UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 September 30, 2017

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: 333-205986

RIVER FINANCIAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

ALABAMA	**46-1422125**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2611 Legends Drive **Prattville, Alabama**	**36066**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (334) 290-1012

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, 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 small 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. Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 2, 2017, the registrant had 5,090,024 shares of common stock, $1.00 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of River Financial Corporation ("we", "our" or "us" on a consolidated basis) contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Such statements include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking statements contained in this annual report are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by words like "may", "will", "should", "expect", "plan", "anticipate", "intend", "believe", "estimate", "predict", "potential", or "continue" or the negative of those words and other comparable words. You should be aware that those statements reflect only our predictions. If known or unknown risks or uncertainties should materialize, or if any one or more of our material underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind when reading this annual report and not place undue reliance on these forward-looking statements. Factors that might cause such differences include, but are not limited to:

- The businesses of any bank acquired by us may not be integrated successfully or the integration may be more difficult, time-consuming or costly than expected;
- The expected growth opportunities or costs savings from such transactions may not be fully realized or may take longer to realize than expected;
- Revenues following such transactions may be lower than expected as a result of losses of customers or other reasons;
- Deposit attrition, operating costs, customer loss and business disruption following such transactions, including difficulties in maintaining relationships with employees, may be greater than expected;
- Governmental approvals of such transactions may not be obtained on the proposed terms or expected timeframe;
- Reputational risks and the reaction of the companies' customers to such transactions;
- Diversion of management time on merger related issues;
- Changes in asset quality and credit risk of our bank;
- Inflation;
- Customer acceptance of the our products and services;
- Customer borrowing, repayment, investment and deposit practices;
- The negative impact on profitability imposed on us by a compressed net interest margin on loans and other extensions of credit that affects our ability to lend profitably and to price loans effectively in the face of competitive pressures;
- Our liquidity requirements could be adversely affected by changes in our assets and liabilities;
- Our ability to attract, develop and retain qualified banking professionals;
- Failure to attract or retain stable deposits at reasonable cost that is competitive with the larger international, national, and regional financial service providers with which we compete;
- Significant reliance on loans secured by real estate and the associated vulnerability to downturns in the local real estate market, natural disasters and other variables impacting the value of real estate;
- The introduction, withdrawal, success and timing of business initiatives;
- The impact, extent, and timing of technological changes;
- A weakening of the economies in which we conduct operations may adversely affect our operating results;
- The U.S. legal and regulatory framework, or changes in such framework, could adversely affect our operating results;
- The interest rate environment may compress margins and adversely affect net interest income; and
- Competition from other financial services companies in our markets could adversely affect operations.

You should also consider carefully the risk factors discussed in Item 1A of Part II of this Form 10-Q, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. The risks discussed in this report are factors that, individually or in the aggregate, management believes could cause our actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties. Factors not here or there listed may develop or, if currently extant, we may not have yet recognized them.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

RIVER FINANCIAL CORPORATION
Consolidated Statements of Financial Condition
(in thousands except share data)

	September 30, 2017 Unaudited	December 31, 2016 Audited
Assets		
Cash and due from banks	$ 11,644	$ 17,329
Interest-bearing deposits in banks	6,276	25,170
Cash and cash equivalents	17,920	42,499
Certificates of deposit in banks	5,214	5,463
Securities available-for-sale	203,969	183,361
Loans held for sale	4,278	7,734
Loans, net of deferred fees and discounts	523,289	516,441
Less allowance for loan losses	(5,004)	(4,007)
Net loans	518,285	512,434
Premises and equipment, net	22,003	21,472
Accrued interest receivable	2,322	2,376
Bank owned life insurance	15,067	15,161
Foreclosed assets	1,485	1,151
Deferred income taxes	2,525	3,352
Core deposit intangible	1,691	2,119
Goodwill	10,050	10,050
Other assets	4,361	3,245
Total assets	$ 809,170	$ 810,417
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$ 165,897	$ 185,270
Interest-bearing deposits	516,776	519,643
Total deposits	682,673	704,913
Securities sold under agreements to repurchase	12,608	13,034
Federal Home Loan Bank advances	15,000	-
Note payable	5,625	6,428
Accrued interest payable and other liabilities	3,601	3,592
Total liabilities	719,507	727,967
Common stock related to 401(k) Employee Stock Ownership Plan	734	623
Stockholders' Equity:		
Common stock ($1 par value; 10,000,000 shares authorized; 5,113,951 and 5,090,901 shares issued; 5,098,034 and 5,080,857 shares outstanding, respectively)	5,114	5,091
Additional paid in capital	64,924	64,656
Retained earnings	20,660	15,032
Accumulated other comprehensive loss	(664)	(2,153)
Treasury stock at cost (15,917 and 10,044 shares, respectively)	(371)	(176)
Common stock related to 401(k) Employee Stock Ownership Plan	(734)	(623)
Total stockholders' equity	88,929	81,827
Total equity	89,663	82,450
Total liabilities and stockholders' equity	$ 809,170	$ 810,417

The accompanying notes are an integral part of these financial statements.

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Income
(in thousands except per share data)

	For the Three Months Ended: September 30,		For the Nine Months Ended: September 30,	
	2017	2016	2017	2016
Interest income:				
Loans, including fees	$ 7,097	$ 7,016	$ 20,858	$ 20,283
Taxable securities	756	432	2,226	1,222
Nontaxable securities	278	279	843	822
Federal funds sold	-	15	-	29
Other interest income	46	49	157	147
Total interest income	8,177	7,791	24,084	22,503
Interest expense:				
Deposits	587	521	1,653	1,537
Short-term borrowings	12	4	34	11
Federal Home Loan Bank advances	32	5	57	35
Note payable	64	62	188	190
Total interest expense	695	592	1,932	1,773
Net interest income	7,482	7,199	22,152	20,730
Provision for loan losses	660	215	1,380	662
Net interest income after provision for loan losses	6,822	6,984	20,772	20,068
Noninterest income:				
Service charges and fees	746	633	2,159	1,826
Investment brokerage revenue	18	48	49	182
Mortgage operations	516	437	1,410	982
Bank owned life insurance income	769	109	976	323
Net gain on sale of investment securities	-	-	3	14
Other noninterest income	120	112	251	257
Total noninterest income	2,169	1,339	4,848	3,584
Noninterest expense:				
Salaries and employee benefits	3,123	2,876	8,791	8,089
Occupancy expenses	367	345	1,051	968
Equipment rentals, depreciation, and maintenance	233	111	630	580
Telephone and communications	63	42	202	166
Advertising and business development	179	70	538	274
Data processing	416	410	1,289	1,325
Foreclosed assets, net	66	(76)	137	23
Federal deposit insurance and other regulatory assessments	76	113	251	335
Legal and other professional services	122	196	382	624
Other operating expense	903	1,006	2,510	2,718
Total noninterest expense	5,548	5,093	15,781	15,102
Income before income taxes	3,443	3,230	9,839	8,550
Provision for income taxes	880	1,014	2,939	2,630
Net income	$ 2,563	$ 2,216	$ 6,900	$ 5,920
Basic net earnings per common share	$ 0.50	$ 0.44	$ 1.35	$ 1.18
Diluted net earnings per common share	$ 0.49	$ 0.43	$ 1.33	$ 1.17
Dividends per common share	$ -	$ -	$ 0.25	$ 0.16

The accompanying notes are an integral part of these financial statements.

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Comprehensive Income
(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$ 2,563	$ 2,216	$ 6,900	$ 5,920
Other comprehensive income (loss), net of tax:				
Investment securities available-for-sale:				
Net unrealized gains (losses)	(191)	(270)	2,363	774
Reclassification adjustments for net gains realized in net income	-	-	(3)	(14)
Income tax effect	70	101	(871)	(280)
Other comprehensive income (loss)	(121)	(169)	1,489	480
Comprehensive income	$ 2,442	$ 2,047	$ 8,389	$ 6,400

The accompanying notes are an integral part of these financial statements.

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Changes in Stockholders' Equity
(in thousands except share and per share data)

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Common Stock Related to KSOP	Total Stockholders' Equity
Balance at December 31, 2016	$ 5,091	$ 64,656	$ 15,032	$ (2,153)	$ (176)	$ (623)	$ 81,827
Net income	-	-	6,900	-	-	-	6,900
Other comprehensive income	-	-	-	1,489	-	-	1,489
Exercise of stock options and warrants (25,096 shares)	19	136	-	-	108	-	263
Purchase of treasury stock (17,674 shares)	-	-	-	-	(407)	-	(407)
Sale of treasury shares (5,551 shares)	-	9	-	-	104		113
Issuance of common stock (4,204 shares)	4	81	-	-	-	-	85
Dividends declared ($0.25 per share)	-	-	(1,272)	-	-	-	(1,272)
Stock compensation expense	-	42	-	-	-	-	42
Change for KSOP related shares	-	-	-	-	-	(111)	(111)
Balance at September 30, 2017	$ 5,114	$ 64,924	$ 20,660	$ (664)	$ (371)	$ (734)	$ 88,929

The accompanying notes are an integral part of these financial statements.

RIVER FINANCIAL CORPORATION
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	For the Nine Months Ended September 30, 2017	2016
Cash Flows From (Used For) Operating Activities:		
Net Income	$ 6,900	$ 5,920
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	1,380	662
Provision for losses on foreclosed assets	115	135
Amortization of securities available-for-sale	1,723	1,251
Accretion of securities available-for-sale	(24)	(24)
Realized net gain on securities available-for-sale	(3)	(14)
Accretion of discount on acquired loans	(1,896)	(1,744)
Amortization of deferred loan fees	(784)	(790)
Amortization of core deposit intangible asset	428	491
Stock compensation expense	42	43
Bank owned life insurance income	(976)	(323)
Depreciation and amortization of premises and equipment	702	630
Gain on sale of foreclosed assets	(55)	(133)
Deferred income tax (benefit)	(43)	563
(Increase) decrease in operating assets and (decrease) increase in operating liabilities:		
Loans held-for-sale	3,456	(3,232)
Accrued interest receivable	54	125
Other assets	(395)	237
Accrued interest payable and other liabilities	(41)	(1,591)
Net cash from operating activities	10,583	2,206
Cash Flows From (Used For) Investing Activities:		
Maturity of certificate of deposit	498	-
Purchase of certificate of deposit	(249)	-
Activity in securities available-for-sale:		
Sales	13,246	10,115
Maturities, payments, calls	19,396	18,391
Purchases	(52,587)	(55,347)
Loan principal originations, net	(6,962)	(18,501)
Proceeds from sale of foreclosed assets	2,017	1,055
Payment to Keystone shareholders	-	(7,274)
Purchases of premises and equipment	(1,183)	(1,204)
(Purchase) sale of restricted equity securities, net	(721)	349
Proceeds from bank owned life insurance	1,070	-
Net cash used for investing activities	(25,475)	(52,416)
Cash Flows From (Used For) Financing Activities:		
Net (decrease) increase in deposits	(22,240)	50,770
Net decrease in securities sold under agreements to repurchase	(426)	(113)
Proceeds from Federal Home Loan Bank advances	40,000	6,750
Repayment of Federal Home Loan Bank advances	(25,000)	(15,250)
Proceeds from issuance of note payable	-	7,500
Repayment of note payable	(803)	(804)
Proceeds from issuance of common stock	85	131
Proceeds from exercise of common stock options and warrants	263	2,506
Purchase of treasury stock	(407)	(354)
Sale of treasury stock	113	26
Cash dividends	(1,272)	(812)
Net cash from (used for) financing activities	(9,687)	50,350
Net Change In Cash And Cash Equivalents	(24,579)	140
Cash and Cash Equivalents At Beginning Of Period	42,499	31,002
Cash and Cash Equivalents At End Of Period	$ 17,920	$ 31,142
Supplemental Disclosures Of Cash Flows Information:		
Cash Payments For:		
Interest paid to depositors	$ 1,771	$ 1,727
Interest paid on borrowings	$ 271	$ 237
Income taxes	$ 2,874	$ 1,825
Non-cash investing and financing activities:		
Transfer of loans to foreclosed assets	$ 2,411	$ -

The accompanying notes are an integral part of these financial statements.

Note 1 – Basis of Presentation

General

The unaudited consolidated financial statements include the accounts of River Financial Corporation ("River" or the "Company") and its wholly owned subsidiary, River Bank & Trust ("Bank"). The Bank provides a full range of commercial and consumer banking services primarily in the Montgomery, Alabama metropolitan area, Lee and Etowah counties and surrounding counties in Alabama. The Bank is primarily regulated by the Federal Deposit Insurance Corporation ("FDIC") and undergoes periodic examinations by this regulatory agency and the Alabama Banking Department.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly River Financial Corporation's consolidated statements of financial condition, statements of income, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for the periods presented, and all such adjustments are of a normal recurring nature. All material intercompany transactions are eliminated. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire year.

These interim consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and note disclosures normally presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted or abbreviated. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes as of December 31, 2016, which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions River may undertake in the future. Estimates are used in accounting for, among other items, the allowance for loan losses, foreclosed asset valuations, useful lives for depreciation and amortization, fair value of financial instruments, deferred taxes, and contingencies. Estimates that are particularly susceptible to significant change for River include the determination of the allowance for loan losses, investment securities impairment, assessment of deferred tax assets and liabilities, and business combination related fair value estimates, and therefore are critical accounting policies. Management does not anticipate any material changes to estimates in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: external market factors such as market interest rates and employment rates, changes to operating policies and procedures, economic conditions in our markets, and changes in applicable banking regulations. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual reporting period presented.

Note 2 – Reclassifications

Certain prior period amounts have been reclassified to conform to the presentation used in 2017. These reclassifications had no material effect on the operations, financial condition or cash flows of the Company.

The Company's 401(k) employee stock ownership plan (KSOP) includes a "put option" for shares of the Company's common stock distributed from the KSOP. Shares are distributed from the KSOP primarily to separate vested participants and certain eligible participants who elect to diversify their account balances. Since the Company's common stock is not currently traded on an established securities market, if the owners of distributed shares desire to sell their shares, the Company is required to purchase the shares at fair value during two put option periods following the distribution of the shares from the KSOP. The first put option period is within sixty days following the distribution of the shares from the KSOP. The second put option period begins on the first day of the fifth month of the plan year for a sixty day period. The distributed shares subject to the put option and the shares held by the KSOP (KSOP shares) were previously recorded in permanent equity. Due to the Company's obligation under the put option, the distributed shares and KSOP shares should be classified as temporary equity in the mezzanine section of the consolidated statements of financial condition. This change in classification resulted in the December 31, 2016 permanent equity decreasing $623 thousand and temporary equity increasing by $623 thousand from amounts previously reported. Based on an analysis of quantitative and qualitative factors, this change in classification was deemed immaterial for all periods previously reported. See Note 9.

Note 3 – Earnings Per Share

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share are computed by dividing net income by the effect of the issuance of potential common shares that are dilutive and by the sum of the weighted-average number of shares of common stock outstanding. All shares owned by the Company's 401(k) Employee Stock Ownership Plan (KSOP) are included in the earnings per share calculations.

The reconciliation of the components of the basic and diluted earnings per share is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net earnings available to common shareholders	$ 2,563	$ 2,216	$ 6,900	$ 5,920
Weighted average common shares outstanding	5,110,644	5,078,186	5,096,275	5,007,394
Dilutive effect of stock options	86,559	36,069	81,189	56,315
Dilutive effect of stock warrants	-	3,351	-	3,204
Diluted common shares	5,197,203	5,117,606	5,177,464	5,066,913
Basic earnings per common share	$ 0.50	$ 0.44	$ 1.35	$ 1.18
Diluted earnings per common share	$ 0.49	$ 0.43	$ 1.33	$ 1.17

Note 4 – Investment Securities

Securities available-for-sale at September 30, 2017 and December 31, 2016 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2017:				
Securities available-for-sale:				
Residential mortgage-backed	$ 131,443	$ 142	$ (1,795)	$ 129,790
U.S. govt. sponsored enterprises	15,923	68	(111)	15,880
State, county, and municipal	55,827	843	(200)	56,470
Corporate debt obligations	1,828	10	(9)	1,829
Totals	$ 205,021	$ 1,063	$ (2,115)	$ 203,969

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016:				
Securities available-for-sale:				
Residential mortgage-backed	$ 111,611	$ 63	$ (2,999)	$ 108,675
U.S. govt. sponsored enterprises	15,506	44	(223)	15,327
State, county, and municipal	57,837	562	(813)	57,586
Corporate debt obligations	1,819	4	(50)	1,773
Totals	$ 186,773	$ 673	$ (4,085)	$ 183,361

Management evaluates securities for other-than-temporary impairment on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Details concerning investment securities with unrealized losses as of September 30, 2017 and December 31, 2016 are as follows:

	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2017:						
Securities available-for-sale:						
Residential mortgage-backed	$ 62,194	$ 726	$ 43,203	$ 1,069	$ 105,397	$ 1,795
U.S. govt. sponsored enterprises	2,059	52	1,895	59	3,954	111
State, county & municipal	7,106	69	12,787	131	19,893	200
Corporate debt obligations	368	8	1,000	1	1,368	9
Totals	$ 71,727	$ 855	$ 58,885	$ 1,260	$ 130,612	$ 2,115
December 31, 2016:						
Securities available-for-sale:						
Residential mortgage-backed	$ 98,033	$ 2,999	$ -	$ -	$ 98,033	$ 2,999
U.S. govt. sponsored enterprises	10,733	149	1,376	74	12,109	223
State, county & municipal	35,062	813	-	-	35,062	813
Corporate debt obligations	1,319	50	-	-	1,319	50
Totals	$ 145,147	$ 4,011	$ 1,376	$ 74	$ 146,523	$ 4,085

As of September 30, 2017, management does not consider securities with unrealized losses to be other-than-temporarily impaired. The unrealized losses in each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. River has the ability and intent to hold its securities for a period of time sufficient to allow for a recovery in fair value. There were no other-than-temporary impairments charged to earnings during the nine months ended September 30, 2017 or 2016. The Company owned a total of 108 securities with unrealized losses of $2,115 at September 30, 2017. As of September 30, 2017 and December 31, 2016, securities with a carrying value of approximately $29,894 and $29,873, respectively, were pledged to secure public deposits as required by law. At September 30, 2017 and December 31, 2016, the carrying value of securities pledged to secure repurchase agreements was approximately $21,139 and $18,392, respectively.

During the nine months ended September 30, 2017, River sold investment securities for proceeds of $13,246 and realized gains of $3. During the nine months ended September 30, 2016, River sold investment securities for proceeds of $10,115 and realized gains of $14.

The amortized cost and estimated fair value of securities available-for-sale at September 30, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities for residential mortgage backed securities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. These securities are therefore not presented by maturity classification.

	Amortized Cost	Fair Value
	(In Thousands)	
Securities available-for-sale		
Less than 1 year	$ 5,404	$ 5,405
1 to 5 years	19,193	19,241
5 to 10 years	13,564	13,623
After 10 years	35,417	35,910
	73,578	74,179
Residential mortgage-backed securities	131,443	129,790
Totals	$ 205,021	$ 203,969

Note 5 – Loans, Allowance for Loan Losses and Credit Quality

Major classifications of loans at September 30, 2017 and December 31, 2016 are summarized as follows:

	September 30, 2017		December 31, 2016	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 112,014	21.6%	$ 113,807	22.2%
Closed-end 1-4 family - junior lien	4,494	0.9%	4,791	0.9%
Multi-family	17,452	3.4%	17,043	3.3%
Total residential real estate	133,960	25.9%	135,641	26.4%
Commercial real estate:				
Nonfarm nonresidential	162,485	31.4%	161,198	31.5%
Farmland	7,522	1.5%	13,344	2.6%
Total commercial real estate	170,007	32.9%	174,542	34.1%
Construction and land development:				
Residential	24,040	4.6%	27,228	5.3%
Other	41,880	8.1%	37,221	7.3%
Total construction and land development	65,920	12.7%	64,449	12.6%
Home equity lines of credit	35,087	6.8%	35,761	7.0%
Commercial loans:				
Other commercial loans	89,736	17.3%	81,198	15.8%
Agricultural	1,543	0.3%	887	0.2%
State, county, and municipal loans	8,144	1.6%	8,719	1.7%
Total commercial loans	99,423	19.2%	90,804	17.7%
Consumer loans	22,558	4.4%	20,858	4.1%
Total gross loans	526,955	101.9%	522,055	101.9%
Allowance for loan losses	(5,004)	-1.0%	(4,007)	-0.8%
Net deferred loan fees and discounts	(3,666)	-0.7%	(5,614)	-1.1%
Net loans	$ 518,285	100.2%	$ 512,434	100.0%

The Bank grants loans and extensions of credit to individuals and a variety of businesses and corporations located in its general trade area. Although the Bank has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to-income, collateral type and loan-to-value ratios for consumer loans.

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method for the periods indicated:

	Real Estate Mortgage Loans						
Allowance for Loan Losses	Residential	Commercial	Construction and Land Development	Home Equity Lines Of Credit	Commercial	Consumer	Total
Balance - December 31, 2016	$ 563	$ 1,506	$ 723	$ 187	$ 829	$ 199	$ 4,007
Provision for loan losses	497	342	(154)	223	352	120	1,380
Loan charge-offs	-	(136)	(7)	(100)	(192)	(94)	(529)
Loan recoveries	24	11	10	2	85	14	146
Balance - September 30, 2017	$ 1,084	$ 1,723	$ 572	$ 312	$ 1,074	$ 239	$ 5,004
Ending balance:							
Individually evaluated for impairment	$ 527	$ 367	$ 22	$ -	$ 407	$ 22	$ 1,345
Collectively evaluated for impairment	557	1,356	550	312	667	217	3,659
Total	$ 1,084	$ 1,723	$ 572	$ 312	$ 1,074	$ 239	$ 5,004
Loans:							
Individually evaluated for impairment	$ 2,448	$ 2,496	$ 171	$ 100	$ 533	$ 98	$ 5,846
Collectively evaluated for impairment	131,512	167,511	65,749	34,987	98,890	22,460	521,109
Total	$133,960	$ 170,007	$ 65,920	$ 35,087	$ 99,423	$ 22,558	$526,955

	Real Estate Mortgage Loans						
Allowance for Loan Losses	Residential	Commercial	Construction and Land Development	Home Equity Lines Of Credit	Commercial	Consumer	Total
Balance - December 31, 2015	$ 368	$ 1,302	$ 569	$ 150	$ 1,250	$ 188	$ 3,827
Provision for loan losses	206	(21)	233	23	154	67	662
Loan charge-offs	-	(15)	-	(10)	(241)	(36)	(302)
Loan recoveries	5	-	10	16	52	19	102
Balance - September 30, 2016	$ 579	$ 1,266	$ 812	$ 179	$ 1,215	$ 238	$ 4,289
Ending balance:							
Individually evaluated for impairment	$ 54	$ 403	$ -	$ -	$ 732	$ -	$ 1,189
Collectively evaluated for impairment	525	863	812	179	483	238	3,100
Total	$ 579	$ 1,266	$ 812	$ 179	$ 1,215	$ 238	$ 4,289
Loans:							
Individually evaluated for impairment	$ 1,030	$ 4,093	$ 50	$ 100	$ 816	$ -	$ 6,089
Collectively evaluated for impairment	130,381	164,760	61,287	32,400	90,162	20,972	499,962
Total	$131,411	$ 168,853	$ 61,337	$ 32,500	$ 90,978	$ 20,972	$506,051

Among other loans, the Bank individually evaluates for impairment all nonaccrual loans and troubled debt restructured loans. A loan is considered impaired when, based on current events and circumstances it is probable that all amounts due according to the contractual terms of the loan will not be collected. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Management may also elect to apply an additional collective reserve to groups of impaired loans based on current economic or market factors. Interest payments received on impaired loans are generally applied as a reduction of the outstanding principal balance.

All other loans are deemed to be unimpaired and are grouped into various homogeneous risk pools utilizing regulatory reporting classifications. The Bank's historical loss factors are calculated for each of these risk pools based on the net losses experienced as a percentage of the average loans outstanding. The time periods utilized in these historical loss factor calculations are subjective and vary according to management's estimate of the impact of current economic cycles. As every loan has a risk of loss, minimum loss factors are estimated based on long term trends for the Bank, the banking industry, and the economy. The greater of the calculated historical loss factors or the minimum loss factors are applied to the unimpaired loan amounts currently outstanding for the risk pool and included in the analysis of the allowance for loan losses. In addition, certain qualitative adjustments may be included by management as additional loss factors applied to the unimpaired loan risk pools. These adjustments may include, among other things, changes in loan policy, loan administration, loan, geographic, or industry concentrations, loan growth rates, and experience levels of our lending officers. The loss allocations for specifically impaired loans, smaller impaired loans not specifically measured for impairment, and unimpaired loans are totaled to determine the total required allowance for loan losses. This total is compared to the current allowance on the Bank's books and adjustments made accordingly by a charge or credit to the provision for loan losses.

The following table presents impaired loans by class of loans as of September 30, 2017.

Nonaccruing Impaired Loans	Total Impaired Loans	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:				
Residential	$ 1,506	$ 88	$ 1,418	$ 527
Commercial real estate	255	255	-	-
Construction and land development	-	-	-	-
Total mortgage loans on real estate	1,761	343	1,418	527
Home equity lines of credit	-	-	-	-
Commercial loans	-	-	-	-
Consumer loans	54	54	-	-
Total Loans	$ 1,815	$ 397	$ 1,418	$ 527

Accruing Impaired Loans	Total Impaired Loans	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:				
Residential	$ 942	$ 942	$ -	$ -
Commercial real estate	2,241	549	1,692	367
Construction and land development	171	-	171	22
Total mortgage loans on real estate	3,354	1,491	1,863	389
Home equity lines of credit	100	100	-	-
Commercial loans	533	128	405	407
Consumer loans	44	-	44	22
Total Loans	$ 4,031	$ 1,719	$ 2,312	$ 818

Total Impaired Loans	Total Impaired Loans	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:				
Residential	$ 2,448	$ 1,030	$ 1,418	$ 527
Commercial real estate	2,496	804	1,692	367
Construction and land development	171	-	171	22
Total mortgage loans on real estate	5,115	1,834	3,281	916
Home equity lines of credit	100	100	-	-
Commercial loans	533	128	405	407
Consumer loans	98	54	44	22
Total Loans	$ 5,846	$ 2,116	$ 3,730	$ 1,345

The following table presents impaired loans by class of loans as of December 31, 2016.

Nonaccruing Impaired Loans	Total Impaired Loans	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:				
Residential	$ 223	$ 96	$ 127	$ 53
Commercial real estate	3,470	1,010	2,460	430
Construction and land development	-	-	-	-
Total mortgage loans on real estate	3,693	1,106	2,587	483
Home equity lines of credit	100	100	-	-
Commercial loans	93	93	-	-
Consumer loans	-	-	-	-
Total Loans	$ 3,886	$ 1,299	$ 2,587	$ 483

Accruing Impaired Loans	Total Impaired Loans	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:				
Residential	$ 978	$ 978	$ -	$ -
Commercial real estate	1,905	589	1,316	317
Construction and land development	31	31	-	-
Total mortgage loans on real estate	2,914	1,598	1,316	317
Home equity lines of credit	100	100	-	-
Commercial loans	592	136	456	456
Consumer loans	39	-	39	19
Total Loans	$ 3,645	$ 1,834	$ 1,811	$ 792

Total Impaired Loans	Total Impaired Loans	Impaired Loans With No Allowance	Impaired Loans With Allowance	Allowance for Loan Losses
Mortgage loans on real estate:				
Residential	$ 1,201	$ 1,074	$ 127	$ 53
Commercial real estate	5,375	1,599	3,776	747
Construction and land development	31	31	-	-
Total mortgage loans on real estate	6,607	2,704	3,903	800
Home equity lines of credit	200	200	-	-
Commercial loans	685	229	456	456
Consumer loans	39	-	39	19
Total Loans	$ 7,531	$ 3,133	$ 4,398	$ 1,275

The following table presents the average recorded investment in impaired loans and the interest income recognized on impaired loans in the nine months ended September 30, 2017 and 2016 by loan category.

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Average Recorded Investment	Ending Recorded Investment	Interest Income	Average Recorded Investment	Ending Recorded Investment	Interest Income
Mortgage loans on real estate:						
Residential real estate	$ 2,087	$ 2,448	$ 53	$ 1,173	$ 1,030	$ 61
Commercial real estate	3,123	2,496	74	4,049	4,093	106
Construction and land development	8	171	-	75	50	4
Total mortgage loans on real estate	5,218	5,115	127	5,297	5,173	171
Home equity lines of credit	75	100	4	100	100	4
Commercial loans	589	533	19	1,057	816	18
Consumer loans	27	98	1	-	-	-
Total Loans	$ 5,909	$ 5,846	$ 151	$ 6,454	$ 6,089	$ 193

The following tables present the aging of loans and non-accrual loan balances as of September 30, 2017 and December 31, 2016, by class of loans.

	Accruing Loans				
As of September 30, 2017	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual Loans	Total Loans
Mortgage loans on real estate:					
Residential	$ 129,996	$ 1,528	$ 626	$ 1,810	$ 133,960
Commercial real estate	168,746	681	252	328	170,007
Construction and land development	65,764	69	-	87	65,920
Total mortgage loans on real estate	364,506	2,278	878	2,225	369,887
Home equity lines of credit	34,806	201	-	80	35,087
Commercial loans	98,999	342	76	6	99,423
Consumer loans	22,226	186	8	138	22,558
Total Loans	$ 520,537	$ 3,007	$ 962	$ 2,449	$ 526,955

	Accruing Loans				
As of December 31, 2016	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual Loans	Total Loans
Mortgage loans on real estate:					
Residential	$ 132,603	$ 2,585	$ -	$ 453	$ 135,641
Commercial real estate	170,363	708	-	3,471	174,542
Construction and land development	64,111	312	-	26	64,449
Total mortgage loans on real estate	367,077	3,605	-	3,950	374,632
Home equity lines of credit	35,257	320	-	184	35,761
Commercial loans	90,579	76	19	130	90,804
Consumer loans	20,431	285	20	122	20,858
Total Loans	$ 513,344	$ 4,286	$ 39	$ 4,386	$ 522,055

The Bank categorizes loans in risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Bank uses the following definitions for its risk ratings:

Special Mention - Weakness exists that could cause future impairment, including the deterioration of financial ratios, past due status and questionable management capabilities. Collateral values generally afford adequate coverage but may not be immediately marketable.

Substandard - Specific and well-defined weaknesses exist that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.

Doubtful - Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. There is no reliable secondary source of full repayment. Loans classified as doubtful will be placed on non-accrual, analyzed and fully or partially charged-off based on review of collateral and other relevant factors.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans. As of September 30, 2017 and December 31, 2016, and based on the most recent analysis performed as of those dates, the risk category of loans by class of loans is as follows:

As of September 30, 2017	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential	$ 128,108	$ 2,414	$ 3,438	$ -	$ 133,960
Commercial real estate	162,245	5,592	2,170	-	170,007
Construction and land development	64,826	917	177	-	65,920
Total mortgage loans on real estate	355,179	8,923	5,785	-	369,887
Home equity lines of credit	34,708	175	204	-	35,087
Commercial loans	96,728	2,071	624	-	99,423
Consumer loans	22,157	118	283	-	22,558
Total Loans	$ 508,772	$ 11,287	$ 6,896	$ -	$ 526,955

As of December 31, 2016	Pass	Special Mention	Substandard	Doubtful	Total
Mortgage loans on real estate:					
Residential	$ 125,983	$ 6,272	$ 3,386	$ -	$ 135,641
Commercial real estate	165,381	3,837	5,324	-	174,542
Construction and land development	63,151	605	451	242	64,449
Total mortgage loans on real estate	354,515	10,714	9,161	242	374,632
Home equity lines of credit	35,344	109	308	-	35,761
Commercial loans	87,684	2,357	649	114	90,804
Consumer loans	20,433	211	214	-	20,858
Total Loans	$ 497,976	$ 13,391	$ 10,332	$ 356	$ 522,055

Note 6 – Fair Value Measurements and Disclosures

River utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, River may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans and foreclosed assets. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

River groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded or disclosed at fair value.

Cash and cash equivalents – For disclosure purposes, for cash, due from banks, interest-bearing deposits and federal funds sold, the carrying amount is a reasonable estimate of fair value.

Certificates of deposit – For disclosure purposes, the carrying amount of certificates of deposit is a reasonable estimate of fair value.

Securities available-for-sale – Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, repayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities included mortgage-backed securities issued by government sponsored enterprises and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Restricted equity securities - It is not practical to determine the fair value of restricted equity securities due to restrictions placed on transferability.

Loans – River Financial Corporation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. When a loan is identified as individually impaired, management measures impairment using one of three methods, including collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. As of September 30, 2017 and December 31, 2016, impaired loans were evaluated based on the fair value of the collateral. Impaired loans for which an allowance is established based on the fair value of collateral, or loans that were charged down according to the fair value of collateral, require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, River Financial Corporation records the impaired loan as nonrecurring Level 2. When the fair value is based on an appraised value, River Financial Corporation records the impaired loan as nonrecurring Level 3.

For disclosure purposes, the fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value.

Cash value of bank owned life insurance – For disclosure purposes, the fair value of the cash surrender value of bank owned life insurance policies is equivalent to the carrying value.

Deposit liabilities – For disclosure purposes, the fair value for demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities.

Securities sold under agreements to repurchase – For disclosure purposes, the carrying amounts of securities sold under agreements to repurchase approximate their fair values.

Federal Home Loan Bank advances – For disclosure purposes the fair value of Federal Home Loan Bank advances is estimated using discounted cash flow analyses using interest rates offered for borrowings with similar maturities.

Note Payable – For disclosure purposes the carrying amount of the floating rate note payable approximates fair value.

Assets and liabilities measured at fair value on a recurring basis - The only assets and liabilities measured at fair value on a recurring basis are our securities available-for-sale. Information related to River's assets and liabilities measured at fair value on a recurring basis at September 30, 2017 and December 31, 2016 is as follows:

		Fair Value Measurements At Reporting Date Using:		
September 30, 2017	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Residential mortgage -backed	$ 129,790	$ -	$ 129,790	$ -
U.S. government sponsored enterprises	15,880	-	15,880	-
State, county, and municipal	56,470	-	56,470	-
Corporate debt obligations	1,829	-	1,829	-
Totals	$ 203,969	$ -	$ 203,969	$ -

		Fair Value Measurements At Reporting Date Using:		
December 31, 2016	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale:				
Residential mortgage -backed	$ 108,675	$ -	$ 108,675	$ -
U.S. government sponsored enterprises	15,327	-	15,327	-
State, county, and municipal	57,586	-	57,586	-
Corporate debt obligations	1,773	-	1,773	-
Totals	$ 183,361	$ -	$ 183,361	$ -

Assets measured at fair value on a nonrecurring basis - River has assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis. The following table presents the financial instruments carried on the statement of financial position by caption and by level in the fair value hierarchy, for which a non-recurring change in fair value has been recorded as of September 30, 2017 and December 31, 2016:

		Fair Value Measurements At Reporting Date Using:		
September 30, 2017	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 4,501	$ -	$ -	$ 4,501
Foreclosed assets	1,485	-	-	1,485
Totals	$ 5,986	$ -	$ -	$ 5,986

December 31, 2016	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 6,256	$ -	$ -	$ 6,256
Foreclosed assets	1,151	-	-	1,151
Totals	$ 7,407	$ -	$ -	$ 7,407

River has estimated the fair values of these assets using Level 3 inputs, specifically the appraised value of the collateral. Impaired loan balances represent those collateral dependent impaired loans where management has estimated the credit loss by comparing the loan's carrying value against the expected realizable fair value of the impaired loan for the amount of the credit loss.

The estimated fair values, and related carrying or notional amounts, of River's financial instruments as of September 30, 2017 and December 31, 2016 are as follows:

September 30, 2017	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 17,920	$ 17,920	$ -	$ -
Certificates of deposit in banks	5,214	-	5,214	-
Securities available-for-sale	203,969	-	203,969	-
Loans held-for-sale	4,278	-	4,278	-
Restricted equity securities	1,472	-	-	1,472
Loans receivable	518,285	-	515,265	4,501
Bank owned life insurance	15,067	-	15,067	-
Accrued interest receivable	2,322	-	2,322	-
Financial liabilities:				
Deposits	682,673	-	681,673	-
Accrued interest payable	119	-	119	-
Securities sold under agreements to repurchase	12,608	-	12,608	-
Federal Home Loan Bank advances	15,000	-	14,996	-
Note payable	5,625	-	5,625	-

December 31, 2016	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 42,499	$ 42,499	$ -	$ -
Certificates of deposit in banks	5,463	-	5,463	-
Securities available-for-sale	183,361	-	183,361	-
Loans held-for-sale	7,734	-	7,734	-
Restricted equity securities	751	-	-	751
Loans receivable	512,434	-	506,178	6,256
Bank owned life insurance	15,161	-	15,161	-
Accrued interest receivable	2,376	-	2,376	-
Financial liabilities:				
Deposits	704,913	-	688,591	-
Accrued interest payable	130	-	130	-
Securities sold under agreements to repurchase	13,034	-	13,034	-
Note payable	6,428	-	6,428	-

The estimated fair values of the standby letters of credit and loan commitments on which the committed interest rate is less than the current market rate are insignificant at September 30, 2017 and December 31, 2016.

River assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of River's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to River. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed-rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed-rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling-rate environment. Management monitors rates and maturities of assets and liabilities, and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 7 – Acquisition

On December 31, 2015, Keystone Bancshares, Inc. ("Keystone") was merged with and into River. Concurrent with the merger of River and Keystone, Keystone Bank was merged with and into River Bank & Trust. Under the terms of the merger agreement, shareholders of Keystone immediately prior to the effective time of the merger received one share of River common stock in exchange for each outstanding share of Keystone common stock held and $4.00 in cash. In addition, persons holding options or warrants to acquire Keystone common stock received options or warrants to acquire 1.25 shares of River common stock for each option or warrant at a purchase price equal to the original exercise price divided by 1.25. River issued 1,818,492 shares of River common stock to Keystone shareholders and made cash payments to Keystone shareholders of approximately $7,274.

Note 8 – Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718). ASU 2016-09 amended existing guidance to simplify the accounting for share-based payment award transactions, including: a) income tax consequences; b) classification of awards as either equity or liabilities; c) classification on the statement of cash flows; and d) policy election to estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur. For public business entities, the amendments of this ASU are effective fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606)—Deferral of the Effective Date. ASU 2015-14 defers the effective date of ASU 2014-09, Revenue from Contracts with Customers, which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, by one year. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. Under ASU 2015-14, ASU 2014-09 is now effective for annual periods beginning after December 15, 2017 and interim periods within those years. The Company is currently evaluating the effects of ASU 2014-09 on its financial statements and disclosures, if any.

In January 2016, the FASB issued ASU 2016-01 Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This will enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Some of the amendments include the following: 1) Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; 2)Simplify the impairment assessment of equity investment's without readily determinable fair values by requiring a qualitative assessment to identify impairment; 3) Require public business entities to use exit price notion when measuring fair value of financial instruments for disclosure purposes; 4)Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting in a change in the fair value of a liability resulting in a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value; among others. For public business entities, the amendments of this ASU are effective fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This will require lessees to recognize assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right of use asset representing its right to use the underlying asset for lease term. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The amendment should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new guidance will apply to most financial assets measured at amortized cost and certain other instruments including loans, debt securities held to maturity, net investments in leases and off-balance-sheet credit exposures. The guidance will replace the current incurred loss accounting model that delays recognition of a loss until it is probable a loss has been incurred with an expected loss model that reflects expected credit losses based upon a broader range of estimates including consideration of past events, current conditions and supportable forecasts. The guidance also eliminates the current accounting model for purchased credit impaired loans and debt securities. For securities available for sale, credit losses are to be recognized as allowances rather than reductions in the amortized cost of the securities, which will require re-measurement of the related allowance at each reporting period. The guidance includes enhanced disclosure requirements intended to help financial statement users better understand estimates and judgments used in estimating credit losses. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. However, entities can apply these amendments as early as fiscal years beginning after December 15, 2018. The Company is evaluating the impact to its consolidated financial statements upon adoption.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 was issued to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this Update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Because these amendments eliminate Step 2 from the goodwill impairment test, they should reduce the cost and complexity of evaluating goodwill for impairment. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments in this Update. A public business entity that is a U.S. Securities and Exchange Commission (SEC) filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the effects of this update on its financial statements and disclosures, if any.

In March 2017, the FASB issued ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. ASU 2017-08 will shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date whereas under current GAAP, the amortization is to the maturity. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this Update more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. Market participants generally price securities to the call date that produces the worst yield when the coupon is above current market rates (that is, the security is trading at a premium) and price securities to maturity when the coupon is below market rates (that is, the security is trading at a discount) in anticipation that the borrower will act in its economic best interest. As a result, the amendments more closely align interest income recorded on bonds held at a premium or a discount with the economics of the underlying instrument. An entity should apply the amendments in this Update on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the effects of this update on its financial statements and disclosures, if any.

Note 9 – Defined Contribution Plan

The Company provides a 401(k) employee stock ownership plan (KSOP), which covers substantially all of the Company's employees who are eligible, as to age and length of service. A participant may elect to make contributions up to $18,000 of the participant's annual compensation in 2017 and 2016. The Company makes contributions up to 3% of each participant's annual compensation and the Company matches 50% of the next 2% contributed by the employee. Contributions to the plan by Company were approximately $239 thousand and $215 thousand for the nine months ended September 30, 2017 and 2016, respectively. Outstanding shares of the Company's common stock allocated to participants at September 30, 2017 and December 31, 2016 totaled 43,477 and 38,933, respectively, and there were no unallocated shares. These shares are treated as outstanding for purposes of calculating earnings per share and dividends on these shares are included in the Consolidated Statements of Stockholders' Equity.

The Company's KSOP includes a put option for shares of the Company's common stock distributed from the KSOP. Shares are distributed from the KSOP primarily to separated vested participants and certain eligible participants who elect to diversify their account balances. Since the Company's common stock is not currently traded on an established securities market, if the owners of distributed shares desire to sell their shares, the Company is required to purchase the shares at fair value during two put option periods following the distribution of the shares from the KSOP. The first put option period is within sixty days following the distribution of the shares from the KSOP. The second put option period begins on the first day of the fifth month of the plan year for a sixty day period. The fair value of distributed shares subject to the put option totaled $0 as of September 30, 2017 and December 31, 2016. The cost of the KSOP shares totaled $734 thousand and $623 thousand as of September 30, 2017 and December 31, 2016, respectively. Due to the Company's obligation under the put option, the distributed shares and KSOP shares are classified as temporary equity in the mezzanine section of the consolidated statements of financial condition and totaled $734 thousand and $623 thousand as of September 30, 2017 and December 31, 2016, respectively. The fair value of the KSOP shares totaled $989 thousand and $672 thousand as of September 30, 2017 and December 31, 2016, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes thereto for the year ended December 31, 2016, which are contained in the Annual Report on Form 10-K for the year ended December 31, 2016. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those contained in forward-looking statements as a result of many factors, including those discussed in our 2016 Annual Report on Form 10-K under "Part I, Item 1A - Risk Factors," as well as other unknown risks and uncertainties.

All dollar amounts in the tables in this section are in in thousands of dollars, except per share data, yields, percentages and rates or when specifically identified. As used in this Item, the words "we," "us," "our," the "Company," "RFC," "River" and similar terms refer to River Financial Corporation and its consolidated affiliate, unless the context indicates otherwise.

Our Business

River is a bank holding company headquartered in Prattville, Alabama. We engage in the business of banking through our wholly-owned banking subsidiary, River Bank & Trust, which we may refer to as the "Bank," or "River Bank." Through the Bank, we provide a broad array of financial services to businesses, business owners, professionals, and consumers. As of September 30, 2017, we operated ten full-service banking offices in Alabama in the cities of Montgomery, Prattville, Millbrook, Wetumpka, Auburn, Opelika, Gadsden and Alexander City.

Overview of Third Quarter 2017 Results

Net income was $2,563 in the quarter ended September 30, 2017, compared with $2,216 in the quarter ended September 30, 2016. Several significant measures from the 2017 third quarter include:

- Net interest margin (taxable equivalent) of 4.17%, compared with 4.29% for the third quarter of 2016.
- Net interest income increase of $283 for the quarter ended September 30, 2017, representing a 3.93% rate of increase over the quarter ended September 30, 2016.
- Annualized return on average assets for the quarter ended September 30, 2017 of 1.28% compared with 1.17% for the quarter ended September 30, 2016.
- Annualized return on average equity for the quarter ended September 30, 2017 of 11.61% compared with 10.72 % for the quarter ended September 30, 2016.
- Loan increase of $5,339 during the quarter, representing a 1.37% annualized growth rate.
- Deposit decrease of $5,593 during the quarter, representing a -1.08% annualized growth rate.
- Stockholders' equity growth of $2,086 during the quarter representing a 3.20% annualized growth rate.
- Book value per share of $17.59 at September 30, 2017, compared with $16.23 per share at December 31, 2016.
- Tangible book value per share of $15.28 at September 30, 2017, compared with $13.83 at December 31, 2016.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in the notes to the financial statements for the year ended December 31, 2016, which are contained in our Annual Report filed on Form 10-K. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variation and may significantly affect our reported results and financial position for the current period or future periods. The use of estimates, assumptions, and judgment is necessary when financial assets and liabilities are required to be recorded at, or adjusted to reflect fair value. Assets carried at fair value inherently result in more financial statement volatility. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices or are provided by other independent third-party sources, when available. When such information is not available, management estimates valuation adjustments. Changes in underlying factors, assumptions or estimates in any of these areas could have a material impact on our future financial condition and results of operations.

The following briefly describes the more complex policies involving a significant amount of judgments about valuation and the application of complex accounting standards and interpretations.

Allowance for Loan Losses

We record estimated probable inherent credit losses in the loan portfolio as an allowance for loan losses. The methodologies and assumptions for determining the adequacy of the overall allowance for loan losses involve significant judgments to be made by management. Some of the more critical judgments supporting our allowance for loan losses include judgments about: creditworthiness of borrowers, estimated value of underlying collateral, assumptions about cash flow, determination of loss factors for estimating credit losses, and the impact of current events, conditions and other factors impacting the level of inherent losses. Under different conditions or using different assumptions, the actual or estimated credit losses that we may ultimately realize may be different than our estimates. In determining the allowance, we estimate losses on individual impaired loans, or groups of loans that are not impaired, where the probable loss can be identified and reasonably estimated. On a quarterly basis, we assess the risk inherent in our loan portfolio based on qualitative and quantitative trends in the portfolio, including the internal risk classification of loans, historical loss rates, changes in the nature and volume of the loan portfolio, industry or borrower concentrations, delinquency trends, detailed reviews of significant loans with identified weaknesses and the impact of local, regional and national economic factors on the quality of the loan portfolio. Based on this analysis, we may record a provision for loan losses in order to maintain the allowance at appropriate levels. For a more complete discussion of the methodology employed to calculate the allowance for loan losses, see note 1 to our consolidated financial statements for the year ended December 31, 2016, which are contained in our Annual Report on Form 10-K.

Investment Securities Impairment

We assess, on a quarterly basis, whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. In such instance, we would consider many factors, including the severity and duration of the impairment, our intent and ability to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry, and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value through current earnings.

Income Taxes

Deferred income tax assets and liabilities are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events recognized in the financial statements. A valuation allowance may be established to the extent necessary to reduce the deferred tax asset to a level at which it is “more likely than not” that the tax assets or benefits will be realized. Realization of tax benefits depends on having sufficient taxable income, available tax loss carrybacks or credits, the reversing of taxable temporary differences and/or tax planning strategies within the reversal period and that current tax law allows for the realization of recorded tax benefits.

Business Combinations

Assets purchased and liabilities assumed in a business combination are recorded at their fair value. The fair value of a loan portfolio acquired in a business combination requires greater levels of management estimates and judgment than the remainder of purchased assets or assumed liabilities. On the date of acquisition, when the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that we will not collect all contractually required principal and interest payments, the difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as non-accretable difference. We must estimate cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increase in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and adjusted accretable yield, which will have a positive impact on interest income. In addition, purchased loans with evidence of credit deterioration are also handled under this method.

Comparison of the Results of Operations for the three and nine months ended September 30, 2017 and 2016

The following is a narrative discussion and analysis of significant changes in our results of operations for the three and nine months ended September 30, 2017 compared to the three and nine months ended September 30, 2016.

Net Income

During the three months ended September 30, 2017, our net income was $2,563, compared to $2,216 for the three months ended September 30, 2016, an increase of $347, or 15.66%.

The primary reason for the increase in net income for the third quarter of 2017 as compared to the third quarter of 2016 was an increase in net interest income and an increase in noninterest income. During the three months ended September 30, 2017, net interest income was $7,482 compared to $7,199 for the three months ended September 30, 2016, an increase of $283, or 3.93%. This increase is a result of higher levels of loan volume and other earning assets from organic growth. Total noninterest income for the third quarter of 2017 was $2,169 compared to $1,339 for the quarter ended September 30, 2016. This increase was primarily the result of an increase of $660 in bank owned life insurance income as a result of death benefits received during the quarter. The increase in total noninterest income for the quarter was also the result of an increase of $79 and $113 in revenue from mortgage operations and service charges and fees, respectively. These increases were offset by a decrease in investment brokerage revenue of $30. Total noninterest expense in the third quarter of 2017 increased $455, or 8.93%, from the third quarter of 2016. This increase was due to an increase of $247 and $142 in salaries and employee benefits and foreclosed assets expense, respectively. These increases were partially offset by decreases across several expense categories mainly related to expense savings resulting from the Keystone merger.

During the nine months ended September 30, 2017, our net income was $6,900, compared to $5,920 for the nine months ended September 30, 2016, an increase of $980, or 16.55%.

The primary reason for the increase in net income for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 was an increase in net interest income and an increase in noninterest income. During this period in 2017, net interest income was $22,152 compared to $20,730 for the same period in 2016, an increase of $1,422, or 6.86%. This increase is a result of higher levels of loan volume and other earning assets from organic growth. Total noninterest income for the first nine months of 2017 was $4,848 compared to $3,584 in the first nine months of 2016. This increase was primarily the result of an increase of $653 in bank owned life insurance income as a result of death benefits received during the quarter. The increase in total noninterest income for the first nine months of 2017 was also the result of an increase of $428 and $333 in revenue from mortgage operations and service charges and fees, respectively. These increases were offset by a decrease in investment brokerage revenue of $133. Total noninterest expense in the first nine months of 2017 increased $679, or 4.50%, from the first nine months of 2016. This increase was due to an increase of $702 and $264 in salaries and employee benefits and advertising and business development, respectively. These increases were partially offset by decreases across several expense categories mainly related to expense savings resulting from the Keystone merger, including a $242 savings in legal and other professional services.

Net Interest Income and Net Interest Margin Analysis

The largest component of our net income is net interest income – the difference between the income earned on interest earning assets and the interest paid on deposits and borrowed funds used to support assets. Net interest income divided by average interest earning assets represents RFC's net interest margin. The major factors that affect net interest income and net interest margin are changes in volumes, the yield on interest earning assets and the cost of interest bearing liabilities. Our net interest margin can also be affected by economic conditions, the competitive environment, loan demand, and deposit flow. Management's ability to respond to changes in these factors by using effective asset-liability management techniques is critical to maintaining the stability of the net interest margin and the primary source of earnings. This is discussed in greater detail under the heading "Interest Sensitivity and Market Risk"

Comparison of net interest income for the three months ended September 30, 2017 and 2016

The following table shows, for the three months ended September 30, 2017 and 2016, the average balances of each principal category of our earning assets and interest bearing liabilities and the average taxable equivalent yields on assets and average costs of liabilities. These yields and costs are calculated by dividing the income or expense by the average daily balance of the associated assets or liabilities.

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$ 517,421	$ 7,099	5.44%	$ 497,869	$ 7,015	5.59%
Mortgage loans held for sale	3,325	24	2.86%	4,949	29	2.29%
Investment securities:						
Taxable securities	152,662	756	1.96%	93,843	432	1.83%
Tax-exempt securities	52,618	408	3.08%	56,175	429	3.03%
Interest bearing balances in other banks	11,301	46	1.58%	28,128	49	0.69%
Federal funds sold	-	-	0.00%	10,104	15	0.57%
Total interest earning assets	$ 737,327	$ 8,333	4.48%	$ 691,068	$ 7,969	4.57%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 186,640	$ 111	0.24%	$ 180,757	$ 118	0.26%
Savings and money market accounts	187,827	168	0.36%	182,533	163	0.36%
Time deposits	137,951	308	0.90%	138,544	240	0.70%
Short-term debt	14,605	12	0.33%	9,178	4	0.16%
Federal Home Loan Bank advances	10,761	32	1.18%	2,000	5	0.93%
Note payable	5,890	64	4.30%	6,830	62	3.60%
Total interest bearing liabilities	$ 543,674	$ 695	0.51%	$ 519,842	$ 592	0.46%
Noninterest-bearing funding of earning assets	193,655	-	0.00%	171,226	-	0.00%
Total cost of funding earning assets	$ 737,329	$ 695	0.38%	$ 691,068	$ 592	0.34%
Net interest rate spread			3.97%			4.12%
Net interest income/margin (taxable equivalent)		$ 7,638	4.17%		$ 7,377	4.29%
Tax equivalent adjustment		(156)			(178)	
Net interest income/margin		$ 7,482	4.08%		$ 7,199	4.19%

The following table reflects, for the three months ended September 30, 2017 and 2016, the changes in our net interest income due to variances in the volume of interest earning assets and interest bearing liabilities and variances in the associated rates earned or paid on these assets and liabilities.

	Three Months Ended September 30, 2017 vs. Three Months Ended September 30, 2016		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 274	$ (190)	$ 84
Mortgage loans held for sale	(10)	5	(5)
Investment securities:			
Taxable securities	273	51	324
Tax-exempt securities	(28)	7	(21)
Interest bearing balances in other banks	(29)	26	(3)
Federal funds sold	(15)	-	(15)
Total interest earning assets	$ 465	$ (101)	$ 364
Interest bearing liabilities			
Interest bearing transaction accounts	$ 3	$ (10)	$ (7)
Savings and money market accounts	6	(1)	5
Time deposits	-	68	68
Short-term debt	2	6	8
Federal Home Loan Bank advances	20	7	27
Note payable	(8)	10	2
Total interest bearing liabilities	$ 23	$ 80	$ 103
Net interest income			
Net interest income (taxable equivalent)	$ 442	$ (181)	$ 261
Taxable equivalent adjustment	22	-	22
Net interest income	$ 464	$ (181)	$ 283

Total interest income for the three months ended September 30, 2017 was $8,177 and total interest expense was $695, resulting in net interest income of $7,482 for the period. For the same period of 2016, total interest income was $7,791 and total interest expense was $592, resulting in net interest income of $7,199 for the period. This represents a 3.93% increase in net interest income when comparing the same period from 2017 and 2016. When comparing the variances related to interest income for the three months ended September 30, 2017 and 2016, the increase was primarily attributed to increases in average volumes in loans and taxable securities. The volume related increase in interest income for the three months ended September 30, 2017 was offset by a decrease in the yield on loans. When comparing variances related to interest expense for the three months ended September 30, 2017 and 2016, the increase resulted primarily from an increase in the effective rates paid on time deposit accounts.

Comparison of net interest income for the nine months ended September 30, 2017 and 2016

The following table shows, for the nine months ended September 30, 2017 and 2016, the average balances of each principal category of our earning assets and interest bearing liabilities and the average taxable equivalent yields on assets and average costs of liabilities. These yields and costs are calculated by dividing the income or expense by the average daily balance of the associated assets or liabilities.

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Average Balance	Interest Income/ Expense	Average Yield/Rate	Average Balance	Interest Income/ Expense	Average Yield/Rate
Interest earning assets						
Loans	$ 513,478	$ 20,883	5.45%	$ 490,008	$ 20,260	5.52%
Mortgage loans held for sale	4,221	57	1.81%	3,598	106	3.94%
Investment securities:						
Taxable securities	148,697	2,226	2.01%	87,518	1,222	1.87%
Tax-exempt securities	53,543	1,238	3.10%	53,238	1,304	3.27%
Interest bearing balances in other banks	16,609	157	1.27%	22,025	147	0.89%
Federal funds sold	-	-	0.00%	7,061	29	0.55%
Total interest earning assets	$ 736,548	$ 24,561	4.47%	$ 663,448	$ 23,068	4.64%
Interest bearing liabilities						
Interest bearing transaction accounts	$ 189,878	$ 340	0.24%	$ 175,709	$ 333	0.25%
Savings and money market accounts	190,387	510	0.36%	178,770	489	0.37%
Time deposits	138,458	803	0.78%	138,347	715	0.69%
Securities sold under repurchase agreements	14,505	34	0.31%	9,743	11	0.15%
Federal Home Loan Bank advances	6,978	57	1.10%	6,310	35	0.74%
Note payable	6,156	188	4.09%	7,232	190	3.51%
Total interest bearing liabilities	$ 546,362	$ 1,932	0.47%	$ 516,111	$ 1,773	0.46%
Noninterest-bearing funding of earning assets	190,186	-	0.00%	147,337	-	0.00%
Total cost of funding earning assets	$ 736,548	$ 1,932	0.35%	$ 663,448	$ 1,773	0.36%
Net interest rate spread			4.00%			4.18%
Net interest income/margin (taxable equivalent)		$ 22,629	4.12%		$ 21,295	4.29%
Tax equivalent adjustment		(477)			(565)	
Net interest income/margin		$ 22,152	4.03%		$ 20,730	4.17%

The following table reflects, for the nine months ended September 30, 2017 and 2016, the changes in our net interest income due to variances in the volume of interest earning assets and interest bearing liabilities and variances in the associated rates earned or paid on these assets and liabilities.

	Nine Months Ended September 30, 2017 vs. Nine Months Ended September 30, 2016		
	Volume	Variance due to Yield/Rate	Total
Interest earning assets			
Loans	$ 929	$ (306)	$ 623
Mortgage loans held for sale	19	(68)	(49)
Investment securities:			
Taxable securities	858	146	1,004
Tax-exempt securities	7	(73)	(66)
Interest bearing balances in other banks	(36)	46	10
Federal funds sold	(29)	-	(29)
Total interest earning assets	$ 1,748	$ (255)	$ 1,493
Interest bearing liabilities			
Interest bearing transaction accounts	$ 25	$ (18)	$ 7
Savings and money market accounts	44	(23)	21
Time deposits	(3)	91	88
Short-term debt	5	18	23
Federal Home Loan Bank advances	4	18	22
Note payable	(28)	26	(2)
Total interest bearing liabilities	$ 47	$ 112	$ 159
Net interest income			
Net interest income (taxable equivalent)	$ 1,701	$ (367)	$ 1,334
Taxable equivalent adjustment	(2)	90	88
Net interest income	$ 1,699	$ (277)	$ 1,422

Total interest income for the nine months ended September 30, 2017 was $24,084 and total interest expense was $1,932, resulting in net interest income of $22,152 for the period. For the same period of 2016, total interest income was $22,503 and total interest expense was $1,773, resulting in net interest income of $20,730 for the period. This represents an 6.86% increase in net interest income when comparing the same period from 2017 and 2016. When comparing the variances related to interest income for the nine months ended September 30, 2017 and 2016, the increase was primarily attributed to increases in average volumes in loans and taxable securities. When comparing variances related to interest expense for the nine months ended September 30, 2017 and 2016, the increase resulted primarily from an increase in the effective rates paid on time deposit accounts.

Provision for Loan Losses

The provision for loan losses represents a charge to earnings necessary to establish an allowance for loan losses that, in management's evaluation, is adequate to provide coverage for estimated losses on outstanding loans and to provide for uncertainties in the economy. As a result of evaluating the allowance for loan losses at September 30, 2017, management recorded a provision of $660 in the third quarter of 2017 compared to a provision of $215 in the third quarter of 2016. The increase in the provision was primarily related to an increase in the recorded allowance related to impaired loans as well as the increase in loans, excluding the loans acquired in the Keystone merger, from September 30, 2016 to September 30, 2017.

The allowance for loan losses is increased by a provision for loan losses, which is a charge to earnings, and it is decreased by loan charge-offs and increased by recoveries on loans previously charged off. In determining the adequacy of the allowance for loan losses, we consider our historical loan loss experience, the general economic environment, our overall portfolio composition and other relevant information. As these factors change, the level of loan loss provision changes. When individual loans are evaluated for impairment and impairment is deemed necessary, a specific allowance is required for the impaired portion of the loan amount. Subsequent changes in the impairment amount will generally cause corresponding changes in the allowance related to the impaired loan and corresponding changes to the loan loss provision. As of September 30, 2017, the recorded allowance related to impaired loans was $1,345. As of September 30, 2016, the recorded allowance related to impaired loans was $1,189.

Noninterest Income

In addition to net interest income, we generate various types of noninterest income from our operations. Our banking operations generate revenue from service charges and fees mainly on deposits accounts. Our mortgage division generates revenue from originating and selling mortgage loans. Our investment brokerage division generates revenue through a revenue-sharing relationship with a registered broker-dealer. We also own life insurance policies on several key employees and record income on the increase in the cash surrender value of these policies.

The following table sets forth the principal components of noninterest income for the periods indicated.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Service charges and fees	$ 746	$ 633	$ 2,159	$ 1,826
Investment brokerage revenue	18	48	49	182
Mortgage operations	516	437	1,410	982
Bank owned life insurance income	769	109	976	323
Net gain on sale of investment securities	-	-	3	14
Other noninterest income	120	112	251	257
Total noninterest income	$ 2,169	$ 1,339	$ 4,848	$ 3,584

Noninterest income for the three months ended September 30, 2017 was $2,169 compared to $1,339 for the same period in 2016. The increase of $660 in bank owned life insurance income is a result of death benefits received during the quarter. The increase of $113 in service charges and fees was primarily related to an increase in the number of deposit accounts and activity within the deposit accounts. The increase in mortgage operations revenue of $79 resulted from an increase in the volume of mortgage loans originated for sale in the quarter ended September 30, 2017 as compared to the third quarter of 2016. These increases were offset by a $30 decrease in investment brokerage revenue as a result of a decrease in investment brokerage activity.

Noninterest income for the nine months ended September 30, 2017 was $4,848 compared to $3,584 for the same period of 2016. This increase of $653 in bank owned life insurance income is a result of death benefits received during the quarter. The increase of $333 in service charges and fees was primarily related to an increase in the number of deposit accounts and activity within the deposit accounts. The increase in mortgage operations revenue of $428 resulted from an increase in the volume of mortgage loans originated for sale in 2017 as compared to the same period in 2016. These increases were offset by a $133 decrease in investment brokerage revenue as a result of a decrease in investment brokerage activity.

Noninterest Expense

Noninterest expenses consist primarily of salaries and employee benefits, building occupancy and equipment expenses, advertising and promotion expenses, data processing expenses, legal and professional services expense and miscellaneous other operating expenses.

The following table sets forth the principal components of noninterest expense for the periods indicated.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Salaries and employee benefits	$ 3,123	$ 2,876	$ 8,791	$ 8,089
Occupancy expenses	367	387	1,051	1,134
Equipment rentals, depreciation, and maintenance	233	111	630	580
Telephone and communications	63	-	202	-
Advertising and business development	179	70	538	274
Data processing	416	410	1,289	1,325
Foreclosed assets, net	66	(76)	137	23
Federal deposit insurance and other regulatory assessments	76	113	251	335
Legal and other professional services	122	196	382	624
Other operating expense	903	1,006	2,510	2,718
Total noninterest expense	$ 5,548	$ 5,093	$ 15,781	$ 15,102

Noninterest expense for the three months ended September 30, 2017 totaled $5,548 compared with $5,093 for the same period of 2016. The increase was primarily a result of increases in salaries and employee benefits expense and foreclosed assets expenses, but these increases were offset by continued expense reductions realized from the Keystone merger as systems and operations were consolidated. Salaries and employee benefits increased $247, or 8.59%, to $3,123 in the third quarter of 2017 from $2,876 in the third quarter of 2016. The number of full-time equivalent employees increased from approximately 128 at September 30, 2016 to approximately 142 at September 30, 2017 for an increase of approximately 10.94%. Equipment rentals, depreciation, and maintenance increased $122, or approximately 110%, in the third quarter of 2017 as compared to the third quarter of 2016 as a result of additional branches. Advertising and business development expenses increased 156% from $70 in the third quarter of 2016 to $179 in the third quarter of 2017. Foreclosed asset expense increased $142, or approximately 187%, in the third quarter of 2017 compared to the third quarter of 2016 as a result of a decrease in gains on sale of foreclosed assets. Legal and other professional services expense decreased $74 in the third quarter of 2017 as compared to the third quarter of 2016 as legal fees associated with the Keystone merger recognized in the third quarter of 2016 were not recognized in the third quarter of 2017.

Noninterest expense for the nine months ended September 30, 2017 totaled $15,781 compared with $15,102 for the same period of 2016. The increase was primarily a result of increases in salaries and employee benefits expense and advertising and business development expenses, but these increases were offset by continued expense reductions realized from the Keystone merger as systems and operations were consolidated. Salaries and employee benefits increased $702, or 8.68%, to $8,791 in the first nine months of 2017 from $8,089 in the first nine months of 2016. Equipment rentals, depreciation, and maintenance increased $50, or approximately 8.62%, in the first nine months of 2017 as compared to the first nine months of 2016. Advertising and business development expenses increased 96.35% from $264 in the first nine months of 2016 to $538 in the first nine months of 2017. Data processing expenses totaled $1,289 in the first nine months of 2017 compared to $1,325 in the first nine months of 2016 for a decrease of $36, or 2.72%, as a result of savings realized from the conversion to a new core processing system. Foreclosed asset expense increased $114, or 495.65%, in the first nine months of 2017 compared to the first nine months of 2016 as a result of a decrease in gains on sale of foreclosed assets. Legal and other professional services expense decreased $242 in the first nine months of 2017 as compared to the first nine months of 2016 as legal fees associated with the Keystone merger recognized in the first nine months of 2016 were not recognized in the first nine months of 2017.

Provision for Income Taxes

We recognized income tax expense of $880 for the three months ended September 30, 2017, compared to $1,014 for the three months ended September 30, 2016. The effective tax rate for the three months ended September 30, 2017 was 25.6% compared to 31.4% for the same period in 2016. The effective tax rate is affected by levels of items of income that are not subject to federal and/or state taxation and by levels of items of expense that are not deductible for federal and/or state income tax purposes. The primary reason for the decrease in the effective tax rate is the $660 increase in bank owned life insurance income as a result of nontaxable death benefits received during the quarter.

We recognized income tax expense of $2,939 for the nine months ended September 30, 2017, compared to $2,630 for the nine months ended September 30, 2016. The increase of $309, or 11.75%, resulted from the increase in net income before taxes of $1,289 in the first nine months of 2017 as compared to the first nine months of 2016. The effective tax rate for the nine months ended September 30, 2017 was 29.9% compared to 30.8% for the same period in 2016. The effective tax rate is affected by levels of items of income that are not subject to federal and/or state taxation and by levels of items of expense that are not deductible for federal and/or state income tax purposes. The primary reason for the decrease in the effective tax rate is the $653 increase in bank owned life insurance income as a result of nontaxable death benefits received during the current year.

Comparison of Financial Condition at September 30, 2017, and December 31, 2016

Overview

Our total assets decreased $1,247, or 0.15%, from December 31, 2016 to September 30, 2017. Loans, net of deferred fees and discounts, increased $6,848, or 1.33%, from December 31, 2016 to September 30, 2017. Securities available-for-sale increased by $20,608, or 11.24%, from December 31, 2016 to September 30, 2017. Cash and cash equivalents decreased $24,579, or 57.83% from December 31, 2016 to September 30, 2017 as funds were used to purchase investment securities and fund loan growth. Total deposits decreased $22,240, or 3.15%, from December 31, 2016 to September 30, 2017 mainly because seasonal deposits from December 31, 2016 were withdrawn. Federal Home Loan Bank advances increased from zero at December 31, 2016 to $15,000 at September 30, 2017. Total stockholders' equity increased $7,102, or 8.68%.

Investment Securities

We use our securities portfolio primarily to enhance our overall yield on interest-earning assets, as a source of liquidity, as a tool to manage our balance sheet sensitivity and regulatory capital ratios, and as a base from which to pledge assets for public deposits. When our liquidity position exceeds current needs and our expected loan demand, other investments are considered as a secondary earnings alternative. As investments mature or pay down, they are used to meet current cash needs, or they are reinvested to maintain our desired liquidity position. We have historically designated all our securities as available-for-sale to provide flexibility in case an immediate need for liquidity arises, and we believe that the composition of the portfolio offers needed flexibility in managing our liquidity position and interest rate sensitivity without adversely impacting our regulatory capital levels. Securities available-for-sale are reported at fair value, with unrealized gains or losses reported as a separate component of other comprehensive income, net of deferred taxes. Purchase premiums and discounts are recognized in income using the interest method over the terms of the securities.

During the nine months ended September 30, 2017, we purchased investment securities totaling $52,587 and sold investment securities with proceeds received of $13,246 including net realized gains of $3.

The following tables summarize the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of securities available-for-sale at September 30, 2017 and December 31, 2016.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2017:				
Securities available-for-sale:				
Residential mortgage-backed	$ 131,443	$ 142	$ (1,795)	$ 129,790
U.S. govt. sponsored enterprises	15,923	68	(111)	15,880
State, county, and municipal	55,827	843	(200)	56,470
Corporate debt obligations	1,828	10	(9)	1,829
Totals	$ 205,021	$ 1,063	$ (2,115)	$ 203,969

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016:				
Securities available-for-sale:				
Residential mortgage-backed	$ 111,611	$ 63	$ (2,999)	$ 108,675
U.S. govt. sponsored enterprises	15,506	44	(223)	15,327
State, county, and municipal	57,837	562	(813)	57,586
Corporate debt obligations	1,819	4	(50)	1,773
Totals	$ 186,773	$ 673	$ (4,085)	$ 183,361

Loans

Loans are the largest category of interest earning assets and typically provide higher yields than other types of interest earning assets. Associated with the higher loan yields are the inherent credit and liquidity risks which management attempts to control and counterbalance. Total loans averaged $517,421 during the three months ended September 30, 2017, or 70.2% of average interest earning assets, as compared to $497,869, or 72% of average interest earning assets, for the three months ended September 30, 2016. At September 30, 2017, total loans, net of deferred loan fees and discounts, were $523,289, compared to $516,441 at December 31, 2016, an increase of $6,848, or 1.33%.

The growth in average outstanding loans is primarily attributable to the Bank's ability to attract new customers from other financial institutions. We have hired experienced bankers in the markets we serve and these employees were successful in transitioning many of their former clients as well as bringing new clients to the Bank. Our bankers are expected to maintain calling efforts to develop relationships with clients and our philosophy is to be responsive to customer needs by providing service and decisions in a timely manner. Additionally, the markets we serve have shown some signs of economic recovery over the last few years which has increased demand for the services we provide.

The following table provides a summary of the loan portfolio as of September 30, 2017, and December 31, 2016.

	September 30, 2017		December 31, 2016	
	Amount	% of Total	Amount	% of Total
Residential real estate:				
Closed-end 1-4 family - first lien	$ 112,014	21.6%	$ 113,807	22.2%
Closed-end 1-4 family - junior lien	4,494	0.9%	4,791	0.9%
Multi-family	17,452	3.4%	17,043	3.3%
Total residential real estate	133,960	25.9%	135,641	26.4%
Commercial real estate:				
Nonfarm nonresidential	162,485	31.4%	161,198	31.5%
Farmland	7,522	1.5%	13,344	2.6%
Total commercial real estate	170,007	32.9%	174,542	34.1%
Construction and land development:				
Residential	24,040	4.6%	27,228	5.3%
Other	41,880	8.1%	37,221	7.3%
Total construction and land development	65,920	12.7%	64,449	12.6%
Home equity lines of credit	35,087	6.8%	35,761	7.0%
Commercial loans:				
Other commercial loans	89,736	17.3%	81,198	15.8%
Agricultural	1,543	0.3%	887	0.2%
State, county, and municipal loans	8,144	1.6%	8,719	1.7%
Total commercial loans	99,423	19.2%	90,804	17.7%
Consumer loans	22,558	4.4%	20,858	4.1%
Total gross loans	526,955	101.9%	522,055	101.9%
Allowance for loan losses	(5,004)	-1.0%	(4,007)	-0.8%
Net deferred loan fees and discounts	(3,666)	-0.9%	(5,614)	-1.1%
Net loans	$ 518,285	100.0%	$ 512,434	100.0%

In this context, a “real estate loan” is defined as any loan, secured by real estate, regardless of the purpose of the loan. It is common practice for financial institutions in our market areas, and for our Bank, to obtain a security interest or lien in real estate whenever possible, in addition to any other available collateral. This collateral is taken to reinforce the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the real estate loan portfolio component. In general, we prefer real estate collateral to many other potential collateral sources, such as accounts receivable, inventory and equipment.

Real estate loans are the largest component of our loan portfolio and include residential real estate loans, commercial real estate loans, construction and land development loans, and home equity lines of credit. At September 30, 2017, this category totaled $404,974, or 76.9% of total gross loans, compared to $410,393, or 78.6%, at December 31, 2016. Real estate loans decreased $5,419, or 1.32%, during the period December 31, 2016 to September 30, 2017. Commercial loans increased $8,619, or 9.49% during the same period. Our management team and lending officers have a great deal of experience and expertise in real estate lending and commercial lending.

The Federal regulatory agencies issued two “guidance” documents that have a significant impact on real estate related lending and, thus, on the operations of the Bank. One part of the guidance could require lenders to restrict lending secured primarily by certain categories of commercial real estate to a level of 300% of their capital or raise additional capital. This factor, combined with the current economic environment, could affect the Bank’s lending strategy away from, or to limit its expansion of, commercial real estate lending which has been a material part of River Financial Corporation’s lending strategy. This could also have a negative impact on our lending and profitability. Management actively monitors the composition of the Bank’s loan portfolio, focusing on concentrations of credit, and the results of that monitoring activity are periodically reported to the Board of Directors.

The other guidance relates to the structuring of certain types of mortgages that allows negative amortization of consumer mortgage loans. Although the Bank does not engage at present in lending using these types of instruments, the guidance could have the effect of making the Bank less competitive in consumer mortgage lending if the local market is driving the demand for such an offering.

Allowance for Loan Losses, Provision for Loan Losses and Asset Quality

Allowance for loan losses and provision for loan losses

The allowance for loan losses represents management's estimate of probable inherent credit losses in the loan portfolio. Management determines the allowance based on an ongoing evaluation of risk as it correlates to potential losses within the portfolio. Increases to the allowance for loan losses are made by charges to the provision for loan losses. Loans deemed to be uncollectible are charged against the allowance. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

Management utilizes a review process for the loan portfolio to identify loans that are deemed to be impaired. A loan is considered impaired when it is probable that the Bank will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement or when the loan is deemed to be a troubled debt restructuring. For loans and loan relationships deemed to be impaired that are $100, or greater, management determines the estimated value of the underlying collateral, less estimated costs to acquire and sell the collateral, or the estimated net present value of the cash flows expected to be received on the loan or loan relationship. These amounts are compared to the current investment in the loan and a specific allowance for the deficiency, if any, is specifically included in the analysis of the allowance for loan losses. For loans and loan relationships less than $100 that are deemed to be impaired, management applies a general loss factor of 15% and includes that amount in the analysis of the allowance for loan losses rather than specifically measuring the impairment for each loan.

All other loans are deemed to be unimpaired and are grouped into various homogeneous risk pools primarily utilizing regulatory reporting classification codes. The Bank's historical loss factors are calculated for each of the risk pools based on the percentage of net losses experienced as a percentage of the average loans outstanding. The time periods utilized in these historical loss factor calculations are subjective and vary according to management's estimate of the impact of current economic cycles. As every loan has a risk of loss, minimum loss factors are estimated based on long term trends for the Bank, the banking industry, and the economy. The greater of the calculated historical loss factors or the minimum loss factors are applied to the unimpaired loan amounts currently outstanding for the risk pool and included in the analysis of the allowance for loan losses. In addition, certain qualitative adjustments may be included by management as additional loss factors. These adjustments may include, among other things, changes in loan policy, loan administration, loan concentrations, and loan growth. The loss allocations for specifically impaired loans, smaller impaired loans not specifically measured for impairment, and unimpaired loans are totaled to yield the allowance for loan losses.

Management believes the data it uses in determining the allowance for loan losses is sufficient to estimate potential losses in the loan portfolio; however, actual results could differ from management's estimate.

The following table presents a summary of changes in the allowance for loan losses for the periods indicated.

	As of and for the Three Months Ended:		As of and for the Nine Months Ended:	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Allowance for loan losses at beginning of period	$ 4,401	$ 4,121	$ 4,007	$ 3,827
Charge-offs:				
Mortgage loans on real estate:				
Residential	-	-	-	-
Commercial real estate	21	15	136	15
Construction and land development	7	-	7	-
Total mortgage loans on real estate	28	15	143	15
Home equity lines of credit	-	-	100	10
Commercial	78	35	192	241
Consumer	9	27	94	36
Total	115	77	529	302
Recoveries:				
Mortgage loans on real estate:				
Residential	18	5	24	5
Commercial real estate	2	-	11	-
Construction and land development	4	3	10	10
Total mortgage loans on real estate	24	8	45	15
Home equity lines of credit	-	(4)	2	16
Commercial	33	14	85	52
Consumer	1	12	14	19
Total	58	30	146	102
Net Charge-offs (Recoveries)	57	47	383	200
Provision for loan losses	660	215	1,380	662
Allowance for loan losses at end of period	$ 5,004	$ 4,289	$ 5,004	$ 4,289
Total loans outstanding, net of deferred loan fees	523,289	499,813	523,289	499,813
Average loans outstanding, net of deferred loan fees	517,421	497,869	513,478	490,008
Allowance for loan losses to period end loans	0.96%	0.86%	0.96%	0.86%
Net charge-offs (recoveries) to average loans (annualized)	0.04%	0.04%	0.10%	0.06%

Allocation of the Allowance for Loan Losses

While no portion of the allowance for loans losses is in any way restricted to any individual loan or group of loans and the entire allowance is available to absorb losses from any and all loans, the following table represents management's allocation of the allowance for loan losses to specific loan categories as of the dates indicated.

	September 30, 2017		December 31, 2016	
	Amount	Percent of Total	Amount	Percent of Total
Mortgage loans on real estate:				
Residential	$ 1,084	21.7%	$ 563	14.1%
Commercial real estate	1,723	34.4%	1,506	37.6%
Construction and land development	572	11.4%	723	18.0%
Total mortgage loans on real estate	3,379	67.5%	2,792	69.7%
Home equity lines of credit	312	6.2%	187	4.7%
Commercial	1,074	21.5%	829	20.6%
Consumer	239	4.8%	199	5.0%
Total	$ 5,004	100.0%	$ 4,007	100.0%

Nonperforming Assets

The following table presents our nonperforming assets as of the dates indicated:

	September 30,		December 31,
	2017	2016	2016
Nonaccrual loans	$ 2,449	$ 2,420	$ 4,386
Accruing loans past due 90 days or more	962	963	39
Total nonperforming loans	3,411	3,383	4,425
Foreclosed assets	1,485	1,184	1,151
Total nonperforming assets	$ 4,896	$ 4,567	$ 5,576
Allowance for loan losses to period end loans	0.96%	0.86%	0.78%
Allowance for loan losses to period end nonperforming loans	146.70%	126.78%	90.55%
Net charge-offs (recoveries) to average loans (annualized)	0.10%	0.06%	0.14%
Nonperforming assets to period end loans and foreclosed property	0.93%	0.91%	1.08%
Nonperforming loans to period end loans	0.65%	0.68%	0.86%
Nonperforming assets to total assets	0.61%	0.60%	0.69%
Period end loans	523,289	499,813	516,441
Period end total assets	809,170	766,602	810,417
Allowance for loan losses	5,004	4,289	4,007
Average loans for the period	517,421	497,869	495,687
Net charge-offs for the period	383	200	698
Period end loans plus foreclosed property	524,774	500,997	517,592

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts that the borrower's financial condition is such that the collection of interest is doubtful. When a loan is placed on nonaccrual status, all accrued interest on the loan is reversed and deducted from earnings as a reduction of reported interest income. No additional interest is accrued on the loan balance until collection of both principal and interest becomes reasonably certain. Payments received while the loan is on nonaccrual status are applied to the loan's outstanding principal balance. When a problem loan is fully resolved, there may ultimately be an actual write-down or charge-off of the principal balance of the loan which would necessitate additional charges to the allowance for loan losses.

Deposits

Deposits, which include noninterest bearing demand deposits, interest bearing demand deposits, money market accounts, savings accounts, and time deposits, are the principal source of funds for the Bank. We offer a variety of products designed to attract and retain customers, with primary focus on building and expanding client relationships. Management continues to focus on establishing a comprehensive relationship with consumer and business borrowers, seeking deposits as well as lending relationships.

The following table details the composition of our deposit portfolio as of September 30, 2017, and December 31, 2016.

	September 30, 2017		December 31, 2016	
	Amount	Percent of Total	Amount	Percent of Total
Demand deposits, non-interest bearing	$ 165,897	24.3%	$ 185,270	26.3%
Demand deposits, interest bearing	191,518	28.1%	197,509	28.0%
Money market accounts	160,560	23.5%	160,677	22.8%
Savings deposits	27,977	4.1%	24,022	3.4%
Time certificates of $250 or more	36,154	5.3%	32,991	4.7%
Other time certificates	100,567	14.7%	104,444	14.8%
Totals	$ 682,673	100.0%	$ 704,913	100.0%

Total deposits were $682,673 at September 30, 2017, a decrease of $22,240 from December 31, 2016 with the decrease resulting mainly in the balances of demand deposits. Some of our demand deposit accounts are seasonal and typically have larger balances at year-end than at the end of other calendar quarters. The seasonality of these demand deposits is related to property tax collections and to agricultural production.

The following table presents the Bank's time certificates of deposits by various maturities as of September 30, 2017.

	All Time Deposits	Time Deposits $100 or more	Time Deposits less than $100
Three months or less	$ 19,512	$ 11,513	$ 7,999
Greater than three months through six months	28,728	19,015	9,713
Greater than six months through one year	38,375	23,879	14,496
Greater than one year through three years	32,528	20,664	11,864
Greater than three years	17,578	13,176	4,402
Total	$ 136,721	$ 88,247	$ 48,474

Other Funding Sources

We supplement our deposit funding with wholesale funding when needed for balance sheet planning and management or when the terms are attractive and will not disrupt our offering rates in our markets. A source we have used for wholesale funding is the Federal Home Loan Bank of Atlanta (FHLB). The line of credit with the FHLB is secured by pledges of various loans in our loan portfolio. At September 30, 2017, the FHLB line of credit available was $85,342 and at December 31, 2016 it was $88,071. As of September 30, 2017 we have $15,000 of Federal Home Loan Bank Advances outstanding. We also have lines of credit for federal funds borrowings with other banks that totaled $28,500 at September 30, 2017 and December 31, 2016. Furthermore, we have pledged certain loans to the Federal Reserve Bank (FRB) to secure a line of credit. At September 30, 2017, the FRB line of credit available was $65,898 and at December 31, 2016, the FRB line of credit available was $51,236. We have never drawn on the FRB line of credit and consider it a contingency line of credit to be used only for emergency liquidity management.

River borrowed $7,500 on January 4, 2016 and used the proceeds to fund the cash payments made to Keystone shareholders according to the merger agreement. The loan matures on December 31, 2022. The interest rate is floating and is equal to the Wall Street Journal Prime Rate. Quarterly principal payments of $268 plus accrued interest are due on March 31, June 30, September 30, and December 31 of each year.

Liquidity

Market and public confidence in our financial strength and financial institutions in general will largely determine our access to appropriate levels of liquidity. This confidence is significantly dependent on our ability to maintain sound asset quality and appropriate levels of capital reserves.

Liquidity is defined as the ability to meet anticipated customer demands for funds under credit commitments and deposit withdrawals at a reasonable cost and on a timely basis. We measure our liquidity position by giving consideration to both on- and off-balance sheet sources of and demands for funds on a daily, weekly and monthly basis.

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liabilities, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations cost-effectively and to meet current and future potential obligations such as loan commitments and unexpected deposit outflows. In this process, we focus on assets and liabilities and on the manner in which they combine to provide adequate liquidity to meet our needs.

Funds are available from a number of basic banking activity sources, including the core deposit base, the repayment and maturity of loans, and investment cash flows. Other funding sources include federal funds borrowings, brokered certificates of deposit and borrowings from the FHLB and FRB.

Cash and cash equivalents at September 30, 2017 and December 31, 2016, were $17,920 and $42,499, respectively. Based on recorded cash and cash equivalents, management believes River Financial Corporation's liquidity resources were sufficient at September 30, 2017 to fund loans and meet other cash needs as necessary.

Commitments

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized by the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. In most cases, the Company requires collateral or other security to support financial instruments with credit risk.

Financial instruments whose contract amount represents credit risk at September 30, 2017 and December 31, 2016 were as follows in (thousands):

	September 30, 2017	December 31, 2016
Commitments to extend credit	$ 133,940	$ 108,564
Stand-by and performance letters of credit	2,528	2,219
Total	$ 136,468	$ 110,783

Contractual Obligations

While our liquidity monitoring and management considers both present and future demands for and sources of liquidity, the following table of contractual commitments focuses only on future obligations as of September 30, 2017.

	Due in 1 year or less	Due after 1 through 3 years	Due after 3 through 5 years	Due after 5 years	Total
Federal Home Loan Bank advances	$ 15,000	$ -	$ -	$ -	$ 15,000
Certificates of deposit of less than $100	32,208	11,864	4,402	-	48,474
Certificates of deposit of $100 or more	54,408	20,664	12,601	574	88,247
Securities sold under agreements to repurchase	12,608	-	-	-	12,608
Note payable	1,071	2,143	2,143	268	5,625
Operating leases	595	998	969	668	3,230
Total contractual obligations	$ 115,890	$ 35,669	$ 20,115	$ 1,510	$ 173,184

Capital Position and Dividends

At September 30, 2017 and December 31, 2016, total stockholders' equity was $88,929 and $81,827, respectively. The increase of $7,102 resulted mainly from retained earnings and other comprehensive income for the nine months ended September 30, 2017. Retained earnings for the first nine months of 2017 increased $5,628 and other comprehensive income increased $1,489. The ratio of stockholders' equity to total assets was 10.99% and 10.1% at September 30, 2017 and December 31, 2016, respectively.

River Bank & Trust is subject to various regulatory capital requirements administered by the federal banking agencies. Certain items such as goodwill and other intangible assets are deducted from total capital in arriving at the various regulatory capital measures such as Common Equity Tier 1capital, Tier 1 capital, and total risk based capital. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on River Financial Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the River Bank & Trust must meet specific capital guidelines that involve quantitative measures of the bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory regulations and guidelines. River Bank & Trust's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures, established by regulation to ensure capital adequacy effective January 1, 2015, require River Bank & Trust to maintain minimum amounts and ratios (set forth in the table below) of total risk based capital, Common Equity Tier 1 capital, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined).

Management believes, as of September 30, 2017, that the Bank meets all capital adequacy requirements to which it is subject. The following table presents the Bank's capital amounts and ratios as of September 30, 2017 with the required minimum levels for capital adequacy purposes including the phase in of the capital conservation buffer under Basel III and minimum levels to be well capitalized (as defined) under the regulatory prompt corrective action regulations.

As of September 30, 2017:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (To Risk-Weighted Assets)	$ 88,761	14.77%	$ 55,588	>= 9.250%	$ 60,095	>= 10.00%
Common Equity Tier 1 Capital (To Risk-weighted Assets)	83,757	13.94%	34,548	>= 5.750%	39,055	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	83,757	13.94%	43,561	>= 7.250%	48,067	>= 8.00%
Tier 1 Capital (To Average Assets)	83,757	10.55%	31,756	>= 4.000%	39,695	>= 5.00%

Management believes, as of December 31, 2016, that the Bank met all capital adequacy requirements to which it was subject at the time. The following table presents the Bank's capital amounts and ratios as of December 31, 2016 with the required minimum levels for capital adequacy purposes and minimum levels to be well capitalized (as defined) under the prompt corrective action regulations.

As of December 31, 2016:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (To Risk-Weighted Assets)	$ 81,719	13.68%	$ 51,522	>= 8.625%	$ 59,736	>= 10.00%
Common Equity Tier 1 Capital (To Risk-weighted Assets)	77,712	13.01%	30,613	>= 5.125%	38,826	>= 6.50%
Tier 1 Capital (To Risk-Weighted Assets)	77,712	13.01%	39,573	>= 6.625%	47,786	>= 8.00%
Tier 1 Capital (To Average Assets)	77,712	9.96%	31,210	>= 4.000%	39,012	>= 5.00%

River Financial Corporation's principal source of funds for dividend payments and debt service is dividends received from River Bank & Trust. There are statutory limitations on the payment of dividends by River Bank & Trust to River Financial Corporation. As of September 30, 2017, the maximum amount the Bank could dividend to River Financial Corporation without prior regulatory authority approval was approximately $11,243. In addition to dividend restrictions, federal statutes prohibit unsecured loans from banks to bank holding companies.

During the nine months ending September 30, 2017 there were 19,000 incentive stock options issued with a weighted average exercise price of $20.25 per share. During the same period, there were 19,550 incentive stock options exercised at a weighted average exercise price of $11.73 per share. A total of 266,875 incentive stock options were outstanding as of September 30, 2017 with a weighted average exercise price of $14.72 per share and a weighted average remaining life of 6.10 years.

Interest Sensitivity and Market Risk

Management monitors and manages the pricing and maturity of our assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on net interest income. The principal monitoring technique employed by the Bank is simulation analysis.

In simulation analysis, we review each asset and liability category and its projected behavior in various different interest rate environments. These projected behaviors are based on management's past experience and on current competitive environments, including the various environments in the different markets in which we compete. Using projected behavior and differing rate scenarios as inputs, the simulation analysis generates projections of net interest income. We also periodically verify the validity of this approach by comparing actual results with those that were projected in previous models.

Another technique used in interest rate management, but to a lesser degree than simulation analysis, is the measurement of the interest sensitivity "gap", which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. Interest rate sensitivity can be managed by repricing assets and liabilities, selling securities available for sale, replacing an asset or liability at maturity or by adjusting the interest rate during the life of an asset or liability.

We evaluate interest rate sensitivity risk and then formulate guidelines regarding asset generation and repricing, and sources and prices of off-balance sheet commitments in order to maintain interest sensitivity risk at levels deemed prudent by management. We use computer simulations to measure the net income effect of various rate scenarios. The modeling reflects interest rate changes and the related impact on net income over specified periods of time.

The following table illustrates our interest rate sensitivity at September 30, 2017, assuming the relevant assets and liabilities are collected and paid, respectively, based upon historical experience rather than their stated maturities.

	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yrs	2-3 Yrs	>3 Yrs	Total
Interest earning assets							
Loans	$124,660	$ 38,749	$107,722	$ 87,660	$ 64,121	$100,377	$523,289
Securities	3,171	10,535	26,903	35,009	23,280	105,071	203,969
Certificates of deposit in banks	-	-	1,493	251	973	2,497	5,214
Cash balances in banks	6,276	-	-	-	-	-	6,276
Total interest earning assets	$134,107	$ 49,284	$136,118	$122,920	$ 88,374	$207,945	$738,748
Interest bearing liabilities							
Interest bearing transaction accounts	$ 78,734	$ 3,832	$ 17,000	$ 22,988	$ 22,988	$ 45,976	$191,518
Savings and money market accounts	106,122	3,370	15,444	20,218	20,218	23,165	188,537
Time deposits	5,962	14,001	66,654	23,468	9,060	17,576	136,721
Securities sold under agreements to repurchase	12,608	-	-	-	-	-	12,608
Note payable	-	268	804	1,072	1,072	2,409	5,625
Total interest bearing liabilities	$208,426	$ 31,471	$ 99,902	$ 67,746	$ 53,338	$ 89,126	$550,009
Interest sensitive gap							
Period gap	$ (74,319)	$ 17,813	$ 36,216	$ 55,174	$ 35,036	$118,819	$188,739
Cumulative gap	$ (74,319)	$(56,506)	$ (20,290)	$ 34,884	$ 69,920	$188,739	
Cumulative gap - Rate Sensitive Assets/ Rate Sensitive Liabilities	-10.1%	-7.6%	-2.7%	4.7%	9.5%	25.5%	

The Bank generally benefits from increasing market interest rates when it has an asset-sensitive gap (a positive number) and generally benefits from decreasing market interest rates when it is liability sensitive (a negative number). As shown in the table above, the Bank is liability sensitive on a cumulative basis throughout the one year time frame. The interest sensitivity analysis presents only a static view of the timing and repricing opportunities, without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. For example, rates paid on a substantial portion of core deposits may change contractually within a relatively short time frame, but those are viewed by management as significantly less interest sensitive than market-based rates such as those paid on non-core deposits. For this and other reasons, management relies more upon the simulations analysis (as noted above) in managing interest rate risk. Net interest income may be impacted by other significant factors in a given interest rate environment, including changes in volume and mix of interest earning assets and interest bearing liabilities.

The Bank's earnings are dependent, to a large degree, on its net interest income, which is the difference between interest income earned on all interest earning assets, primarily loans and securities, and interest paid on all interest bearing liabilities, primarily deposits. Market risk is the risk of loss from adverse changes in market prices and interest rates. Our market risk arises primarily from inherent interest rate risk in our lending, investing and deposit gathering activities. We seek to reduce our exposure to market risk through actively monitoring and managing interest rate risk. Management relies on simulations analysis to evaluate the impact of varying levels of prevailing interest rates and the sensitivity of specific earning assets and interest bearing liabilities to changes in those prevailing rates. Simulation analysis consists of evaluating the impact on net interest income given changes from 400 basis points below the current prevailing rates to 400 basis points above current prevailing interest rates. Management makes certain assumptions as to the effect varying levels of interest rates have on certain interest earning assets and interest bearing liabilities, which assumptions consider both historical experience and consensus estimates of outside sources.

The following table illustrates the results of our simulation analysis to determine the extent to which market risk would affect net interest income for the next twelve months if prevailing interest rates increased or decreased by the specified amounts from current rates. As noted above, this model uses estimates and assumptions in asset and liability account rate reactions to changes in prevailing interest rates. However, to isolate the market risk inherent in the balance sheet, the model assumes that no growth in the balance sheet occurs during the projection period. This model also assumes an immediate and parallel shift in interest rates, which would result in no change in the shape or slope of the interest rate yield curve. Because of the inherent use of the estimates and assumptions in the simulation model to derive this market risk information, the actual results of the future impact of market risk on our net interest income may differ from that found in the table. Given the current level of prevailing interest rates, management believes prevailing market rates falling 300 basis points and 400 basis points are not reasonable assumptions. All other simulated prevailing interest rates changes modeled indicate a level of sensitivity of the Bank's net interest income to those changes that is acceptable to management and within established Bank policy limits as of both dates shown.

	Impact on net interest income	
	As of September 30, 2017	As of December 31, 2016
Change in prevailing rates:		
+ 400 basis points	(1.46)%	(0.40)%
+ 300 basis points	(0.47)%	0.20%
+ 200 basis points	0.09%	0.48%
+ 100 basis points	0.50%	0.38%
+ 0 basis points	—	—
- 100 basis points	(4.47)%	(3.10)%
- 200 basis points	(9.82)%	(8.68)%
- 300 basis points	(11.37)%	(10.50)%
- 400 basis points	(12.30)%	(11.52)%

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including our Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the nine months ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various legal proceedings to which River Financial Corporation (the “Company”) or a subsidiary of the Company is a party arise from time to time in the normal course of business. There are no material pending legal proceedings to which the Company or a subsidiary is a party or of which any of their property is the subject.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors,” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 that could materially affect the Company’s business, financial condition or future results. The risks described in the Company’s Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company’s business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 30, 2017, the Company sold 9,755 shares to its employee stock ownership plan for cash. The Company relied upon the exemption from registration under SEC Rule 147.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 *	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

Index to Exhibits

The following is an index of exhibits including items incorporated by reference:

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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RIVER FTNANCIAL CORPORATION

Date: November 9, 2017

By: /s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)

Date: November 9, 2017

By: /s/ Kenneth H. Givens
Kenneth H. Givens
Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, James M. Stubbs, certify that:

1. I have reviewed this report on Form 10-Q of River Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this period report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated history, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

RIVER FINANCIAL CORPORATION

November 9, 2017

/s/ James M. Stubbs

James M. Stubbs
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Kenneth H. Givens, certify that:

1. I have reviewed this report on Form 10-Q of River Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this period report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated history, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

RIVER FINANCIAL CORPORATION

November 9, 2017

/s/ Kenneth H. Givens

Kenneth H. Givens
Chief Financial Officer

Exhibit 32

CERTIFICATIONS OF CEO AND CFO PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

CERTIFICATES PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of River Financial Corporation, an Alabama corporation (the “Company”), on Form 10-Q for the period ending September 30, 2017 as filed with the Securities and Exchange Commission (the “Report”), each of James M. Stubbs, Chief Executive Officer of the Company and Kenneth H. Givens, Chief Financial Officer of the Company, do hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

RIVER FINANCIAL CORPORATION

/s/ James M. Stubbs
James M. Stubbs
Chief Executive Officer
(principal executive officer)
Date: November 9, 2017

RIVER FINANCIAL CORPORATION

/s/ Kenneth H. Givens
Kenneth H. Givens
Chief Financial Officer
(principal financial officer and accounting officer)
Date: November 9, 2017

A signed original of this written statement required by Section 906 has been provided to River Financial Corporation and will be retained by River Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.