

American River Bankshares
Condensed Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

	Second Quarter 2018	Second Quarter 2017	%	For the Six Months Ended June 30,		%
			Change	2018	2017	Change
Interest income	\$ 5,498	\$ 5,121	7.4 %	\$ 10,564	\$ 10,174	3.8 %
Interest expense	378	252	50.0 %	707	494	43.1 %
Net interest income	5,120	4,869	5.2 %	9,857	9,680	1.8 %
Provision for loan and lease losses	-	-	-	-	-	-
Noninterest income:						
Service charges on deposit accounts	116	114	1.8 %	233	231	0.9 %
Gain on sale or impairment of securities	10	86	(88.4) %	11	142	(92.3) %
Other noninterest income	254	239	6.3 %	508	485	4.7 %
Total noninterest income	380	439	(13.4) %	752	858	(12.4) %
Noninterest expense:						
Salaries and employee benefits	2,517	2,064	21.9 %	4,723	4,234	11.5 %
Occupancy	262	262	-	524	531	(1.3) %
Furniture and equipment	136	147	(7.5) %	274	298	(8.1) %
Federal Deposit Insurance Corporation assessments	53	52	1.9 %	106	105	1.0 %
Expenses related to other real estate owned	(3)	12	(125.0) %	2	32	(93.8) %
Other expense	863	831	3.9 %	1,549	1,598	(3.1) %
Total noninterest expense	3,828	3,368	13.7 %	7,178	6,798	5.6 %
Income before provision for income taxes	1,672	1,940	(13.8) %	3,431	3,740	(8.3) %
Provision for income taxes	403	643	(37.3) %	809	1,259	(35.7) %
Net income	\$ 1,269	\$ 1,297	(2.2) %	\$ 2,622	\$ 2,481	5.7 %
Basic earnings per share	\$ 0.22	\$ 0.20	10.0 %	\$ 0.44	\$ 0.38	15.8 %
Diluted earnings per share	\$ 0.22	\$ 0.20	10.0 %	\$ 0.44	\$ 0.38	15.8 %

Net interest margin as a percentage of average earning assets (fully taxable equivalent)	3.36%	3.41%		3.32%	3.43%
Average diluted shares outstanding	5,882,914	6,428,022		5,957,403	6,540,665

Operating Ratios:

Return on average assets	0.75%	0.80%		0.77%	0.77%
Return on average equity	7.09%	6.35%		7.24%	6.05%
Return on average tangible equity	9.18%	7.94%		9.33%	7.53%
Efficiency ratio (fully taxable equivalent)	68.91%	62.27%		66.94%	63.31%

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	Second Quarter 2018	First Quarter 2018	Fourth Quarter 2017	Third Quarter 2017	Second Quarter 2017
Interest income	\$ 5,498	\$ 5,066	\$ 5,158	\$ 5,082	\$ 5,121
Interest expense	378	329	288	279	252
Net interest income	5,120	4,737	4,870	4,803	4,869
Provision for loan and lease losses	-	-	150	300	-
Noninterest income:					
Service charges on deposit accounts	116	117	117	117	114
Gain on sale of securities	10	1	-	19	86
Other noninterest income	254	254	244	241	239
Total noninterest income	380	372	361	377	439
Noninterest expense:					
Salaries and employee benefits	2,517	2,206	2,584	2,102	2,064
Occupancy	262	262	260	262	262
Furniture and equipment	136	138	147	141	147
Federal Deposit Insurance Corporation assessments	53	53	50	51	52
Expenses related to other real estate owned	(3)	5	8	4	12
Other expense	863	686	890	752	831
Total noninterest expense	3,828	3,350	3,939	3,312	3,368
Income before provision for income taxes	1,672	1,759	1,142	1,568	1,940
Provision for income taxes	403	406	1,534	459	643
Net income	\$ 1,269	\$ 1,353	\$ (392)	\$ 1,109	\$ 1,297
Basic earnings per share	\$ 0.22	\$ 0.23	\$ -0.06	\$ 0.18	\$ 0.20
Diluted earnings per share	\$ 0.22	\$ 0.22	\$ -0.06	\$ 0.17	\$ 0.20
Net interest margin as a percentage of average earning assets (fully taxable equivalent)	3.36%	3.29%	3.39%	3.32%	3.41%
Average diluted shares outstanding	5,882,914	6,032,787	6,253,475	6,366,032	6,428,022
Shares outstanding-end of period	5,864,802	5,882,214	6,132,362	6,392,570	6,357,767

Operating Ratios (annualized):					
Return on average assets	0.75%	0.80%	-0.24%	0.68%	0.80%
Return on average equity	7.09%	7.39%	-1.95%	5.37%	6.35%
Return on average tangible equity	9.18%	9.47%	-2.45%	6.71%	7.94%
Efficiency ratio (fully taxable equivalent)	68.91%	64.81%	73.99%	62.75%	62.27%

Reconciliation of Non-GAAP Financial Measures (Unaudited)

The following table sets forth a reconciliation of adjusted net income and diluted earnings per share excluding the impact of the Tax Act and expenses related to the leadership change for each of the dates indicated:

	Second Quarter 2018	First Quarter 2018	Fourth Quarter 2017	Third Quarter 2017	Second Quarter 2017
Reported net income (loss)	\$ 1,269	\$ 1,353	\$ (392)	\$ 1,109	\$ 1,297
Impact of Tax Act	-	-	1,220	-	-
Expense related to leadership change	-	-	676	-	-
Tax effect on leadership expenses	-	-	304	-	-
Adjusted net income	\$ 1,269	\$ 1,353	\$ 1,200	\$ 1,109	\$ 1,297
Reported diluted earnings (loss) per share	\$ 0.22	\$ 0.22	\$ -0.06	\$ 0.17	\$ 0.20
Adjusted diluted earnings per share	\$ 0.22	\$ 0.22	\$ 0.19	\$ 0.17	\$ 0.20