

American River Bankshares
Condensed Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

	Third	Third	% Change	For the Nine Months		% Change
	Quarter 2018	Quarter 2017		Ended September 30, 2018	2017	
Interest income	\$ 5,666	\$ 5,082	11.5 %	\$ 16,230	\$ 15,256	6.4 %
Interest expense	409	279	46.6 %	1,116	773	44.4 %
Net interest income	5,257	4,803	9.5 %	15,114	14,483	4.4 %
Provision for loan and lease losses	50	300	83.3 %	50	300	83.3 %
Noninterest income:						
Service charges on deposit accounts	119	117	1.7 %	352	348	1.1 %
Gain on sale of securities	8	19	(57.9) %	19	161	(88.2) %
Other noninterest income	250	241	3.7 %	758	726	4.4 %
Total noninterest income	377	377	- %	1,129	1,235	(8.6) %
Noninterest expense:						
Salaries and employee benefits	2,551	2,102	21.4 %	7,274	6,336	14.8 %
Occupancy	267	262	1.9 %	791	793	(0.3) %
Furniture and equipment	141	141	- %	415	439	(5.5) %
Federal Deposit Insurance Corporation assessments	52	51	2.0 %	158	156	1.3 %
Expenses related to other real estate owned	10	4	150.0 %	12	36	(66.7) %
Other expense	982	752	30.6 %	2,531	2,350	7.7 %
Total noninterest expense	4,003	3,312	20.9 %	11,181	10,110	10.6 %
Income before provision for income taxes	1,581	1,568	0.8 %	5,012	5,308	(5.6) %
Provision for income taxes	428	459	(6.8) %	1,237	1,718	(28.0) %
Net income	\$ 1,153	\$ 1,109	4.0 %	\$ 3,775	\$ 3,590	5.2 %
Basic earnings per share	\$ 0.20	\$ 0.18	11.1 %	\$ 0.64	\$ 0.56	14.3 %
Diluted earnings per share	\$ 0.20	\$ 0.17	17.6 %	\$ 0.64	\$ 0.55	16.4 %
Net interest margin as a percentage of average earning assets	3.44%	3.32%		3.36%	3.39%	
Average diluted shares outstanding	5,864,827	6,366,032		5,925,677	6,481,569	
Operating Ratios (annualized):						
Return on average assets	0.68%	0.68%		0.74%	0.74%	
Return on average equity	6.37%	5.37%		6.95%	5.82%	
Return on average tangible equity	8.24%	6.71%		8.97%	7.26%	
Efficiency ratio (fully taxable equivalent)	70.49%	62.75%		68.17%	63.13%	

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	Third Quarter 2018	Second Quarter 2018	First Quarter 2018	Fourth Quarter 2017	Third Quarter 2017
Interest income	\$ 5,666	\$ 5,498	\$ 5,066	\$ 5,158	\$ 5,082
Interest expense	409	378	329	288	279
Net interest income	5,257	5,120	4,737	4,870	4,803
Provision for loan and lease losses	50	-	-	150	300
Noninterest income:					
Service charges on deposit accounts	119	116	117	117	117
Gain on sale of securities	8	10	1	-	19
Other noninterest income	250	254	254	244	241
Total noninterest income	377	380	372	361	377
Noninterest expense:					
Salaries and employee benefits	2,551	2,517	2,206	2,584	2,102
Occupancy	267	262	262	260	262
Furniture and equipment	141	136	138	147	141
Federal Deposit Insurance Corporation assessments	52	53	53	50	51
Expenses related to other real estate owned	10	(3)	5	8	4
Other expense	982	863	686	890	752
Total noninterest expense	4,003	3,828	3,350	3,939	3,312
Income before provision for income taxes	1,581	1,672	1,759	1,142	1,568
Provision for income taxes	428	403	406	1,534	459
Net income (loss)	\$ 1,153	\$ 1,269	\$ 1,353	\$ (392)	\$ 1,109
Basic earnings (loss) per share	\$ 0.20	\$ 0.22	\$ 0.23	\$ -0.06	\$ 0.18
Diluted earnings (loss) per share	\$ 0.20	\$ 0.22	\$ 0.22	\$ -0.06	\$ 0.17
Net interest margin as a percentage of average earning assets	3.44%	3.36%	3.29%	3.39%	3.32%
Average diluted shares outstanding	5,864,827	5,882,914	6,032,787	6,253,475	6,366,032
Shares outstanding-end of period	5,864,802	5,864,802	5,882,214	6,132,362	6,392,570

Operating Ratios (annualized):

Return on average assets	0.68%	0.75%	0.80%	-0.24%	0.68%
Return on average equity	6.37%	7.09%	7.39%	-1.95%	5.37%
Return on average tangible equity	8.24%	9.18%	9.47%	-2.45%	6.71%
Efficiency ratio (fully taxable equivalent)	70.49%	68.91%	64.81%	73.99%	62.75%

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:

	Third Quarter 2018	Second Quarter 2018	First Quarter 2018	Fourth Quarter 2017	Third Quarter 2017
Reported net income (loss)	\$ 1,153	\$ 1,269	\$ 1,353	\$ (392)	\$ 1,109
Impact of Tax Act	-	-	-	1,220	-
Expense related to leadership change	-	-	-	676	-
Tax effect on leadership expenses	-	-	-	304	-
Adjusted net income	\$ 1,153	\$ 1,269	\$ 1,353	\$ 1,200	\$ 1,109
Reported diluted earnings (loss) per share	\$ 0.20	\$ 0.22	\$ 0.22	\$ -0.06	\$ 0.17
Adjusted diluted earnings per share	\$ 0.20	\$ 0.22	\$ 0.22	\$ 0.19	\$ 0.17