Agreement.
15. **Revocation Period and Effective Date.** You have seven (7) calendar days after signing this Separation Agreement to revoke it. To revoke this Separation Agreement after signing it, you must deliver a written notice of revocation to Riverview's Chief Executive Officer or the Chairman of the Board before the seven (7)-day period expires. This Separation Agreement shall not become effective until the eighth (8th) calendar day after you sign it (the "Effective Date"). If you revoke this Separation Agreement, it will not become effective or enforceable, and you will not be entitled to the benefits described in this Separation Agreement.
16. **Knowing and Voluntary Waivers under the ADEA.** You acknowledge that you understand this is a full release of all existing claims, whether currently known or unknown, including, but not limited to, claims for age discrimination under the Age Discrimination in Employment Act. You agree and acknowledge that you have read and understood this Separation Agreement, and that you have consulted with an attorney regarding the meaning and application of this Separation Agreement, or, if you have not consulted with an attorney, you have been advised to do so and have had ample

A-20

opportunity to do so. You enter into this Separation Agreement knowingly, voluntarily, free from duress, and as a result of your own free will and with the intention to waive, settle, and release all claims you have or may have against each Riverview Affiliate.

17. **Governing Law.** This Separation Agreement is governed by the laws of the state of Washington that apply to contracts executed and to be performed entirely within the state of Washington.
18. **Dispute Resolution.** Any dispute arising under this Agreement shall be subject to arbitration in accordance with Section 8 of the CIC Agreement.
19. **Saving Provision.** If any part of this Separation Agreement is held to be unenforceable, it shall not affect any other part, except if the release in Section 5 is determined to be invalid or unenforceable, this Separation Agreement shall be voidable by Riverview for a period of sixty (60) days following receipt of written notice of the invalidity or unenforceability.
20. **Final and Complete Agreement.** Except for the CIC Agreement and/or the Employment Agreement, this Separation Agreement is the final and complete expression of all agreements between the Parties on all subjects relating to your employment or its termination and supersedes and replaces all prior discussions, representations, agreements, policies, and practices. You acknowledge you are not signing this Separation Agreement relying on anything not set out in this Separation Agreement, the Employment Agreement, and the CIC Agreement. You further acknowledge that Sections 5, 6, and 9 of the CIC Agreement survive the termination of your employment and remain in full force and effect.

21. Miscellaneous. This Separation Agreement may be signed in counterparts, both of which shall be deemed an original, but both of which, taken together, shall constitute the same instrument. An electronic signature and a signature transmitted by facsimile or electronic mail shall have the same effect as the original signature. The section headings used in this Separation Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify, or otherwise be used in the interpretation of any of the provisions hereof. This Separation Agreement was the result of the negotiations between the Parties. In the event of vagueness, ambiguity, or uncertainty, the Separation Agreement shall not be construed against the Party preparing it, but shall be construed as if both Parties prepared it jointly. If you or Riverview fails to enforce this Separation Agreement or to insist on performance of any term, that failure does not mean a waiver of that term or of the Separation Agreement. This Separation Agreement remains in full force and effect anyway.

[Signature page to follow]

A-21

RIVERVIEW TRUST COMPANY

By: _____

Title: _____

Date: _____

RIVERVIEW BANK

By: _____

Title: _____

Date: _____

RIVERVIEW BANCORP, INC.

By: _____

Title: _____

Date: _____

I, the undersigned, having been advised to consult with an attorney, hereby agree to be bound by this Separation Agreement and confirm that I have read and understood each part of it.

EXECUTIVE:

Date: _____

A-22

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

PARENT

Riverview Bancorp, Inc.

<u>Subsidiaries (a)</u>	<u>Percentage Owned</u>	<u>State of Incorporation</u>
Riverview Bank	100%	Washington
Riverview Services, Inc. (b)	100%	Washington
Riverview Trust Company (b)	100%	Washington

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

(b) This corporation is a wholly-owned subsidiary of Riverview Bank.

Exhibit 23

[LETTERHEAD OF DELAP LLP]

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-217276 on Form S-3 and Registration Statements No. 333-38887 and No. 333-109894 333-228099 on Form S-8 of Riverview Bancorp, Inc. of our report dated **June 14, 2023** **June 14, 2024**, with respect to the consolidated financial statements of Riverview Bancorp, Inc. and Subsidiary (collectively, "Riverview") included in Riverview's Annual Report (Form 10-K) for the year ended **March 31, 2023** **March 31, 2024**.

/s/ Delap LLP

Lake Oswego, Oregon
June 14, **2023** **2024**

Exhibit 31.1

Certification Required

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

I, **Kevin J. Lycklama**, **Daniel D. Cox**, 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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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; and
 - 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 officer(s) 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 weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial 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 14, **2023** **2024**

/S/ Kevin J. Lycklama Daniel D. Cox

Kevin J. Lycklama Daniel D. Cox

Acting 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, David Lam, 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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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; and
 - 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 officer(s) 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 function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial 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 14, 2023

/S/ David Lam

David Lam

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 hereby certifies in his capacity as an officer of Riverview Bancorp, Inc. (the "Company") 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/ Kevin J. Lycklama Daniel D. Cox

Kevin J. Lycklama Daniel D. Cox

Acting Chief Executive Officer

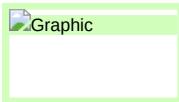
/S/ David Lam

David Lam

Chief Financial Officer

Dated: **June 14, 2023** June 14, 2024

Dated: **June 14, 2023** June 14, 2024



COMPENSATION RECOVERY POLICY

In accordance with the applicable rules of Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") and Nasdaq Listing Rule 5608 (the "Listing Standards"), the Board of Directors of Riverview Bancorp, Inc. (the "Company") has adopted this Policy to provide for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below).¹

1. ADMINISTRATION

Except as specifically set forth herein, this Policy shall be administered by the Company's **Personnel/ Compensation Committee** (the "Administrator").² The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and the Company and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with Company counsel, the full Board or such other committees of the Board, such as the Company's Audit Committee, as may be necessary or appropriate.

Subject to any limitation of applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. DEFINITIONS

As used in this Policy, the following definitions shall apply:

"Accounting Restatement" means an accounting restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as "Big R" restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as "little r" restatements).

"Administrator" has the meaning set forth in Section 1 hereof.

"Applicable Period" means the three completed fiscal years immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required³,

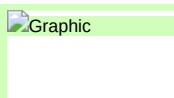
concludes (or reasonably should have concluded) that an Accounting Restatement is required or (ii) the date a regulator, court or other legally authorized entity directs the Company to undertake an Accounting Restatement. The "Applicable Period" also

- 1 **Note:** This policy does not include any requirements under Section 304 of the Sarbanes-Oxley Act of 2002, which applies only to a company's CEO and CFO in cases involving misconduct resulting in a company's material noncompliance with any financial reporting requirement under the securities laws.
- 2 **Note:** This policy may be administered by the Board, the Personnel/Compensation Committee, Audit Committee, or a special committee comprised of members of the Personnel/Compensation Committee and Audit Committee.
- 3 **Note:** If the Company has determined the body that has the authority to conclude an Accounting Restatement is required—i.e., the Board, a committee of the Board (e.g., Audit Committee), or the officer or officers of the Company authorized to take such action if Board action is not required—this can be revised to specifically indicate that body.

Compensation Recovery Policy [Clawback]Approved by the BOD: February 28, 2024

Page 1 of 6

(Cox)



includes any transition period that results from a change in the Company's fiscal year within or immediately following the three completed fiscal years identified in the preceding sentence; except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year.

"Covered Executives" means the Company's current and former executive officers, as determined by the Administrator in accordance with the definition of "executive officer" set forth in Rule 10D-1 and the Listing Standards.⁴

"Erroneously Awarded Compensation" has the meaning set forth in Section 5 of this Policy.

"Financial Reporting Measure" is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure and includes "non-GAAP" measures for purposes of Regulation G promulgated under the Exchange Act. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return ("TSR"); revenues; net income; operating income; operating net income, operating pre-tax pre-provision income, tangible book value, tangible book value per share, profitability or growth of one or more reportable segments; financial ratios (e.g., yield on loans, rates on deposits, efficiency ratio, nonperforming loans to total loans, nonperforming assets to total assets, loans to assets ratio, loans to deposits ratio); liquidity measures (e.g., capital, operating cash flow); return measures (e.g., net interest margin, return on assets, return on equity); earnings measures (e.g., earnings per share); any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission.

"Incentive-Based Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is "received" for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period. Examples of "Incentive-Based Compensation" include, but are not limited to: non-equity incentive plan awards that are earned based wholly or in part on satisfying a Financial Reporting Measure performance goal; bonuses paid from a "bonus pool," the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal; other cash awards based on satisfaction of a Financial Reporting Measure performance goal; restricted stock awards, restricted stock units, performance share awards or units, stock options and stock appreciation rights that are granted or become vested based wholly or in part on satisfying a Financial Reporting Measure performance goal; and proceeds received upon the sale of shares acquired through an incentive plan

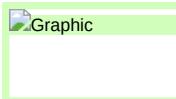
that were granted or vested based wholly or in part on satisfying a Financial Reporting Measure performance goal. Examples of compensation that is not "incentive-based compensation" include, but are not limited to: salaries (except to the extent a salary increase is earned wholly or in part based on the attainment of a Financial Reporting Measure performance goal); bonuses paid solely at the discretion of the Personnel/Compensation Committee or Board that are not paid from a "bonus pool" that is determined by satisfying a Financial Reporting Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards (e.g., demonstrated leadership) and/or completion

4 **Note:** The definition of "executive officer" in the final rule is as follows: the issuer's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice president of the issuer in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the issuer. Executive officers of the issuer's parent(s) or subsidiaries are deemed executive officers of the issuer if they perform such policy-making functions for the issuer. Policy-making function is not intended to include policy-making functions that are not significant. Identification of an executive officer for purposes of this section would include at a minimum executive officers identified in the Company's Form 10-K and/or proxy statement for the annual meeting of shareholders.

Compensation Recovery Policy [Clawback]Approved by the BOD: February 28, 2024

Page 2 of 6

(Cox)



of a specified employment period; non-equity incentive plan awards earned solely upon satisfying one or more strategic measures (e.g., consummating a merger or branch acquisition or divestiture), or operational measures (e.g., opening a specified number of branches, completion of a project, increase in market share); and equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified employment period and/or attaining one or more nonfinancial reporting measures.⁵

3. COVERED EXECUTIVES; INCENTIVE-BASED COMPENSATION

This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange. This Policy does not apply to Incentive-Based Compensation received by a Covered Executive (x) while that person was serving in a non-executive capacity prior to becoming a Covered Executive or (y) who is a Covered Executive on the date on which the Company is required to prepare an Accounting Restatement but who was not a Covered Executive at any time during the performance period for which the Incentive-Based Compensation is received.

4. REQUIRED RECOUPMENT OF ERRONEOUSLY AWARDED COMPENSATION IN THE EVENT OF AN ACCOUNTING RESTATEMENT

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, relating to the Applicable Period.

5. ERRONEOUSLY AWARDED COMPENSATION: AMOUNT SUBJECT TO RECOVERY

The amount of "Erroneously Awarded Compensation" subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had such compensation been determined based on the restated amounts.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation. By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

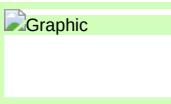
For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market ("Nasdaq") and the Covered Executive.

5Note: Under ISS's equity plan score card approach to evaluating equity compensation plans ("EPSC"), ISS will award full points for a policy that authorizes recovery upon a restatement and covers all or most equity-based compensation for all NEOs. This model policy, which adheres to the minimum requirements of Rule 10D-1, will not receive any EPSC points because the policy generally exempts time-vesting equity from the definition of incentive-based compensation.

Compensation Recovery Policy [Clawback]Approved by the BOD: February 28, 2024

Page 3 of 6

(Cox)



6. METHOD OF RECOUPMENT

The Administrator shall determine, in its sole discretion, the timing and method for reasonably promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code of 1986, as amended ("IRC"), and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may effect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan, program or contract, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the **Personnel/Compensation Committee of the Board**⁶ has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the IRC and the regulations thereunder.

If litigation becomes necessary to collect any Erroneously Awarded Compensation recoverable under this Policy, the Company shall be entitled to recover from the Covered Executive(s) all of its reasonable attorneys' fees and costs of enforcement or collection.

7. NO ADDITIONAL PAYMENTS

In no event shall the Company be required to award Covered Executives an additional payment if the Accounting Restatement results in a higher Incentive-Based Compensation payment.

8. NO INDEMNIFICATION OR REIMBURSEMENT OF COVERED EXECUTIVES

Notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will the Company or any of its affiliates indemnify or reimburse a Covered Executive for any loss under this Policy and in no event will the Company or any of its affiliates pay premiums or reimburse the Covered Executive for premiums he or she paid on any insurance policy that would cover a Covered Executive's potential obligations with respect to Erroneously Awarded Compensation under this Policy.

9. ADMINISTRATOR INDEMNIFICATION

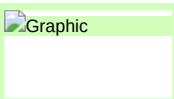
Any members of the Administrator, and any other members of the Board or officers of the Company who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest

6Under Rule 10D-1, the determination that recovery would be impracticable under the rule must be made by "the issuer's committee of independent directors responsible for executive compensation decisions, or in the absence of such a committee, a majority of the independent directors serving on the board," so this reference is to the Personnel/Compensation Committee rather than the Administrator. If the Administrator is the Personnel/Compensation Committee, the term Administrator can be used here.

Compensation Recovery Policy [Clawback]Approved by the BOD: February 28, 2024

Page 4 of 6

(Cox)



extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

10. EFFECTIVE DATE; RETROACTIVE APPLICATION

This Policy shall be effective as of October 2, 2023 (the "Effective Date"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded or granted to Covered Executives prior to the Effective Date. This Policy shall supersede and replace any existing policy regarding compensation recovery previously approved by the Board.

11. ACKNOWLEDGEMENT BY COVERED EXECUTIVES; CONDITION TO ELIGIBILITY FOR INCENTIVE BASED COMPENSATION

The Company will provide notice and seek acknowledgement of this Policy from each Covered Executive in the form attached hereto as Exhibit A, provided that the failure to provide such notice or obtain such acknowledgement will have no impact on the applicability or enforceability of this Policy. After the Effective Date, the Company must be in receipt of a Covered Executive's acknowledgement as a condition to such Covered Executive's eligibility to receive Incentive-Based Compensation awarded or received after such date. All Incentive-Based Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive-Based Compensation and any other vesting conditions applicable to such Incentive-Based Compensation are satisfied.

12. AMENDMENT; TERMINATION

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed.

13. OTHER RECOUPMENT RIGHTS; COMPANY CLAIMS

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

14. SUCCESSORS

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

15. EXHIBIT FILING REQUIREMENT

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's Annual Report on Form 10-K.

Compensation Recovery Policy [Clawback]Approved by the BOD: February 28, 2024

Page 5 of 6

(Cox)

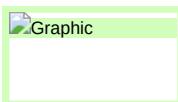


EXHIBIT A

TO BE SIGNED BY THE COMPANY'S EXECUTIVE OFFICERS:

COMPENSATION RECOVERY POLICY ACKNOWLEDGEMENT

The undersigned agrees and acknowledges that I am fully bound by, and subject to, all of the terms and conditions of Riverview Bancorp, Inc. Compensation Recovery Policy (as it may be amended, restated, supplemented or otherwise modified from time to time. In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. In the event it is determined by the Administrator that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

By: _____

[Signature] Date

[Print Name] _____

[Title] _____

Compensation Recovery Policy [Clawback]Approved by the BOD: February 28, 2024

Page 6 of 6

(Cox)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.