

AMERICAN RIVER BANKSHARES  
Form 10-Q  
May 08, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from \_\_\_\_\_ to  
\_\_\_\_\_

Commission File Number: 0-31525

AMERICAN RIVER BANKSHARES

(Exact name of registrant as specified in its charter)

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California 68-0352144  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

3100 Zinfandel Drive, Suite 450, Rancho Cordova, California 95670  
(Address of principal executive offices) (Zip Code)

(916) 851-0123

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

No par value Common Stock – 9,631,764 shares outstanding at May 4, 2012.

**AMERICAN RIVER BANKSHARES**

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FOR THE QUARTER ENDED MARCH 31, 2012**

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**PART I-FINANCIAL INFORMATION****Item 1. Financial Statements.**

## AMERICAN RIVER BANKSHARES

## CONSOLIDATED BALANCE SHEET

(Unaudited)

| (dollars in thousands)   | March<br>31,<br>2012 | December<br>31,<br>2011 |
|--|----------------------|-------------------------|
| <b>ASSETS</b>  |                      |                         |
| Cash and due from banks  | \$46,967             | \$23,768                |
| Interest-bearing deposits in banks   | 1,250                | 1,250                   |
| Investment securities:   |                      |                         |
| Available-for-sale, at fair value  | 202,832              | 208,711                 |
| Held-to-maturity, at amortized cost  | 3,563                | 4,010                   |
| Loans and leases, less allowance for loan and lease losses of \$6,265 at March 31, 2012 and \$7,041 at December 31, 2011 | 284,062              | 293,731                 |
| Premises and equipment, net  | 2,280                | 2,355                   |
| Federal Home Loan Bank stock   | 3,093                | 3,093                   |
| Goodwill and other intangible assets   | 16,454               | 16,504                  |
| Other real estate owned  | 10,733               | 8,190                   |
| Accrued interest receivable and other assets   | 19,247               | 19,906                  |
|  | <b>\$590,481</b>     | <b>\$581,518</b>        |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |                      |                         |
| Deposits:  |                      |                         |
| Noninterest bearing  | \$136,654            | \$133,440               |
| Interest-bearing   | 339,928              | 328,845                 |
| Total deposits   | 476,582              | 462,285                 |
| Short-term borrowings  | —                    | 5,000                   |
| Long-term borrowings   | 14,000               | 14,000                  |
| Accrued interest payable and other liabilities   | 5,751                | 6,134                   |
| Total liabilities  | 496,333              | 487,419                 |
| Commitments and contingencies  |                      |                         |

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Shareholders' equity:

|   |           |           |
|---|-----------|-----------|
| Preferred stock, no par value; 20,000,000 shares authorized; none outstanding   |           |           |
| Common stock, no par value; 20,000,000 shares authorized; issued and outstanding – 9,742,634 shares at March 31, 2012 and 9,890,909 shares at December 31, 2011 | 71,005    | 72,016    |
| Retained earnings   | 19,237    | 18,525    |
| Accumulated other comprehensive income, net of taxes  | 3,906     | 3,558     |
| Total shareholders' equity  | 94,148    | 94,099    |
|   | \$590,481 | \$581,518 |

See Notes to Unaudited Consolidated Financial Statements

## AMERICAN RIVER BANKSHARES

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(dollars in thousands, except per share data)

For the three months ended March 31,

|   | 2012    | 2011    |
|---|---------|---------|
| Interest income:  |         |         |
| Interest and fees on loans                                    | \$4,316 | \$4,997 |
| Interest on deposits in banks                                 | 3       | 6       |
| Interest and dividends on investment securities:              |         |         |
| Taxable   | 1,039   | 801     |
| Exempt from Federal income taxes                              | 152     | 150     |
| Total interest income   | 5,510   | 5,954   |
| Interest expense:   |         |         |
| Interest on deposits  | 435     | 631     |
| Interest on borrowings  | 67      | 94      |
| Total interest expense  | 502     | 725     |
| Net interest income   | 5,008   | 5,229   |
| Provision for loan and lease losses                           | 580     | 1,375   |
| Net interest income after provision for loan and lease losses | 4,428   | 3,854   |
| Noninterest income:   |         |         |
| Service charges on deposit accounts                           | 196     | 197     |
| Gain on sale of securities                                    | 64      | 2       |
| Other noninterest income                                      | 433     | 234     |
| Total noninterest income                                      | 693     | 433     |
| Noninterest expense:  |         |         |
| Salaries and employee benefits                                | 2,203   | 2,080   |
| Occupancy   | 296     | 278     |
| Furniture and equipment                                       | 190     | 187     |
| Federal Deposit Insurance Corporation assessments             | 142     | 298     |
| Other real estate owned expense                               | 374     | 202     |
| Other expense   | 907     | 1,006   |
| Total noninterest expense                                     | 4,112   | 4,051   |
| Income before provision for income taxes                      | 1,009   | 236     |

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|                            |        |        |
|----------------------------|--------|--------|
| Provision for income taxes | 297    | 30     |
| Net income                 | \$712  | \$206  |
| Basic earnings per share   | \$0.07 | \$0.02 |
| Diluted earnings per share | \$0.07 | \$0.02 |
| Cash dividends per share   | \$—    | \$—    |

See Notes to Unaudited Consolidated Financial Statements

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AMERICAN RIVER BANKSHARES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(dollars in thousands)

For the three months ended March 31,

|   | 2012    | 2011  |
|---|---------|-------|
| Net income  | \$712   | \$206 |
| Other Comprehensive Income  |         |       |
| Unrealized Gains on Investment Securities:  |         |       |
| Unrealized holding gains arising during the period, net of income tax effects of \$238 in 2012 and \$85 in 2011                               | 386     | 129   |
| Less: Reclassification adjustment for realized gains included in net income net of related income tax effects of \$26 in 2012 and \$1 in 2011 | 38      | 1     |
| Total Other Comprehensive Income  | 348     | 128   |
| Comprehensive Income  | \$1,060 | \$334 |

## AMERICAN RIVER BANKSHARES

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(dollars in thousands)

|  | Common Stock |          | Retained | Accumulated                | Total                |
|--|--------------|----------|----------|----------------------------|----------------------|
|  | Shares       | Amount   | Earnings | Other Comprehensive Income | Shareholders' Equity |
| Balance, January 1, 2011   | 9,874,867    | 71,814   | 16,021   | 1,709                      | 89,544               |
| Net income   |              |          | 2,504    |                            | 2,504                |
| Other comprehensive income, net of tax:                                    |              |          |          |                            |                      |
| Net change in unrealized gains on available-for-sale investment securities |              |          |          | 1,849                      | 1,849                |
| Net restricted stock awarded and related compensation expense              | 16,042       | 86       |          |                            | 86                   |
| Stock option compensation expense  |              | 116      |          |                            | 116                  |
| Balance, December 31, 2011   | 9,890,909    | 72,016   | 18,525   | 3,558                      | 94,099               |
| Net income   |              |          | 712      |                            | 712                  |
| Other comprehensive income, net of tax:                                    |              |          |          |                            |                      |
| Net change in unrealized gains on available-for-sale investment securities |              |          |          | 348                        | 348                  |
| Net restricted stock award activity and related compensation expense       | (3,246 )     | 17       |          |                            | 17                   |
| Stock option compensation expense  |              | 16       |          |                            | 16                   |
| Retirement of common stock   | (145,029 )   | (1,044 ) |          |                            | (1,044 )             |
| Balance, March 31, 2012  | 9,742,634    | \$71,005 | \$19,237 | \$3,906                    | \$94,148             |

See Notes to Unaudited Consolidated Financial Statements

## AMERICAN RIVER BANKSHARES

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

(dollars in thousands)

For the three months ended March 31,

|   | 2012      | 2011     |
|---|-----------|----------|
| Cash flows from operating activities:   |           |          |
| Net income  | \$ 712    | \$ 206   |
| Adjustments to reconcile net income to net cash provided by operating activities: |           |          |
| Provision for loan and lease losses   | 580       | 1,375    |
| Decrease in deferred loan origination fees, net                                   | (42 )     | (23 )    |
| Depreciation and amortization   | 200       | 187      |
| Gain on sale and call of investment securities                                    | (64 )     | (2 )     |
| Amortization of investment security premiums and discounts, net                   | 982       | 818      |
| Increase in cash surrender values of life insurance policies                      | (65 )     | (68 )    |
| Stock based compensation expense  | 33        | 72       |
| Loss on sale and write-down of other real estate owned                            | 161       | 28       |
| Decrease in accrued interest receivable and other assets                          | 492       | 301      |
| Decrease in accrued interest payable and other liabilities                        | (383 )    | (1,792 ) |
| Net cash provided by operating activities   | 2,606     | 1,102    |
| Cash flows from investing activities:   |           |          |
| Proceeds from the sale of available-for-sale investment securities                | 4,713     | —        |
| Proceeds from matured available-for-sale investment securities                    | 165       | 130      |
| Proceeds from called available-for-sale investment securities                     | 195       | 472      |
| Purchases of available-for-sale investment securities                             | (10,755)  | (13,141) |
| Proceeds from principal repayments for available-for-sale investment securities   | 11,220    | 6,345    |
| Proceeds from principal repayments for held-to-maturity investment securities     | 449       | 677      |
| Net increase in interest-bearing deposits in banks                                | —         | —        |
| Net decrease in loans   | 5,961     | 9,935    |
| Proceeds from sale of other real estate   | 467       | 526      |
| Net decrease in FHLB stock  | —         | 138      |
| Purchases of equipment  | (75 )     | (163 )   |
| Net cash provided by investing activities   | 12,340    | 4,919    |
| Cash flows from financing activities:   |           |          |
| Net increase in demand, interest-bearing and savings deposits                     | \$ 11,556 | \$ 7,980 |
| Net increase (decrease) in time deposits  | 2,741     | (7,194 ) |
| Net decrease in short-term borrowings   | (5,000 )  | —        |

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|                                      |          |          |
|--------------------------------------|----------|----------|
| Net decrease in long-term borrowings | —        | (5,000 ) |
| Cash paid to repurchase common stock | (1,044 ) | —        |