

charter)

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, a smaller reporting company, or an emerging growth company. See the 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 (Do not check if a smaller reporting company)
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.

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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 – 6,377,023 shares outstanding at November 3, 2017.

AMERICAN RIVER BANKSHARES

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FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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31.1 Certifications of Chief Executive Officer pursuant 58

<u>31.2</u>	<u>to Section 302</u> <u>of the</u> <u>Sarbanes-Oxley</u> <u>Act of 2002</u> <u>Certifications of</u> <u>the Chief</u> <u>Financial</u> <u>Officer pursuant</u> 59 <u>to Section 302</u> <u>of the</u> <u>Sarbanes-Oxley</u> <u>Act of 2002</u> <u>Certification of</u> <u>American River</u> <u>Bankshares by</u> <u>its Chief</u> <u>Executive</u> <u>Officer and</u> 60 <u>Chief Financial</u> <u>Officer pursuant</u> <u>to Section 906</u> <u>of the</u> <u>Sarbanes-Oxley</u> <u>Act of 2002</u>
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- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation
- 101.DEF XBRL Taxonomy Extension Definition
- 101.LAB XBRL Taxonomy Extension Label
- 101.PRE XBRL Taxonomy Extension Presentation

PART I-FINANCIAL INFORMATION**Item 1. Financial Statements.**AMERICAN RIVER BANKSHARES
CONSOLIDATED BALANCE SHEET

(Unaudited)

(dollars in thousands)	September 30, 2017	December 31, 2016
ASSETS		
Cash and due from banks	\$ 37,233	\$ 27,589
Interest-bearing deposits in banks	1,248	999
Investment securities:		
Available-for-sale, at fair value	249,879	254,020
Held-to-maturity, at amortized cost	404	483
Loans and leases, less allowance for loan and lease losses of \$4,551 at September 30, 2017 and \$4,822 at December 31, 2016	322,238	324,086
Premises and equipment, net	1,226	1,362
Federal Home Loan Bank stock	3,932	3,779
Goodwill and other intangible assets	16,321	16,321
Other real estate owned	961	1,348
Bank owned life insurance	15,043	14,805
Accrued interest receivable and other assets	7,159	6,658
	\$ 655,644	\$ 651,450
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	\$ 205,938	\$ 201,113
Interest-bearing	345,004	343,693
Total deposits	550,942	544,806
Short-term borrowings	2,000	3,500
Long-term borrowings	13,500	12,000
Accrued interest payable and other liabilities	6,947	7,294
Total liabilities	573,389	567,600
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized; none Outstanding		

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Common stock, no par value; 20,000,000 shares authorized; issued and outstanding – 6,392,570 shares at September 30, 2017 and 6,661,726 shares at December 31, 2016	38,139	42,484
Retained earnings	43,437	40,822
Accumulated other comprehensive income, net of taxes	679	544
Total shareholders' equity	82,255	83,850
	\$ 655,644	\$ 651,450

See Notes to Unaudited Consolidated Financial Statements

AMERICAN RIVER BANKSHARES

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(dollars in thousands, except per share data)

For the periods ended September 30,

	Three months		Nine months	
	2017	2016	2017	2016
Interest income:				
Interest and fees on loans:				
Taxable	\$3,496	\$3,617	\$10,384	\$10,424
Exempt from Federal income taxes	110	189	376	534
Interest on deposits in banks	4	2	9	5
Interest and dividends on investment securities:				
Taxable	1,292	1,340	3,978	4,333
Exempt from Federal income taxes	180	156	496	502
Dividends	—	—	13	11
Total interest income	5,082	5,304	15,256	15,809
Interest expense:				
Interest on deposits	224	179	621	545
Interest on borrowings	55	44	152	133
Total interest expense	279	223	773	678
Net interest income	4,803	5,081	14,483	15,131
Provision for loan and lease losses	300	(668)	300	(668)
Net interest income after provision for loan and lease losses	4,503	5,749	14,183	15,799
Noninterest income:				
Service charges on deposit accounts	117	124	348	381
Gain on sale, call, or impairment of securities	19	33	161	314
Rental income from other real estate owned	—	—	—	106
Other noninterest income	241	242	726	715
Total noninterest income	377	399	1,235	1,516
Noninterest expense:				
Salaries and employee benefits	2,102	2,073	6,336	6,334
Occupancy	262	295	793	885
Furniture and equipment	141	165	439	493
Federal Deposit Insurance Corporation assessments	51	77	156	233
Expenses related to other real estate owned	4	(30)	36	330
Other expense	752	766	2,350	2,277
Total noninterest expense	3,312	3,346	10,110	10,552
Income before provision for income taxes	1,568	2,802	5,308	6,763
Provision for income taxes	459	989	1,718	2,274

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Net income	\$1,109	\$1,813	\$3,590	\$4,489
Basic earnings per share	\$0.18	\$0.28	\$0.56	\$0.66
Diluted earnings per share	\$0.17	\$0.27	\$0.55	\$0.66
Cash dividends per share	\$0.05	\$0.00	\$0.15	\$0.00

See notes to Unaudited Consolidated Financial Statements

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AMERICAN RIVER BANKSHARES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(dollars in thousands, except per share data)

For the periods ended September 30,

	Three months		Nine months	
	2017	2016	2017	2016
Net income	\$1,109	\$1,813	\$3,590	\$4,489
Other comprehensive (loss) income:				
(Decrease) increase in net unrealized gains on investment securities	(497)	(1,306)	376	2,406
Deferred tax benefit (expense)	199	522	(144)	(963)
(Decrease) increase in net unrealized gains on investment securities, net of tax	(298)	(784)	232	1,443
Reclassification adjustment for realized gains included in net income	(19)	(33)	(161)	(314)
Tax effect	8	13	64	125
Realized gains, net of tax	(11)	(20)	(97)	(189)
Total other comprehensive (loss) income	(309)	(804)	135	1,254
Comprehensive income	\$800	\$1,009	\$3,725	\$5,743

See Notes to Unaudited Consolidated Financial Statements

AMERICAN RIVER BANKSHARES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(dollars in thousands)	Common Stock		Retained Earnings	Accumulated	Total Shareholders' Equity
	Shares	Amount		Other Comprehensive Income	
Balance, January 1, 2016	7,343,649	\$49,554	\$34,418	\$ 2,103	\$ 86,075
Net income			4,489		4,489
Other comprehensive income, net of tax:					
Net change in unrealized gains on available-for-sale investment securities				1,254	1,254
Net restricted stock award activity and related compensation expense	28,342	219			219
Stocks option exercised and compensation expense	1,500	43			43
Retirement of common stock	(716,897)	(7,414)			(7,414)
Balance, September 30, 2016	6,656,594	\$42,402	\$38,907	\$ 3,357	\$ 84,666
Balance, January 1, 2017	6,661,726	\$42,484	\$40,822	\$ 544	\$ 83,850
Net income			3,590		3,590
Other comprehensive income, net of tax:					
Net change in unrealized gains on available-for-sale investment securities				135	135
Cash dividends (\$0.15 per share)			(975)		(975)
Net restricted stock award activity and related compensation expense	22,032	282			282
Stock options exercised	41,898	351			351
Stock option compensation expense	—	28			28
Retirement of common stock	(333,086)	(5,006)			(5,006)
Balance, September 30, 2017	6,392,570	\$38,139	\$43,437	\$ 679	\$ 82,255

See Notes to Unaudited Consolidated Financial Statements

AMERICAN RIVER BANKSHARES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(dollars in thousands)

For the nine months ended September 30,	2017	2016
Cash flows from operating activities:		
Net income	\$3,590	\$4,489
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	300	(668)
Increase in deferred loan origination fees, net	5	27
Depreciation and amortization	255	326
Gain on sale, call, and impairment of investment securities, net	(161)	(314)
Amortization of investment security premiums and discounts, net	2,447	2,159
Increase in cash surrender values of life insurance policies	(238)	(239)
Stock based compensation expense	310	249
(Gain) loss on sale/write-down of other real estate owned	(8)	207
(Increase) decrease in accrued interest receivable and other assets	(581)	535
(Decrease) increase in accrued interest payable and other liabilities	(347)	2,140
Net cash provided by operating activities	5,572	8,911
Cash flows from investing activities:		
Proceeds from the sale of available-for-sale investment securities	31,288	12,656
Proceeds from matured available-for-sale investment securities	1,930	600
Proceeds from called available-for-sale investment securities	145	1,165
Purchases of available-for-sale investment securities	(63,061)	(27,608)
Proceeds from principal repayments for available-for-sale investment securities	31,768	33,749
Proceeds from principal repayments for held-to-maturity investment securities	79	115
Net increase in interest-bearing deposits in banks	(249)	(249)
Net decrease (increase) in loans	1,543	(21,873)
Proceeds from sale of other real estate	395	1,005
Net increase in FHLB stock	(153)	—
Purchases of equipment	(119)	(178)
Net cash provided by (used in) investing activities	3,566	(618)

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AMERICAN RIVER BANKSHARES

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
(Unaudited)

(dollars in thousands)

For the nine months ended September 30,	2017	2016
Cash flows from financing activities:		
Net increase in demand, interest-bearing and savings deposits	\$8,825	\$17,125
Net decrease in time deposits	(2,689)	(1,650)
Net (decrease) increase in short-term borrowings	(1,500)	1,500
Additions to long-term borrowings	3,500	5,000
Transfers from long-term to short-term borrowings	(2,000)	(3,500)
Proceeds from stock option exercise	351	13
Cash dividends paid	(975)	—
Cash paid to repurchase common stock	(5,006)	(7,414)
Net cash provided by financing activities	\$506	\$11,074
Increase in cash and cash equivalents	9,644	19,367
Cash and cash equivalents at beginning of year	27,589	23,727
Cash and cash equivalents at end of period	\$37,233	\$43,094

See Notes to Unaudited Consolidated Financial Statements

AMERICAN RIVER BANKSHARES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017

1. CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management, the unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the consolidated financial position of American River Bankshares (the “Company”) at September 30, 2017 and December 31, 2016, the results of its operations and statement of comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, its cash flows for the nine-month periods ended September 30, 2017 and 2016 and its statement of changes in shareholders’ equity for the nine months ended September 30, 2017 and 2016 in conformity with accounting principles generally accepted in the United States of America.

Certain disclosures normally presented in the notes to the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The Company believes that the disclosures are adequate to make the information not misleading. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2016. The results of operations for the three-month and nine-month periods ended September 30, 2017 may not necessarily be indicative of the operating results for the full year.

In preparing such financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

Management has determined that since all of the banking products and services offered by the Company are available in each branch office of American River Bank, all branch offices are located within the same economic environment and management does not allocate resources based on the performance of different lending or transaction activities, it is appropriate to aggregate all of the branch offices and report them as a single operating segment. No client accounts for more than ten percent (10%) of revenues for the Company or American River Bank.

2. STOCK-BASED COMPENSATION

Equity Plans

On March 17, 2010, the Board of Directors adopted the 2010 Equity Incentive Plan (the “2010 Plan”). The 2010 Plan was approved by the Company’s shareholders on May 20, 2010. In 2000, the Board of Directors adopted and the Company’s shareholders approved a stock option plan (the “2000 Plan”), under which 54,470 options remain outstanding at September 30, 2017. At September 30, 2017, under the 2010 Plan, there were 51,322 stock options and 79,474 restricted shares outstanding and the total number of authorized shares that remain available for issuance was 1,362,437. The 2010 Plan provides for the following types of stock-based awards: incentive stock options; nonqualified stock options; stock appreciation rights; restricted stock; restricted performance stock; unrestricted Company stock; and performance units. Awards under the 2000 Plan were either incentive stock options or nonqualified stock options. Under the 2010 Plan, the awards may be granted to employees and directors under incentive and nonqualified option agreements, restricted stock agreements, and other awards agreements. The 2010 Plan and the 2000 Plan (collectively the “Plans”) require that the option price may not be less than the fair market value of the stock at the date the option is awarded. The option awards under the Plans expire on dates determined by the Board of Directors, but not later than ten years from the date of award. The vesting period is generally five years; however, the vesting period can be modified at the discretion of the Company’s Board of Directors. Outstanding option awards under the Plans are exercisable until their expiration, however, no new options will be awarded under the 2000 Plan. New shares are issued upon exercise of an option.

The award date fair value of awards is determined by the market price of the Company’s common stock on the date of award and is recognized ratably as compensation expense or director expense over the vesting periods. The shares of common stock awarded pursuant to such agreements vest in increments over one to five years from the date of award. The shares awarded to employees and directors under the restricted stock agreements vest on the applicable vesting dates only to the extent the recipient of the shares is then an employee or a director of the Company or one of its subsidiaries, and each recipient will forfeit all of the shares that have not vested on the date his or her employment or service is terminated.

Equity Compensation

For the three-month periods ended September 30, 2017 and 2016, the compensation cost recognized for equity compensation was \$109,000 and \$83,000, respectively. The recognized tax benefit for equity compensation expense was \$40,000 and \$29,000, respectively, for the three-month periods ended September 30, 2017 and 2016. For the nine-month periods ended September 30, 2017 and 2016, the compensation cost recognized for equity compensation was \$310,000 and \$249,000, respectively. The recognized tax benefit for equity compensation expense was \$113,000 and \$88,000, respectively, for the nine-month periods ended September 30, 2017 and 2016.

At September 30, 2017, the total compensation cost related to nonvested stock option awards not yet recorded was \$71,000. This amount will be recognized over the next 2.75 years and the weighted average period of recognizing these costs is expected to be 1.4 years. At September 30, 2017, the total compensation cost related to restricted stock awards not yet recorded was \$474,000. This amount will be recognized over the next 4.6 years and the weighted average period of recognizing these costs is expected to be 1.3 years.

Equity Plans Activity**Stock Options**

There were no stock options awarded during the three-month and nine-month periods ended September 30, 2017 or September 30, 2016. A summary of option activity under the Plans as of September 30, 2017 and changes during the period then ended is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)
Outstanding at January 1, 2017	186,023	\$ 12.92	3.7 years	\$ 741
Awarded	—	—	—	—
Exercised	41,898	8.38	—	—
Expired, forfeited or cancelled	38,333	22.88	—	—
Outstanding at September 30, 2017	105,792	\$ 11.10	3.7 years	\$ 366
Vested at September 30, 2017	76,845	\$ 11.80	2.2 years	\$ 233
Non-vested at September 30, 2017	28,947	\$ 9.24	7.0 years	\$ 133

Restricted Stock

There were no shares of restricted stock awarded during the three-month periods ended September 30, 2017 and 2016. There were 24,982 and 29,756 shares of restricted stock awarded during the nine-month periods ended September 30, 2017 and 2016, respectively. Award date fair value is determined by the market price of the Company's common stock on the date of award (\$10.17 on February 17, 2016, \$10.40 on May 19, 2016, \$14.76 on February 16, 2017, and \$13.83 on May 18, 2017).

There were no restricted share awards that were fully vested during the three-month period ended September 30, 2017 and 14,382 restricted share awards that were fully vested during the nine-month period ended September 30, 2017.

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There were 947 restricted share awards that were fully vested during the three-month period ended September 30, 2016 and 19,166 restricted share awards that were fully vested during the nine-month period ended September 30, 2016. There were zero and 2,950 restricted share awards forfeited during the three-month and nine-month periods ended September 30, 2017, respectively. There were 386 and 1,414 restricted share awards forfeited during the three-month and nine-month periods ended September 30, 2016, respectively. The intrinsic value of nonvested restricted shares at September 30, 2017 was \$1,100,000.

Restricted Stock	Shares	Weighted Average Award Date Fair Value
Nonvested at January 1, 2017	71,824	\$ 9.69
Awarded	24,982	14.65
Less: Vested	14,382	9.76
Less: Expired, forfeited or cancelled	2,950	10.01
Nonvested at September 30, 2017	79,474	\$ 11.22

Other Equity Awards

There were no stock appreciation rights; restricted performance stock; unrestricted Company stock; or performance units awarded during the three-month or nine-month month periods ended September 30, 2017 or 2016 or outstanding at September 30, 2017 or December 31, 2016.

The intrinsic value used for stock options and restricted stock awards was derived from the market price of the Company's common stock of \$13.84 as of September 30, 2017.

3. COMMITMENTS AND CONTINGENCIES

In the normal course of business there are outstanding various commitments to extend credit which are not reflected in the financial statements, including loan commitments of approximately \$11,321,000 and standby letters of credit of approximately \$191,000 at September 30, 2017 and loan commitments of approximately \$19,728,000 and standby letters of credit of approximately \$238,000 at December 31, 2016. Such commitments relate primarily to real estate construction loans, revolving lines of credit and other commercial loans. However, all such commitments will not necessarily culminate in actual extensions of credit by the Company during 2017 as some of these are expected to expire without being fully drawn upon.

Standby letters of credit are commitments issued to guarantee the performance or financial obligation of a client to a third party. These guarantees are issued primarily relating to purchases of inventory, insurance programs, performance obligations to government agencies, or as security for real estate rents by commercial clients and are typically short-term in nature. Credit risk is similar to that involved in extending loan commitments to clients and accordingly, evaluation and collateral requirements similar to those for loan commitments are used. The majority of all such commitments are collateralized. The fair value of the liability related to these standby letters of credit, which represents the fees received for issuing the guarantees, was not significant at September 30, 2017 or December 31, 2016.

4. EARNINGS PER SHARE COMPUTATION

Basic earnings per share is computed by dividing net income by the weighted average common shares outstanding for the period (6,299,914 and 6,402,647 shares for the three-month and nine-month periods ended September 30, 2017, and 6,589,125 and 6,800,016 shares for the three-month and nine-month periods ended September 30, 2016). Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options or restricted stock, result in the issuance of common stock. Diluted earnings per share is computed by dividing net income by the weighted average common shares outstanding for the period plus the dilutive effect of stock based awards. There were 66,118 and 78,922, respectively, dilutive shares for the three-month and nine-month periods ended September 30, 2017 and 32,515 and 28,108, respectively, dilutive shares for the three-month and nine-month periods ended September 30, 2016. For the three-month periods ended September 30, 2017 and 2016, there were 32,448 and 99,308 stock options, respectively, that were excluded from the calculation as they were considered antidilutive. For the nine-month periods ended September 30, 2017 and 2016, there were 32,448 and 99,308 stock options, respectively, that were excluded from the calculation as they were considered antidilutive. Earnings per share is retroactively adjusted for stock dividends and stock splits, if applicable, for all periods presented.

5. INVESTMENT SECURITIES

The amortized cost and estimated fair values of Available-for-Sale and Held-to-Maturity investment securities at September 30, 2017 and December 31, 2016 consisted of the following (dollars in thousands):

Available-for-Sale

	September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government Agencies and Sponsored Entities	\$219,853	\$ 1,768	\$ (1,338)) \$220,283
Obligations of states and political subdivisions	22,354	618	(144)) 22,828
Corporate bonds	6,490	185	(7)) 6,668
Equity securities:				
Corporate stock	51	49	—	100
	\$248,748	\$ 2,620	\$ (1,489)) \$249,879
	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government Agencies and Sponsored Entities	\$229,118	\$ 2,150	\$ (1,483)) \$229,785
Obligations of states and political subdivisions	22,436	559	(383)) 22,612
Corporate bonds	1,501	18	—	1,519

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Equity securities:

Corporate stock	49	55	—	104
	\$253,104	\$ 2,782	\$ (1,866) \$254,020

Net unrealized gains on available-for-sale investment securities totaling \$1,131,000 were recorded, net of \$452,000 in tax liabilities, as accumulated other comprehensive income within shareholders' equity at September 30, 2017. Proceeds and gross realized gains from the sale, call, and impairment of available-for-sale investment securities totaled \$22,730,000 and \$19,000, respectively, for the three-month period ended September 30, 2017 and for the nine-month period ended September 30, 2017, proceeds and gross realized gains from the sale, call, and impairment of available-for-sale investment securities totaled \$31,433,000 and \$161,000, respectively. There were no transfers of available-for-sale investment securities for the three-month and nine-month periods ended September 30, 2017.

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Net unrealized gains on available-for-sale investment securities totaling \$916,000 were recorded, net of \$372,000 in tax liabilities, as accumulated other comprehensive income within shareholders' equity at December 31, 2016. Proceeds and gross realized gains from the sale, call, and impairment of available-for-sale investment securities totaled \$5,534,000 and \$33,000, respectively, for the three-month period ended September 30, 2016 and for the nine-month period ended September 30, 2016, proceeds and gross realized gains from the sale, call, and impairment of available-for-sale investment securities totaled \$13,821,000 and \$314,000, respectively. There were no transfers of available-for-sale investment securities for the three-month and nine-month periods ended September 30, 2016.

Held-to-Maturity

September 30, 2017

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government Agencies and Sponsored Entities	\$ 404	\$ 31	\$ —	\$ 435

December 31, 2016

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government Agencies and Sponsored Entities	\$ 483	\$ 38	\$ —	\$ 521

There were no sales or transfers of held-to-maturity investment securities for the periods ended September 30, 2017 and September 30, 2016. Investment securities with unrealized losses at September 30, 2017 and December 31, 2016 are summarized and classified according to the duration of the loss period as follows (dollars in thousands):

September 30, 2017

	Less than 12 Months Fair Value	Unrealized Losses	12 Months or More Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
Available-for-Sale						
Debt securities:						
U.S. Government Agencies and Sponsored Entities	\$ 107,598	\$ (1,045)	18,644	(293)	\$ 126,242	\$ (1,338)
Obligations of states and political subdivisions	1,136	(7)	4,627	(137)	5,763	(144)
Corporate bonds	1,983	(7)	—	—	1,983	(7)
	\$ 110,717	\$ (1,059)	\$ 23,271	\$ (430)	\$ 133,988	\$ (1,489)

December 31, 2016

	Less than 12 Months Fair Value	Unrealized Losses	12 Months or More Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
Available-for-Sale						
Debt securities:						
US Government Agencies and Sponsored Entities	\$ 111,870	\$ (1,415)	\$ 5,010	\$ (68)	\$ 116,880	\$ (1,483)

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Obligations of states and political subdivisions	8,319	(383)	—	—	8,319	(383)
	\$ 120,189	\$ (1,798)	\$ 5,010	\$ (68)	\$ 125,199	\$ (1,866)

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There were no held-to-maturity investment securities with unrealized losses as of September 30, 2017 or December 31, 2016. At September 30, 2017, the Company held 212 securities of which fifteen were in a loss position for twelve months or more. Of the fifteen securities in a loss position for greater than twelve months, eleven were U.S. Government Agencies and Sponsored Entities securities and four were obligations of states or political subdivisions.

At December 31, 2016, the Company held 219 securities of which 70 were in a loss position for less than twelve months and three were in a loss position for twelve months or more. Of the three securities that were in a loss position for greater than twelve months, all were US Government Agencies and Sponsored Entities.

The unrealized loss on the Company's investment securities is primarily driven by interest rates. Because the decline in market value is attributable to a change in interest rates and not credit quality, and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be until maturity, management does not consider these investments to be other-than-temporarily impaired.

The amortized cost and estimated fair values of investment securities at September 30, 2017 by contractual maturity are shown below (dollars in thousands).

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	\$—	\$—		
After one year through five years	5,450	5,536		
After five years through ten years	18,140	18,704		
After ten years	5,254	5,256		
	28,844	29,496		
Investment securities not due at a single maturity date:				
US Government Agencies and Sponsored Entities	219,853	220,283	\$ 404	\$ 435
Corporate stock	51	100	—	—
	\$248,748	\$249,879	\$ 404	\$ 435

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

6. IMPAIRED AND NONPERFORMING LOANS AND LEASES AND OTHER REAL ESTATE OWNED

At September 30, 2017 and December 31, 2016, the recorded investment in nonperforming loans and leases was approximately \$2,317,000 and \$19,000, respectively. Nonperforming loans and leases include all such loans and leases that are either placed on nonaccrual status or are 90 days past due as to principal or interest but still accrue interest because such loans are well-secured and in the process of collection. The Company considers a loan to be impaired when, based on current information and events, it is probable that it will be unable to collect all amounts due (principal and interest) according to the contractual terms of the original loan agreement. At September 30, 2017, the recorded investment in loans and leases that were considered to be impaired totaled \$17,562,000, which includes \$2,317,000 in nonaccrual loans and leases and \$15,245,000 in performing loans and leases. Of the total impaired loans of \$17,562,000, loans totaling \$11,354,000 were deemed to require no specific reserve and loans totaling \$6,208,000 were deemed to require a related valuation allowance of \$404,000. At December 31, 2016, the recorded investment in loans and leases that were considered to be impaired totaled \$17,297,000 with a related valuation allowance of

\$421,000.

At September 30, 2017 and December 31, 2016, the balance in other real estate owned (“OREO”) was \$961,000 and \$1,348,000, respectively. At September 30, 2017, the Company did not own any residential OREO properties nor were there any residential properties in the process of foreclosure. During the first and second quarters of 2017, the Company did not add any new or sell any of the OREO properties, nor did we decrease the book value on any of the properties. During the third quarter of 2017, the Company did not add any properties to OREO and sold one single commercial property in Sacramento County with a book value of \$387,000 for a gain of \$8,000. The September 30, 2017 OREO balance of \$961,000 consisted of one parcel of land zoned for commercial use. Nonperforming assets at September 30, 2017 and December 31, 2016 are summarized as follows:

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(dollars in thousands)	September 30, 2017	December 31, 2016
Nonaccrual loans and leases that are current to terms (less than 30 days past due)	\$ 2,027	\$ 19
Nonaccrual loans and leases that are past due	290	—
Loans and leases past due 90 days and accruing interest	—	—
Other assets	—	—
Other real estate owned	961	1,348
Total nonperforming assets	\$ 3,278	\$ 1,367
Nonperforming loans and leases to total loans and leases	0.71	% 0.01
Total nonperforming assets to total assets	0.50	% 0.21

Impaired loans and leases as of and for the periods ended September 30, 2017 and December 31, 2016 are summarized as follows:

(dollars in thousands)	As of September 30, 2017			As of December 31, 2016		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial	\$2,019	\$ 2,692	\$ —	\$—	\$—	\$ —
Real estate-commercial	9,004	9,583	—	10,910	11,540	—
Real estate-residential	331	418	—	334	421	—
Subtotal	\$ 11,354	\$ 12,693	\$ —	\$ 11,244	\$ 11,961	\$ —
With an allowance recorded:						
Commercial	\$—	\$—	\$ —	\$ 157	\$ 157	\$ 11
Real estate-commercial	4,098	4,186	284	3,244	3,336	246
Real estate-multi-family	476	476	20	482	482	2
Real estate-residential	1,634	1,634	100	1,813	1,813	133
Agriculture	—	—	—	357	357	29
Subtotal	\$ 6,208	\$ 6,296	\$ 404	\$ 6,053	\$ 6,145	\$ 421