

American River Bankshares
Condensed Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

	Second	Second	% Change	For the Six Months		% Change
	Quarter 2019	Quarter 2018		Ended June 30, 2019	2018	
Interest income	\$ 6,276	\$ 5,498	14.2 %	\$ 12,408	\$ 10,564	17.5 %
Interest expense	648	378	71.4 %	1,231	707	74.1 %
Net interest income	5,628	5,120	9.9 %	11,177	9,857	13.4 %
Provision for loan and lease losses	180	-	- %	360	-	- %
Noninterest income:						
Service charges on deposit accounts	139	116	19.8 %	260	233	11.6 %
Gain on sale of securities	29	10	190.0 %	65	11	490.9 %
Other noninterest income	253	254	(0.4) %	507	508	(0.2) %
Total noninterest income	421	380	10.8 %	832	752	10.6 %
Noninterest expense:						
Salaries and employee benefits	2,744	2,517	9.0 %	5,525	4,723	17.0 %
Occupancy	255	262	(2.7) %	512	524	(2.3) %
Furniture and equipment	140	136	2.9 %	280	274	2.2 %
Federal Deposit Insurance Corporation assessments	45	53	(15.1) %	95	106	(10.4) %
Expenses related to other real estate owned	4	(3)	(233.3) %	8	2	300.0 %
Other expense	960	863	11.2 %	1,988	1,549	28.3 %
Total noninterest expense	4,148	3,828	8.4 %	8,408	7,178	17.1 %
Income before provision for income taxes	1,721	1,672	2.9 %	3,241	3,431	(5.5) %
Provision for income taxes	445	403	10.4 %	819	809	1.2 %
Net income	\$ 1,276	\$ 1,269	0.6 %	\$ 2,422	\$ 2,622	(7.6) %
Basic earnings per share	\$ 0.22	\$ 0.22	- %	\$ 0.41	\$ 0.44	(6.8) %
Diluted earnings per share	\$ 0.22	\$ 0.22	- %	\$ 0.41	\$ 0.44	(6.8) %

Net interest margin as a percentage of average earning assets (fully taxable equivalent)	3.57%	3.36%	3.58%	3.32%
Average diluted shares outstanding	5,862,416	5,882,914	5,860,914	5,957,403

Operating Ratios:

Return on average assets	0.74%	0.75%	0.71%	0.77%
Return on average equity	6.53%	7.09%	6.36%	7.24%
Return on average tangible equity	8.25%	9.18%	8.07%	9.33%
Efficiency ratio (fully taxable equivalent)	68.00%	68.91%	69.44%	66.94%

Reconciliation of Non-GAAP Financial Measures (Unaudited)

The following table sets forth a reconciliation of pretax, pre-provision income by adding back the provisions for both loan and lease losses and income taxes to net income.

	Second	Second	For the Six Months	
	Quarter 2019	Quarter 2018	Ended June 30, 2019	2018
Reported net income	\$ 1,276	\$ 1,269	\$ 2,422	\$ 2,622
Provision for loan and lease losses	180	-	360	-
Provision for income taxes	445	403	819	809
Pretax, pre-provison net income	\$ 1,901	\$ 1,672	\$ 3,601	\$ 3,431

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	Second Quarter 2019	First Quarter 2019	Fourth Quarter 2018	Third Quarter 2018	Second Quarter 2018
Interest income	\$ 6,276	\$ 6,132	\$ 6,012	\$ 5,666	\$ 5,498
Interest expense	648	583	480	409	378
Net interest income	5,628	5,549	5,532	5,257	5,120
Provision for loan and lease losses	180	180	125	50	-
Noninterest income:					
Service charges on deposit accounts	139	121	124	119	116
Gain on sale of securities	29	36	12	8	10
Other noninterest income	253	254	248	250	254
Total noninterest income	421	411	384	377	380
Noninterest expense:					
Salaries and employee benefits	2,744	2,781	2,929	2,551	2,517
Occupancy	255	257	259	267	262
Furniture and equipment	140	140	138	141	136
Federal Deposit Insurance Corporation assessments	45	50	44	52	53
Expenses related to other real estate owned	4	4	8	10	(3)
Other expense	960	1,028	951	982	863
Total noninterest expense	4,148	4,260	4,329	4,003	3,828
Income before provision for income taxes	1,721	1,520	1,462	1,581	1,672
Provision for income taxes	445	374	337	428	403
Net income	\$ 1,276	\$ 1,146	\$ 1,125	\$ 1,153	\$ 1,269
Basic earnings per share	\$ 0.22	\$ 0.20	\$ 0.19	\$ 0.20	\$ 0.22
Diluted earnings per share	\$ 0.22	\$ 0.20	\$ 0.19	\$ 0.20	\$ 0.22
Net interest margin as a percentage of average earning assets (fully taxable equivalent)	3.57%	3.59%	3.54%	3.44%	3.36%
Average diluted shares outstanding	5,862,416	5,857,627	5,858,615	5,864,827	5,882,914
Shares outstanding-end of period	5,903,228	5,887,962	5,858,428	5,864,802	5,864,802

Operating Ratios (annualized):					
Return on average assets	0.74%	0.68%	0.65%	0.68%	0.75%
Return on average equity	6.53%	6.17%	6.22%	6.37%	7.09%
Return on average tangible equity	8.25%	7.88%	8.05%	8.24%	9.18%
Efficiency ratio (fully taxable equivalent)	68.00%	70.91%	72.59%	70.49%	68.91%

Reconciliation of Non-GAAP Financial Measures (Unaudited)

The following table sets forth a reconciliation of pretax, pre-provision income by adding back the provisions for both loan and lease losses and income taxes to net income.

	Second Quarter 2019	First Quarter 2019	Fourth Quarter 2018	Third Quarter 2018	Second Quarter 2018
Reported net income	\$ 1,276	\$ 1,146	\$ 1,125	\$ 1,153	\$ 1,269
Provision for loan and lease losses	180	180	125	50	-
Provision for income taxes	445	374	337	428	403
Pretax, pre-provison net income	\$ 1,901	\$ 1,700	\$ 1,587	\$ 1,631	\$ 1,672