

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**BANK OF IDAHO
HOLDING COMPANY
AND SUBSIDIARY**

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	3
Consolidated Statements of Income	4
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Stockholders’ Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10
SUPPLEMENTARY INFORMATION	
Consolidating Balance Sheet	49
Consolidating Statement of Income	52
Consolidating Statement of Comprehensive Income	54
Consolidating Statement of Changes in Stockholders’ Equity	56



Independent Auditor's Report

To the Board of Directors and Stockholders
Bank of Idaho Holding Company and Subsidiary
Idaho Falls, Idaho

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bank of Idaho Holding Company and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and their cash flows of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 48 through 56 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
February 27, 2020

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 7,718,283	\$ 7,322,475
Interest bearing deposits in bank	<u>33,692</u>	<u>17,586,340</u>
Cash and cash equivalents	7,751,975	24,908,815
Certificates of deposit	288,600	288,600
Securities	84,960,004	88,614,713
Federal Home Loan Bank stock, at cost	842,800	385,900
Mortgage loans held for sale	15,017,358	3,780,015
Loans, net of allowance for loan losses of \$4,336,622 and \$4,082,720 at December 31, 2019 and 2018, respectively	279,065,768	205,225,643
Accrued interest receivable	1,447,588	1,547,351
Premises and equipment, net	6,288,421	5,610,114
Right of use asset operating leases	2,336,841	-
Right of use asset financing leases	3,012,744	-
Other real estate owned	2,926,992	3,139,605
Other assets	<u>1,312,824</u>	<u>445,279</u>
	<u><u>\$ 405,251,915</u></u>	<u><u>\$ 333,946,035</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing, demand	\$ 140,929,422	\$ 112,891,006
Interest-bearing		
NOW demand	86,650,837	83,453,562
Savings	75,849,176	71,668,968
Money market	18,025,562	13,889,322
Time certificates of deposit	<u>13,913,734</u>	<u>15,095,991</u>
Total deposits	335,368,731	296,998,849
Accrued interest payable	17,536	13,523
Accounts payable and accrued liabilities	2,472,486	2,922,900
Operating lease liabilities	2,354,551	-
Stock appreciation rights	221,457	219,672
Federal Home Loan Bank advances	11,040,000	-
Finance lease borrowings	<u>3,078,354</u>	<u>-</u>
Total liabilities	354,553,115	300,154,944
STOCKHOLDERS' EQUITY		
Common stock, no par value, 4,000,000 shares authorized; and 2,526,085 and 1,776,085 shares issued and outstanding at December 31, 2019 and 2018, respectively	26,688,868	12,505,209
Retained earnings	23,443,058	22,173,633
Accumulated other comprehensive income (loss)	<u>566,874</u>	<u>(887,751)</u>
Total stockholders' equity	<u><u>50,698,800</u></u>	<u><u>33,791,091</u></u>
	<u><u>\$ 405,251,915</u></u>	<u><u>\$ 333,946,035</u></u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$ 14,684,237	\$ 12,567,381
Securities available for sale	2,282,427	2,094,688
Interest on interest bearing deposits and certificates of deposit	464,380	321,562
Total interest and dividend income	17,431,044	14,983,631
INTEREST EXPENSE		
NOW demand and savings	177,565	172,624
Money market	20,033	13,622
Time certificates of deposit	69,478	51,843
Federal Home Loan Bank advances and other borrowings	75,158	2
Total interest expense	342,234	238,091
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	17,088,810	14,745,540
Provision for loan losses	774,300	925,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	16,314,510	13,820,540
NONINTEREST INCOME		
Service charges on deposit accounts	572,462	583,864
Gain on sale of mortgage loans held for sale	3,142,064	2,261,411
Merchant card income	25,946	22,044
Trust fee income	1,389,335	1,312,185
Gain on sale and call of securities	159,566	25,224
Gain on sale of other real estate owned	8,518	-
Other	65,741	68,967
Total noninterest income	5,363,632	4,273,695

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME CONTINUED
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
NONINTEREST EXPENSE		
Salaries, wages and benefits	\$ 12,239,068	\$ 9,472,897
Net occupancy expense	2,100,550	1,623,053
Advertising and business development	1,031,491	585,175
Accounting and consulting	353,977	351,383
Bankcard and merchant services	385	(165)
Data processing	1,414,255	895,674
Legal	252,176	149,339
Telephone, postage and courier	244,184	207,131
Other real estate owned expense	58,412	38,649
Loss on sale of other real estate owned	-	26,924
Office supplies	150,368	98,519
FDIC assessment	48,110	99,400
General and administrative	1,540,544	873,869
Total noninterest expense	<u>19,433,520</u>	<u>14,421,848</u>
INCOME BEFORE INCOME TAXES	\$ 2,244,622	3,672,387
Income tax expense (benefit)	<u>\$ (469,435)</u>	<u>-</u>
NET INCOME	<u>\$ 2,714,057</u>	<u>\$ 3,672,387</u>
Basic earnings per share	\$ 1.28	\$ 2.07
Diluted earnings per share	\$ 1.27	\$ 2.05

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Net Income Attributed to the Company	\$ 2,714,057	\$ 3,672,387
Unrealized gains (losses) on securities		
Unrealized holding gains (losses) arising during period	1,818,267	(693,840)
Tax effect	(223,708)	-
Less: reclassification adjustment for gains included in gain on sale and call of securities	(159,566)	(25,224)
Tax effect	19,632	-
Other Comprehensive Income (Loss)	1,454,625	(719,064)
Comprehensive Income	\$ 4,168,682	\$ 2,953,323

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Total Stockholders' Equity	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)
		Number of Shares	Amount		
Balance, December 31, 2017	<u>\$ 32,347,440</u>	<u>1,776,085</u>	<u>\$ 12,505,209</u>	<u>\$ 20,010,918</u>	<u>\$ (168,687)</u>
Net income	3,672,387	-	-	3,672,387	-
Other comprehensive income (loss), net	(719,064)	-	-	-	(719,064)
Cash dividends	(1,509,672)	-	-	(1,509,672)	-
Balance, December 31, 2018	<u>\$ 33,791,091</u>	<u>1,776,085</u>	<u>\$ 12,505,209</u>	<u>\$ 22,173,633</u>	<u>\$ (887,751)</u>
Net income	2,714,057	-	-	2,714,057	-
S-Corp to C-Corp OCI adjust	(234,994)	-	-	(234,994)	-
Issuance of common stock	14,176,226	750,000	14,176,226	-	-
ASC 842 (leasing) implementation	122,426	-	-	122,426	-
Other comprehensive income (loss), net	1,454,625	-	-	-	1,454,625
Equity compensation expense	7,433	-	7,433	-	-
Cash dividends	(1,332,064)	-	-	(1,332,064)	-
Balance, December 31, 2019	<u>\$ 50,698,800</u>	<u>2,526,085</u>	<u>\$ 26,688,868</u>	<u>\$ 23,443,058</u>	<u>\$ 566,874</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,714,057	\$ 3,672,387
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Provision for loan losses	774,300	925,000
Market value adjustment to other real estate owned	57,080	-
Net amortization for premiums on securities	409,972	735,772
Amortization of net deferred loan fees	(535,312)	(380,003)
Depreciation of premises and equipment	594,690	530,381
Amortization of ROU assets	637,337	-
Net change in mortgage loans held for sale	(8,095,279)	4,280,425
Gain on sale of mortgage loans held for sale	(3,142,064)	(2,261,411)
Gain on sale of other real estate owned	(8,518)	26,924
Gain on sale and call of securities	(159,566)	(25,224)
Stock appreciation rights expense	1,785	60,844
Equity compensation expense	7,433	-
Changes in assets and liabilities		
Accrued interest receivable	99,763	176,738
Other assets	(1,306,615)	(228,414)
Accrued interest payable	4,013	(2,799)
Accounts payable and accrued liabilities	(327,988)	827,793
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(8,274,912)</u>	<u>8,338,413</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale		
Maturities, prepayments, and calls	12,253,148	9,641,351
Sales	15,928,550	4,311,790
Purchases	(23,118,694)	(20,362,508)
Net change in FHLB stock	(456,900)	(34,900)
Proceeds from maturities of certificate of deposit in banks	288,600	288,600
Purchases of certificates of deposits in banks	(288,600)	(288,600)
Net (increase) decrease in loans	(74,079,113)	(13,406,172)
Purchases of premises and equipment	(1,272,997)	(512,943)
Proceeds from sales of other real estate owned	164,051	498,283
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(70,581,955)</u>	<u>(19,865,099)</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for dividends	\$ (1,332,064)	\$ (1,509,672)
Proceeds from FHLB advances and other borrowings	11,040,000	-
Principal payments on operating leases	(468,062)	-
Principal payments on financing leases	(85,955)	-
Net increase in deposits	38,369,882	10,484,761
Proceeds from the issuance of common stock	14,176,226	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>61,700,027</u>	<u>8,975,089</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,156,840)	(2,551,597)
CASH AND CASH EQUIVALENTS, beginning of year	<u>24,908,815</u>	<u>27,460,412</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,751,975</u>	<u>\$ 24,908,815</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	\$ 338,221	\$ 240,890
Income taxes	\$ 610,311	\$ -
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Acquisition of real estate in settlement of loans	\$ -	\$ 3,033,300
Loans provided for sales of real estate owned	\$ -	\$ 126,778

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidated Financial Statement Presentation

The consolidated financial statements include the financial statements of the Bank of Idaho Holding Company and its wholly-owned subsidiary, the Bank of Idaho (the Bank), collectively referred to as the Company. The Bank is subject to comprehensive regulation, examination, and supervision by the Federal Deposit Insurance Corporation and the State of Idaho Department of Financial Institutions. All significant intercompany balances have been eliminated in consolidation. The accounting and reporting policies of the Bank conform to accounting principles generally accepted in the United States of America and general practice within the banking industry.

Description of Business

The Company has banking locations in Idaho Falls, Idaho; Ashton, Idaho; Pocatello, Idaho; St. Anthony, Idaho; Island Park, Idaho; Boise, Idaho; a Loan Production Office in Nampa, Idaho; and a mortgage origination office in Twin Falls, Idaho. The Bank grants commercial, residential, and installment loans to customers located primarily in southeastern Idaho and the Treasure Valley of Idaho.

Use of Estimates and Transfers of Financial Assets

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the consolidated balance sheets and certain revenues and expenses for the period. Actual results could differ, either positively or negatively, from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures, or in satisfaction of loans.

Management believes that the allowance for loan losses is adequate. While management uses currently available information to recognize losses on loans and other real estate (when owned), future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and other real estate owned. Such agencies may require the Bank to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity at a fixed price.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Cash on Hand and in Banks

Cash consists of vault cash, cash items in the process of collection and noninterest bearing deposits with financial institutions. Interest bearing deposits include cash being held at the Federal Reserve. These deposits may exceed the FDIC insured limits.

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, as well as interest bearing deposits, all of which mature within 90 days.

Securities

The Bank classifies its securities in two categories, held to maturity or available for sale. Held to maturity securities are those securities, which the Company has the ability and intent to hold until maturity. All other securities not included in held to maturity are classified as available for sale.

Available for sale securities are recorded at fair value. Unrealized holding gains and losses on available for sale securities are reported as a net amount in other comprehensive income. Held to maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Gains or losses on the sale of securities available for sale are recorded on the trade date and are determined on the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

The Bank has adopted accounting guidance related to recognition and presentation of other-than-temporary impairment. This accounting guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for other-than-temporary impairment losses on debt and equity securities. The recent guidance specifies that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery; the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income (loss).

Declines in the fair value of individual available for sale and held to maturity securities below their cost that are other-than-temporary result in write downs of the individual securities to their fair value. Related write-downs are included in earnings as realized losses. No such write-downs have occurred.

Federal Home Loan Bank Stock

The Bank holds stock in the Federal Home Loan Bank (FHLB). Federal Home Loan Bank stock is a required investment for institutions that are members of the FHLB. The required investment in the common stock is based on a predetermined formula and is carried at cost on the balance sheet. The stock can be sold back to the FHLB at cost, but is restricted as to purchase and sale based on the level of business activity the Company is engaged in with the FHLB. The Company had \$842,800 and \$385,900 in FHLB stock at December 31, 2019 and 2018, respectively.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Fair Value Measurements

The Company determined the fair value of certain assets in accordance with the provisions of FASB Accounting Standards Codification Topic Accounting Standards Codification 820, Fair Value Measurements, which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. It is required that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The Standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

Loans

The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans throughout southeastern Idaho. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off generally are reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on impaired loans is discontinued generally when the loan becomes 90 days delinquent or when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, and if the Bank does not feel they are adequately secured, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Mortgage Loans Held for Sale

The Bank originates mortgage loans for sale to investors in the secondary market. Loans held for sale are carried at the lower of aggregate cost or market as determined by outstanding commitments from investors. Gains and losses resulting from the sale of loans are determined on the specific-identification method and reflect the extent that the sale proceeds, based on the contractual commitment entered into by the Bank and the investor, exceed or are less than the Bank's investment in the loans.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Allowances for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is probable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. General component cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments or principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

Premises and Equipment

Land and construction in process is carried at cost. Buildings, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed by the straight-line method over the estimated useful lives from 3 to 30 years. Leasehold improvements are amortized over the terms of the related leases or the estimated useful lives of the improvements, whichever is shorter. Normal costs of maintenance and repairs are charged to expense as incurred.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Income Taxes

On January 1, 2019, the Company, with the consent of its stockholders, elected to change its organization type from an S-Corporation to a C-Corporation. As an S-Corporation, in lieu of corporate income taxes, the stockholders' separately account for their pro rata shares of the Company's items of income, deductions, losses, and credits. As a C-Corporation, the Company will pay income taxes directly. As a result of this change the Company recorded an initial deferred tax asset totaling \$921,541 and a reduction of \$234,994 to accumulated other comprehensive income. The offset to these entries was a tax expense benefit of \$1,156,536.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment, intangible assets, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2019 and 2018, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to Federal and state tax examinations by tax authorities for years before 2016.

Earnings Per Share (EPS)

Basic EPS represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued.

Off-balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, performance standby letters of credit, and home equity lines-of-credit. Such financial instruments are recorded in the consolidated financial statements when they become funded. These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets.

Other Real Estate Owned

Other Real Estate Owned (OREO) acquired through, or in lieu of, loan foreclosure is held for sale and initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expense from operations and changes in the valuation allowance are included in income and expense from foreclosed assets.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Long-lived Assets

The Bank evaluates the carrying value of long-lived assets based on current and anticipated discounted cash flows and recognizes impairment when such cash flows will be less than the carrying value of the asset. There was no impairment recorded as of December 31, 2019 or December 31, 2018.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as separate components of the equity section of the consolidated balance sheet, such items, along with net income are components of comprehensive income.

Stock Compensation Plan

The Company implemented FASB ASC 718, *Stock Compensation*, which requires the recognition of compensation cost in the financial statements of the Company. Compensation expense is recorded on a straight-line attribution basis over the vesting period of the options. The compensation expense of options is calculated using the Black-Scholes option pricing model.

Advertising

The Bank expenses advertising costs as they are incurred. Total advertising expense was approximately \$624,624 and \$369,228 as of December 31, 2019 and 2018, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or stockholders' equity.

Recent Accounting Guidance

Adoption of Accounting Standards Codification Topic 606

As of January 1, 2019, the Company adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Company's revenues come from interest income and other sources, including loans, leases, and securities, that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within Non-Interest Income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposit accounts, merchant card income, trust fee income, and the sale of other real estate owned. There was no significant impact to the Bank resulting from the adoption of ASC 606.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Adoption of Accounting Standards Codification Topic 842

Effective October 1, 2019, the Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Company elected to apply the guidance as of January 1, 2019, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company recognized on October 1, 2019, a cumulative effect adjustment to retained earnings of \$122,426, an operating lease liability of \$2,822,613, an operating lease right-of-use asset of \$2,882,613, a financing lease borrowing of \$3,164,309 and a financing lease right of use asset of \$3,164,309. The adoption of the new standard did not materially impact the Company's Statements of Income or Statements of Cash Flows. See Note 6 for further disclosure of the Company's lease contracts.

NOTE 2 – RESTRICTION ON CASH AND CASH EQUIVALENTS

In connection with the Company's facilitation of interest rate swap agreements between customers of the Bank and Pacific Coast Bankers Bank, the Company must maintain an amount of non-interest bearing balances with Pacific Coast Bankers Bank, the holder of the swap agreement. The total restricted cash held was approximately \$250,000 as of December 31, 2019 and 2018.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 - SECURITIES

Securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost and fair value of investment securities as of December 31, 2019 and 2018 are summarized as follows:

December 31, 2019

	Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Collateralized mortgage obligations	\$ 72,557,851	\$ 1,170,829	\$ (336,448)	\$ 73,392,232
Mortgage backed securities	8,835,639	48,992	(39,687)	8,844,944
State and municipal securities	2,795,564	-	(72,736)	2,722,828
	<u>\$ 84,189,054</u>	<u>\$ 1,219,821</u>	<u>\$ (448,871)</u>	<u>\$ 84,960,004</u>

December 31, 2018

	Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Collateralized mortgage obligations	\$ 67,917,080	\$ 175,618	\$ (989,317)	\$ 67,103,381
Mortgage backed securities	12,423,033	16,732	(76,399)	12,363,366
State and municipal securities	9,162,351	83,424	(97,809)	9,147,966
	<u>\$ 89,502,464</u>	<u>\$ 275,774</u>	<u>\$ (1,163,525)</u>	<u>\$ 88,614,713</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The amortized cost and estimated fair value of securities at December 31, 2019, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due in less than one year	\$ -	\$ -
Due in one to five years	-	-
Due in five to ten years	2,012,211	1,953,369
Due after ten years	783,353	769,459
	<u>2,795,564</u>	<u>2,722,828</u>
Mortgage backed securities	8,835,639	8,844,944
Collateralized mortgage obligations	72,557,851	73,392,232
	<u>81,393,490</u>	<u>82,237,176</u>
	<u>\$ 84,189,054</u>	<u>\$ 84,960,004</u>

The following tables shows the Bank's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2019 and 2018. These securities consist primarily of debt securities and are not considered other-than-temporarily impaired because their impairment is due primarily to short-term fluctuation in interest rates. These securities all relate to available for sale holdings.

There were 39 securities with unrealized losses at December 31, 2019, not recognized in income.

As of December 31, 2019	Less than 12 Months		More than 12 Months		Total	
	Unrealized		Unrealized		Unrealized	
Description of Securities	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Mortgage backed securities	\$ 1,580,038	\$ (25,097)	\$ 2,675,499	\$ (14,590)	\$ 4,255,537	\$ (39,687)
Collateralized mortgage obligations	16,844,547	(140,690)	13,976,756	(195,758)	30,821,303	(336,448)
State and Municipal securities	2,722,829	(72,736)	-	-	2,722,829	(72,736)
TOTAL TEMPORARILY IMPAIRED SECURITIES	<u>\$ 21,147,414</u>	<u>\$ (238,523)</u>	<u>\$ 16,652,255</u>	<u>\$ (210,348)</u>	<u>\$ 37,799,669</u>	<u>\$ (448,871)</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

There were 74 securities with unrealized losses at December 31, 2018, not recognized in income:

As of December 31, 2018	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities						
Mortgage backed securities	\$ 3,010,231	\$ (5,991)	\$ 7,733,033	\$ (70,408)	\$ 10,743,264	\$ (76,399)
Collateralized mortgage obligations	7,588,938	(44,048)	45,152,681	(945,269)	52,741,619	(989,317)
State and Municipal securities	1,146,390	(4,033)	4,457,048	(93,776)	5,603,438	(97,809)
TOTAL TEMPORARILY IMPAIRED SECURITIES	<u>\$ 11,745,559</u>	<u>\$ (54,072)</u>	<u>\$ 57,342,762</u>	<u>\$ (1,109,453)</u>	<u>\$ 69,088,321</u>	<u>\$ (1,163,525)</u>

At December 31, 2019 and 2018, there were no securities that had an unrealized loss of more than 5% of the Bank's amortized cost basis.

The Bank adheres to required recognition and presentation guidance for other-than-temporary impairment. The guidance specifies that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery; the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company will receive full value for the securities. Furthermore, as of December 31, management also had the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or re-pricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2019, management believes the impairments detailed in the table above are temporary and no impairment loss has been realized in the Company's consolidated statements of income.

Proceeds from the sale of available-for-sale securities during the year ended December 31, 2019 were \$15,928,550 resulting in gross realized gains of \$218,178 and gross realized losses of \$58,612. Proceeds from the sale of available-for-sale securities during the year ended December 31, 2018 were \$4,311,790 resulting in gross realized gains of \$31,859 and gross realized losses of \$6,635.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Investment securities were pledged as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
FHLB advances	\$ 2,157,384	\$ 2,181,541	\$ 3,361,103	\$ 3,336,734
Public and nonpublic deposits, fed discount window and other	22,288,858	22,708,145	13,729,511	13,627,328
	<u>\$24,446,242</u>	<u>\$24,889,686</u>	<u>\$ 17,090,614</u>	<u>\$ 16,964,062</u>

NOTE 4 - LOANS

Loans consisted of the following as of December 31:

	2019	2018
Commercial	\$ 41,579,318	\$ 35,285,773
Commercial real estate	183,599,726	118,096,725
Agricultural loans	38,186,403	37,634,313
Consumer	18,419,856	16,503,469
Residential real estate	2,766,858	2,403,638
	<u>284,552,161</u>	<u>209,923,918</u>
Less allowance for loan losses	(4,336,622)	(4,082,720)
Less deferred loan fees, net	<u>(1,149,771)</u>	<u>(615,555)</u>
	<u>\$ 279,065,768</u>	<u>\$ 205,225,643</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The interest rate components of loans are as follows at December 31:

FIXED AND VARIABLE RATE LOANS

	<u>2019</u>	<u>2018</u>
Fixed rate loans	\$ 179,934,337	\$ 141,259,020
Variable rate loans	<u>104,617,824</u>	<u>68,664,898</u>
	<u>\$ 284,552,161</u>	<u>\$ 209,923,918</u>

An analysis of the changes in the allowance for loan losses is as follows for the years ended December 31:

ALLOWANCE FOR LOAN LOSSES

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 4,082,720	\$ 3,676,746
Provision charged to expense	774,300	925,000
Recoveries	126,796	167,299
Loans charged off	<u>(647,194)</u>	<u>(686,325)</u>
Balance, December 31	<u>\$ 4,336,622</u>	<u>\$ 4,082,720</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The following tables present the activity in the allowance for loan losses and the recorded investment in loans and impairment method by portfolio segment for the years ended December 31:

December 31, 2019	Commercial			Residential		Total
	Commercial	Real Estate	Agricultural	Real Estate	Consumer	
Allowance for Credit Losses						
Balance at beginning of year	\$ 1,155,437	\$ 1,542,876	\$ 1,177,373	\$ 12,569	\$ 194,465	\$ 4,082,720
Charge-offs	(490,289)	(65,182)	-	-	(91,723)	(647,194)
Recoveries	47,749	820	-	-	78,227	126,796
Provisions	42,719	892,793	(201,822)	(2,420)	43,030	774,300
Balance at end of year	\$ 755,616	\$ 2,371,307	\$ 975,551	\$ 10,149	\$ 223,999	\$ 4,336,622
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	755,616	2,371,307	975,551	10,149	223,999	4,336,622
Balance at end of year	\$ 755,616	\$ 2,371,307	\$ 975,551	\$ 10,149	\$ 223,999	\$ 4,336,622
Loans						
Individually evaluated for impairment	\$ 266,636	\$ 656,113	\$ 5,220,018	\$ -	\$ -	\$ 6,142,767
Collectively evaluated for impairment	41,312,682	182,943,613	32,966,385	2,766,858	18,419,856	278,409,394
Balance at end of year	\$ 41,579,318	\$183,599,726	\$ 38,186,403	\$ 2,766,858	\$ 18,419,856	\$ 284,552,161

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

December 31, 2018	Commercial	Commercial Real Estate	Agricultural	Residential Real Estate	Consumer	Total
Allowance for Credit Losses						
Balance at beginning of year	\$ 776,393	\$ 1,466,134	\$ 1,346,898	\$ 10,584	\$ 76,737	\$ 3,676,746
Charge-offs	(139,882)	-	(445,579)	-	(100,864)	(686,325)
Recoveries	84,835	15,081	39,892	-	27,491	167,299
Provisions	434,091	61,661	236,162	1,985	191,101	925,000
Balance at end of year	<u>\$ 1,155,437</u>	<u>\$ 1,542,876</u>	<u>\$ 1,177,373</u>	<u>\$ 12,569</u>	<u>\$ 194,465</u>	<u>\$ 4,082,720</u>
Individually evaluated for impairment	\$ 355,694	\$ -	\$ 24,084	\$ -	\$ -	\$ 379,778
Collectively evaluated for impairment	<u>799,743</u>	<u>1,542,876</u>	<u>1,153,289</u>	<u>12,569</u>	<u>194,465</u>	<u>3,702,942</u>
Balance at end of year	<u>\$ 1,155,437</u>	<u>\$ 1,542,876</u>	<u>\$ 1,177,373</u>	<u>\$ 12,569</u>	<u>\$ 194,465</u>	<u>\$ 4,082,720</u>
Loans						
Individually evaluated for impairment	\$ 1,143,844	\$ 1,088,060	\$ 5,489,098	\$ -	\$ -	\$ 7,721,002
Collectively evaluated for impairment	<u>34,141,929</u>	<u>117,008,665</u>	<u>32,145,215</u>	<u>2,403,638</u>	<u>16,503,469</u>	<u>202,202,916</u>
Balance at end of year	<u>\$ 35,285,773</u>	<u>\$118,096,725</u>	<u>\$ 37,634,313</u>	<u>\$ 2,403,638</u>	<u>\$ 16,503,469</u>	<u>\$ 209,923,918</u>

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt including current financial information, historical payment experience, collateral adequacy, credit documentation, public information, current economic trends, and other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate, agricultural real estate, commercial and agricultural loans. This analysis is performed on an ongoing basis as new information is obtained. The Bank uses the following definitions for risk ratings:

Pass – Loans classified as pass represent loans that are evaluated and are performing under the stated terms. Pass rated assets are analyzed by the paying capacity, the current net worth, and the value of the loan collateral of the obligor.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Watch – Loans classified as watch possess potential weaknesses that require management attention, but do not yet warrant adverse classification. While the status of a loan placed in this classification may not technically trigger a classification as substandard or doubtful, it is considered a proactive way to identify potential issues and address them before the situation deteriorates further and does result in a loss for the Bank.

Special Mention – Loans classified as special mention are protected by the current net worth, paying capacity of the obligor, or by the collateral pledged. These loans have the potential to deteriorate to a substandard rating. Although these loans are performing, adverse trends have developed in the borrower's operations and/or balance sheet. Collectability of the loan is not yet in jeopardy, but there is concern about the timely repayment.

Substandard – The loan may be inadequately protected by the current worth and/or paying capacity of the borrower or the collateral pledged, if any. There are well-defined weaknesses that jeopardize the repayment of the debt. Although loss may not be imminent, if the weaknesses are not corrected, there is a good possibility that the Bank will sustain some loss. Terms, including amortization and maturity, are often modified to accommodate cash flow inadequacies.

Based on the most recent analysis performed, the risk categories of loans by class of loans as of December 31, 2019 and 2018 were as follows:

Credit risk profile by internally assigned grade – Commercial, Commercial Real Estate and Agricultural

December 31, 2019	<u>Pass</u>	<u>Watch</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Total</u>
Commercial	\$ 38,775,327	\$ 1,853,519	\$ 540,777	\$ 409,695	\$ 41,579,318
Commercial Real Estate	175,475,381	6,718,185	750,047	656,113	183,599,726
Agricultural	24,847,336	3,656,368	4,141,015	5,541,684	38,186,403
	<u>\$ 239,098,044</u>	<u>\$ 12,228,072</u>	<u>\$ 5,431,839</u>	<u>\$ 6,607,492</u>	<u>\$ 263,365,447</u>
 December 31, 2018	 <u>Pass</u>	 <u>Watch</u>	 <u>Special Mention</u>	 <u>Substandard</u>	 <u>Total</u>
Commercial	\$ 31,419,960	\$ 2,674,166	\$ 162,450	\$ 1,029,197	\$ 35,285,773
Commercial Real Estate	109,860,024	6,499,501	115,527	1,621,673	118,096,725
Agricultural	23,422,850	4,465,268	3,994,582	5,751,613	37,634,313
	<u>\$ 164,702,834</u>	<u>\$ 13,638,935</u>	<u>\$ 4,272,559</u>	<u>\$ 8,402,483</u>	<u>\$ 191,016,811</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Credit risk profile by class based on payment activity – Residential and Consumer

Residential real estate and consumer loans are managed on a pool basis due to their homogeneous nature. Loans that are delinquent 90 days or more or are not accruing interest are considered nonperforming. The following table presents the recorded investments in residential real estate and consumer loans by class based on payment activity as of December 31, 2019 and 2018:

December 31, 2019	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Residential Real Estate	\$ 2,766,858	\$ -	\$ 2,766,858
Consumer	<u>18,391,551</u>	<u>28,305</u>	<u>18,419,856</u>
	<u>\$ 21,158,409</u>	<u>\$ 28,305</u>	<u>\$ 21,186,714</u>

December 31, 2018	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Residential Real Estate	\$ 2,403,638	\$ -	\$ 2,403,638
Consumer	<u>16,503,469</u>	<u>-</u>	<u>16,503,469</u>
	<u>\$ 18,907,107</u>	<u>\$ -</u>	<u>\$ 18,907,107</u>

The following table summarizes the aging of the past due loans by loan class within the portfolio segments as of December 31, 2019 and 2018:

December 31, 2019	<u>Still Accruing</u>		<u>Nonaccrual Balance</u>
	<u>30-89 Days Past Due</u>	<u>Over 90 Days Past Due</u>	
Commercial	\$ 57,229	\$ -	\$ 409,695
Commercial Real Estate	157,019	-	656,113
Agricultural	26,043	-	4,833,395
Residential Real Estate	-	-	-
Consumer	<u>57,289</u>	<u>-</u>	<u>28,305</u>
Total	<u>\$ 297,580</u>	<u>\$ -</u>	<u>\$ 5,927,508</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

	Still Accruing		Nonaccrual Balance
	30-89 Days Past Due	Over 90 Days Past Due	
December 31, 2018			
Commercial	\$ 55,590	\$ -	\$ 319,251
Commercial Real Estate	144,390	-	456,619
Agricultural	-	-	5,489,098
Residential Real Estate	-	-	-
Consumer	-	-	-
Total	<u>\$ 199,980</u>	<u>\$ -</u>	<u>\$ 6,264,968</u>

The following table summarizes individually impaired loans by class of loans as of December 31, 2019 and 2018:

	Recorded Investment	Unpaid Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2019					
With no related allowance recorded					
Commercial	\$ 266,636	\$ 693,303	\$ -	\$ 532,606	\$ -
Commercial Real Estate	656,113	656,113	-	537,812	23,838
Agricultural	5,220,018	5,270,128	-	6,464,208	28,495
Residential Real Estate	-	-	-	-	-
Consumer	-	-	-	14,400	-
	<u>\$ 6,142,767</u>	<u>\$ 6,619,544</u>	<u>\$ -</u>	<u>\$ 7,549,026</u>	<u>\$ 52,333</u>

	Recorded Investment	Unpaid Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Real Estate	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential Real Estate	-	-	-	-	-
Consumer	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Represents the borrower's loan obligation, gross of any previously charged-off amounts.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

December 31, 2018	Recorded Investment	Unpaid Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Commercial	\$ 440,560	\$ 879,754	\$ -	\$ 532,606	\$ -
Commercial Real Estate	1,088,060	960,305	-	537,812	23,838
Agricultural	4,341,927	4,651,517	-	6,464,208	28,495
Residential Real Estate	-	-	-	-	-
Consumer	-	-	-	14,400	-
	<u>\$ 5,870,547</u>	<u>\$ 6,491,576</u>	<u>\$ -</u>	<u>\$ 7,549,026</u>	<u>\$ 52,333</u>
	Recorded Investment	Unpaid Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Commercial	\$ 703,284	\$ 703,284	\$ 355,694	\$ 352,428	\$ 21,096
Commercial Real Estate	-	-	-	-	-
Agricultural	1,147,171	1,177,824	24,084	770,117	-
Residential Real Estate	-	-	-	-	-
Consumer	-	-	-	-	-
	<u>\$ 1,850,455</u>	<u>\$ 1,881,108</u>	<u>\$ 379,778</u>	<u>\$ 1,122,545</u>	<u>\$ 21,096</u>

(1) Represents the borrower's loan obligation, gross of any previously charged-off amounts.

There were no trouble debt restructurings (TDR) done in the year ended December 31, 2019 and one in 2018. The loan was classified as a TDR due to payment extensions. At December 31, 2018 the unpaid balance of the loan was \$637,171. The pre-modification Allowance for this loan was \$21,880 and the post-modification Allowance was \$0.

During the years ended December 31, 2019 and 2018, there were no loans modified in a troubled debt restructuring that subsequently defaulted (i.e. 90 days or more past due following the modification) not including loans that were fully paid down, charged-off or foreclosed upon by period end. As of December 31, 2019, the Company had no commitments to lend any additional funds to any TDR debtors.

The total number of loans classified as troubled debt restructurings were 2 with total unpaid principal balances of \$655,880 and \$697,384 as of December 31, 2019 and 2018, respectively.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Loans to officers, directors, and their affiliates are subject to regulatory limitations. The terms of these loans, including interest rates and collateral, are similar to those prevailing for comparable transactions and do not involve more than a normal amount of credit risk. Such transactions were within the regulatory limitations. The activity for these loans at December 31 is as follows:

LOANS TO OFFICERS, DIRECTORS AND AFFILIATES

	2019	2018
Beginning of year	\$ 2,070,392	\$ 1,523,749
Principal additions	7,323,633	8,620,536
Principal payments	<u>(5,360,311)</u>	<u>(8,073,893)</u>
	<u>\$ 4,033,714</u>	<u>\$ 2,070,392</u>

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31:

	Depreciable Lives (in years)	2019	2018
Land	Indefinite	\$ 730,893	\$ 730,893
Buildings	30	3,965,154	3,965,154
Leasehold improvements	6-10	3,782,453	3,511,729
Furniture and equipment	3-10	5,227,250	4,095,049
Construction in progress	N/A	<u>99,209</u>	<u>290,364</u>
		13,804,959	12,593,189
Less accumulated depreciation		<u>(7,516,538)</u>	<u>(6,983,075)</u>
		<u>\$ 6,288,421</u>	<u>\$ 5,610,114</u>

Depreciation expense as of December 31, 2019 and 2018 was \$594,690 and \$530,381, respectively.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 - LEASES

The Company leases certain office facilities and equipment for various terms under long-term, non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2029 and provide for renewal options ranging from one year to five years. The Company included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on either pre-determined percentage increases or defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Company estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Company's applicable borrowing rates and the contractual lease term.

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Company elected the practical expedient to not separate lease and non-lease components for office equipment leases.

Total lease costs for the year ended December 31, 2019 were as follows:	<u>2019</u>
Operating lease cost	\$ 560,946
Short-term lease cost	39,575
Finance lease cost:	
Interest expense	72,349
Amortization of right-of-use assets	151,566

Total lease expense under non-cancelable leases was \$469,674 for the year December 31, 2018.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The following table summarizes the supplemental cash flow information for the year ended December 31, 2019:

	<u>2019</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 468,062
Operating cash flows from finance leases	72,349
Financing cash flows from finance leases	85,956
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 2,822,613
Finance leases	3,164,309

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	<u>2019</u>
Weighted-average remaining lease term:	
Operating leases	5.0 Years
Finance leases	14.4 Years
Weighted-average discount rate:	
Operating leases	2.43%
Finance leases	3.25%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2019:

	<u>December 31, 2019</u>	
	<u>Operating</u>	<u>Finance</u>
2020	\$ 567,750	\$ 227,233
2021	547,774	232,926
2022	533,595	238,733
2023	312,347	244,654
2024	289,602	250,767
Thereafter	<u>249,685</u>	<u>2,710,083</u>
Total lease payments	2,500,753	3,904,396
Less interest	<u>(146,202)</u>	<u>(826,042)</u>
Present value of lease liabilities	<u>\$ 2,354,551</u>	<u>\$ 3,078,354</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - OTHER REAL ESTATE OWNED

Expenses applicable to foreclosed assets include the following as of December 31:

	<u>2019</u>	<u>2018</u>
OREO Expenses:		
Net loss (gain) on sales of real estate	\$ (8,518)	\$ 26,924
Operating expenses	<u>58,412</u>	<u>38,649</u>
	<u>\$ 49,894</u>	<u>\$ 65,573</u>

NOTE 8 - DEPOSITS

At December 31, 2019, the scheduled maturities of time certificates of deposit were as follows:

Maturities

Years ending December 31,	
2020	\$ 7,789,909
2021	2,158,463
2022	1,422,800
2023	1,850,373
2024	288,137
2025 and thereafter	<u>404,052</u>
	<u>\$ 13,913,734</u>

Included in time certificates of deposit are public funds of approximately \$101,874 and \$101,527 at December 31, 2019 and 2018, respectively.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Deposits are established in the normal course of business by various officers and directors of the Bank. The terms of these deposits, including interest rates, are similar to those prevailing for comparable transactions. These deposits totaled \$1,343,343 and \$1,521,021 as of December 31, 2019 and 2018, respectively.

Time certificates of deposit include deposits of \$250,000 or more totaling approximately \$768,010 and \$1,282,880 as of December 31, 2019 and 2018, respectively.

NOTE 9 - BORROWINGS

Federal Home Loan Bank Advances

The Bank has a borrowing agreement with FHLB to borrow up to 45% of total assets. FHLB advances are secured under a blanket pledge collateral agreement whereby the Bank maintains unencumbered securities or real estate secured loans with market values, which have been adjusted using a pledge requirement percentage based upon the types of securities or loans pledged, equal to at least 100 percent of outstanding advances, and FHLB stock. At December 31, 2019, the book value of loans and securities pledged to the FHLB totaled \$88,790,040 and \$2,110,816, respectively. At December 31, 2018, the book value of loans and securities pledged to the FHLB totaled \$68,817,973 and \$3,277,117, respectively. There was one overnight advance from the Federal Home Loan Bank as of December 31, 2019 of \$11,040,000 and no advances as of December 31, 2018.

Other Borrowings

The Bank has operating lines of credit with the following financial institutions at December 31:

	<u>Line of Credit</u>	<u>Maturity Date</u>
Pacific Coast Bankers Bank - Federal Funds Line	\$ 6,000,000	on demand
Bankers' Bank of the West - Federal Funds Line	5,306,000	on demand

At December 31, 2019 and 2018, there were no outstanding balances under the Bank's operating line agreements. Interest varies based on the federal funds purchased rates.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The majority of the Bank's loans, commitments, and standby letters of credit have been granted to customers in the Bank's market area, which is the southeastern and Treasure Valley areas of Idaho. Substantially all such customers are depositors of the Bank. The concentrations of credit by type of loan are set forth in Note 4.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Outstanding commitments and standby letters of credit were granted primarily to commercial borrowers.

The Bank places its cash with high credit quality institutions. The amount on deposit fluctuates, and at times exceeds the insured limit by the U.S. Federal Deposit Insurance Corporation, which potentially subjects the Bank to credit risk.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 - STOCK OPTIONS

The Company has approved and adopted the 2019 Equity Incentive Plan, which permits the grant of stock options to its employees for up to 250,000 shares of common stock. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those options generally vest based on five years of continuous service and have ten-year contractual terms. Stock awards generally vest over five years. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the plan.

Compensation cost charged to operations for the plan was \$7,433 and \$0 for the years ended December 31, 2019 and 2018, respectively. There was no income tax benefit recognized in the statements of income for stock-based compensation arrangements for the years ended December 31, 2019 and 2018, respectively.

The fair value of each option award is estimated on the date of grant using a Black Scholes option-pricing model. The Company uses historical option exercise and termination data to estimate the expected term the options are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is calculated using historical dividend amounts and the stock price at the option date.

	<u>2019</u>	<u>2018</u>
Options granted	88,413	-
Expected volatility	19.50%	na
Expected dividends	0.00%	na
Expected term - years	6.50	na
Risk-free interest rate	1.82%	na

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A summary of the status of the Bank's stock option plans as of December 31, 2019 and 2018 and changes during those time periods are presented below:

	2019		2018	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding options, beginning of year	30,000	\$ 10.50	30,000	\$ 10.50
Granted	88,413	20.00	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding options, end of year	118,413	\$ 17.59	30,000	\$ 10.50
Options exercisable, end of year	30,000	\$ 10.50	30,000	\$ 10.50
Weighted-average:				
Fair value of options granted during the year	\$ 4.93		\$ -	
Remaining contractual life in years	7.5		1.4	

The following table summarizes information about stock options outstanding at December 31, 2019:

	Options Outstanding				Options Exercisable			
	Number	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Number	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Exercise Price	Outstanding				Exercisable			
\$10.50	30,000	0.4	\$ 10.50	\$ 285,000	30,000	0.4	\$ 10.50	\$ 285,000
\$20.00	88,413	9.9	20.00	-	-			-
Total	118,413	7.5	\$ 17.59	\$ 285,000	30,000	0.4	10.50	\$ 285,000

As of December 31, 2019, there was \$428,443, of total unrecognized compensation costs related to nonvested share-based compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted average period of 9.9 years. The total fair value of shares vested was \$0 during the years ended December 31, 2019 and 2018.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Stock Appreciation Rights Plan

The Bank adopted a stock appreciation rights (SAR) plan. As part of the adoption of this plan, the Bank converted 55,705 stock options to SARs, which entitles the recipient to a cash payment equal to the number of SARs granted multiplied by the increase in the fair market value of the underlying stock since the grant. The SARs are payable upon the termination of employment with the Bank. In accordance with FASB ASC 718, the Bank recognizes compensation expense and accrues a liability to match any appreciation of the stock's market value. To determine the market value of the stock, the Bank obtained annual market value appraisals as of December 31, 2019 and 2018.

Six employees terminated their employment with the Bank in 2019 and \$40,387 in SARs was paid out. The Bank had SAR expense of \$47,727 in 2019. The Bank's total liability under the SARs plan was \$221,457 at December 31, 2019. No units were awarded during the year ended December 31, 2019. At December 31, 2019, there were 53,321 units outstanding.

Six employees terminated their employment with the Bank in 2018 and \$28,956 in SARs was paid out. The Bank had SAR expense of \$84,245 in 2018. The Bank's total liability under the SARs plan was \$219,672 at December 31, 2018. No units were awarded during the year ended December 31, 2018. At December 31, 2018, there were 66,111 units outstanding.

NOTE 12 - EMPLOYEE BENEFIT PLAN AND INCENTIVE PROGRAM

The Bank has a 401(k) plan (the Plan) covering employees of the Bank who meet age and service requirements. Plan participants are fully vested after six years of service. The Bank matches employee contributions up to four percent of covered compensation. The Bank contributions to the Plan amounted to \$291,423 and \$221,582 for the years then ended December 31, 2019 and 2018, respectively. All contributions to the Plan as of December 31, 2019 and 2018 were contributed to the Employee Stock Ownership Plan discussed below.

Effective January 1, 1999, the Bank put in place an Employee Stock Ownership Plan (the KSOP) which contains 401(k) provisions. The KSOP allows employees to allocate a portion of their 401(k) salary deferment to purchase the Company's stock. All employees who were participants in the Bank's 401(k) plan as of January 1, 1999, automatically became eligible to participate in the KSOP. In establishing the KSOP, eligible employees were given a one-time rollover provision, which allowed employees to rollover money during 1999 from other 401(k) investments to the KSOP to purchase the Company's stock. Subsequent to January 1, 1999, an employee can become eligible to participate in the KSOP provided he/she has attained 21 years of age. The Company matches up to a maximum of four percent of an employee's salary deferment for participating employees. Employees qualify and are fully vested in the safe harbor match on the first day of the month following their hire date. The Bank's expenses for this match were \$291,423 and \$221,582 for the years then ended December 31, 2019 and 2018, respectively.

Effective May 10, 2005, the Bank initiated a Senior Officer Retirement Agreement under which the participating officer would receive annual payments of \$50,000 per year for ten years beginning the year following retirement. On February 12, 2008, another Senior Officer Retirement Agreement was added. Under this plan the senior officer receives annual payments of \$90,000 a year for seven years beginning three years after retirement. The senior officer passed away in 2019 and the remaining funds were dispersed to the officer's estate. The Bank had recorded a liability for these two plans to reflect the present value of these obligations. The liability was \$0 and \$282,300 as of December 31, 2019 and 2018, respectively. Compensation expense of \$7,700 and \$7,000 was recorded for the Senior Officer Retirement Agreement for the years ended December 31, 2019 and 2018, respectively.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

FASB ASC 820-10 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, FASB ASC 820-10 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

Securities

Fair values for securities, excluding FHLB stock, are based on quoted market prices or dealer quotes. The carrying value of FHLB stock approximates fair value based on their respective redemption provisions.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

December 31, 2019	Level 1 Input	Level 2 Input	Level 3 Input	Total Fair Value
Securities available for sale	\$ -	\$ 84,960,004	\$ -	\$ 84,960,004
December 31, 2018	Level 1 Input	Level 2 Input	Level 3 Input	Total Fair Value
Securities available for sale	\$ -	\$ 88,614,713	\$ -	\$ 88,614,713

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and liabilities measured at fair value on a non-recurring basis include the following:

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Mortgage Loans Held For Sale

Mortgage loans held for sale are reported at fair value if, on an aggregate basis, the fair value of the loans is less than cost. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company may consider outstanding investor commitments, discounted cash flow analyses with market assumptions or the fair value of the collateral if the loan is collateral dependent. Such loans are classified within either Level 2 or Level 3 of the fair value hierarchy. Where assumptions are made using significant unobservable inputs, such loans held for sale are classified as Level 3. The Company classifies certain mortgage loans as held for sale. During 2019 and 2018, the aggregate fair value of the mortgage loans exceeded their cost. Accordingly, no mortgage loans were marked-down and reported at fair value during 2019 or 2018.

Impaired Loans

Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

The fair value of impaired loans is estimated based on either the present value of expected future cash flows discounted at the loans' effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

The following table summarizes financial assets and financial liabilities measured at fair value on a non-recurring basis as of December 31, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

December 31, 2019	Level 1 Input	Level 2 Input	Level 3 Input	Total Fair Value
Loans available for sale	\$ -	\$ 15,017,358	\$ -	\$ 15,017,358
Impaired loans with specific allowance	\$ -	\$ -	\$ -	\$ -
Other real estate owned	\$ -	\$ -	\$ 2,881,455	\$ 2,881,455
December 31, 2018	Level 1 Input	Level 2 Input	Level 3 Input	Total Fair Value
Loans available for sale	\$ -	\$ 11,620,677	\$ -	\$ 11,620,677
Impaired loans with specific allowance	\$ -	\$ -	\$ 1,850,455	\$ 1,850,455
Other real estate owned	\$ -	\$ -	\$ 3,015,300	\$ 3,015,300

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The following table presents quantitative information about non-recurring Level 3 fair value measurements at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range (Weighted Average)</u>
Impaired loans	\$ 6,142,767	\$ 7,341,224	Collateral valuation	Discount from market value	0%-100% (20%)
Loans held for sale	\$ 15,017,358	\$ 3,780,015	Collateral valuation	Discount from market value	0%-0% (0%)
Foreclosed assets	\$ 2,926,992	\$ 3,139,605	Collateral valuation	Discount from market value	0%-100% (20%)

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and due from banks – The carrying value approximates the fair values.

Interest bearing deposits in banks – The carrying value approximates the fair values.

Certificates of deposit – The fair values for loans are estimated using discounted cash flow analyses, using interest rates currently being offered for certificates with similar terms and credit quality.

Securities available for sale – Fair values for investment securities are based on quoted market prices or whose value is determined using discounted cash flow methodologies,

Federal Home Loan Bank stock – Fair value is assumed to equal cost.

Loans, net – The fair values for loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms and credit quality.

Accrued interest receivable – The carrying value approximates the fair value.

Right of use assets – The carrying value approximates the fair value.

Deposits – The fair values disclosed for demand deposits (for example, interest and noninterest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on comparable instruments to a schedule of aggregated expected monthly maturities on time deposits.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Federal Home Loan Bank advances and other borrowings – Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

Accrued interest payable – The carrying value approximates the fair value.

Finance lease borrowing – The carrying value approximates the fair value

Off-balance sheet instruments – Fair values for the Company's off-statement-of-financial-condition instruments (unused lines of credit and letters of credit), which are based upon fees currently charged to enter into similar agreements taking into account the remaining terms of the agreements and counterparties' credit standing, are not significant. Many of the Company's off-balance sheet instruments, primarily loan commitments and standby letters of credit, are expected to expire without being drawn upon; therefore, the commitment amounts do not necessarily represent future cash requirements.

The estimated fair values, and related carrying amounts, of the Company's financial instruments are as follows:

	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash and due from banks	\$ 7,718,283	\$ 7,718,283	\$ 7,322,475	\$ 7,322,475
Interest bearing deposits in banks	33,692	33,692	17,586,340	17,586,340
Certificates of deposit	288,600	289,157	288,600	289,188
Securities available for sale	84,960,004	84,960,004	88,614,713	88,614,713
Federal Home Loan Bank stock	842,800	842,800	385,900	385,900
Loans, net	279,065,768	279,003,829	205,225,643	205,691,685
Accrued interest receivable	1,447,588	1,447,588	1,547,351	1,547,351
Right of use assets	5,349,585	5,349,585	-	-
Financial Liabilities				
Deposits	335,368,731	335,191,401	296,998,849	278,641,645
FHLB advances and other borrowings	11,040,000	14,637,270	-	-
Accrued interest payable	17,536	17,536	13,523	13,523
Finance lease borrowing	3,078,354	3,078,354	-	-

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit in the form of loans or through letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments. Market risk arises from changes in interest rates.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policy in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the Bank's commitments and contingent liabilities at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Unfunded commitments under lines of credit	\$75,438,886	\$ 43,827,734
Letters of credit	<u>1,171,402</u>	<u>815,047</u>
	<u>\$76,610,288</u>	<u>\$ 44,642,781</u>

Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the borrower.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The guarantees extend for more than 30 days and expire through 2020. The credit risk involved in issuing letters of credit is essentially the same as that involved in making loans to regular customers.

In connection with loans sold to investors, the Bank is subject to contingent recourse obligations on approximately \$54,015,295 and \$26,462,354 as December 31, 2019 and 2018, respectively. The Bank is required to repurchase any mortgage loan sold that is in default in the first four months. The Bank had no loans repurchased in 2019 and two during 2018.

In the normal course of its business, the Company becomes involved in litigation. In the opinion of management, based upon discussion with legal counsel, liabilities, if any, arising from these proceedings would not have a material adverse effect on the Company's consolidated financial position.

NOTE 15 - REGULATORY REQUIREMENTS

The federal banking agencies published final rules (the "Basel III Capital Rules") that revised their risk-based and leverage capital requirements and their method for calculating risk-weighted assets to implement, in part, agreements reached by the Basel Committee and certain provisions of the Dodd-Frank Act. The Basel III Capital Rules apply to banking organizations, including the Bank.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

In connection with the effectiveness of Basel III, most banks were required to decide whether to elect to opt-out of the inclusion of Accumulated Other Comprehensive Income ("AOCI") in their Common Equity Tier 1 Capital. This was a one-time election and generally irrevocable. If electing to opt-out, most AOCI items will be treated, for regulatory capital purposes, in the same manner in which they were prior to Basel III. Bank of Idaho has elected to opt-out of the inclusion.

Among other things, the Basel III Capital Rules: (i) introduce a new capital measure entitled "Common Equity Tier 1" ("CET1"); (ii) specify that tier 1 capital consist of CET1 and additional financial instruments satisfying specified requirements that permit inclusion in tier 1 capital; (iii) define CET1 narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions or adjustments from capital as compared to the existing regulations.

A minimum leverage ratio (tier 1 capital as a percentage of total assets) of 4.0% is also required under the Basel III Capital Rules (even for highly rated institutions). The Basel III Capital Rules additionally require institutions to retain a capital conservation buffer of 2.5% above these required minimum capital ratio levels. Banking organizations that fail to maintain the minimum 2.5% capital conservation buffer could face restrictions on capital distributions or discretionary bonus payments to executive officers.

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. 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 the Bank's consolidated statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification 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 require the Bank to maintain minimum amounts and ratios of Common Equity Tier 1 Capital ("CET1"), Tier 1 Capital, Total Capital and leverage ratio of Tier 1 Capital. As of January 1, 2015, the requirements are:

- 4.5% based upon CET1
- 6.0% based upon tier 1 capital
- 8.0% based on total regulatory capital
- Leverage ratio of Tier 1 Capital assets equal to 4%

As of December 31, 2019 and 2018, management believes the Bank met all capital adequacy requirements to which it is subject. As of December 31, 2019, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes would have changed the Bank's category.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The Bank's actual capital amounts and ratios are presented in the following table:

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Common Equity Tier 1 Ratio						
Bank of Idaho	\$ 49,790,000	14.61%	\$ 15,333,300	4.50%	\$ 22,148,100	6.50%
Tier 1 Capital to Risk Weighted Assets						
Bank of Idaho	\$ 49,790,000	14.61%	\$ 20,444,400	6.00%	\$ 27,259,200	8.00%
Total Risk Based Capital to Risk Weighted Assets						
Bank of Idaho	\$ 54,055,000	15.86%	\$ 27,259,200	8.00%	\$ 34,074,000	10.00%
Tier 1 Capital to Average Assets						
Bank of Idaho	\$ 49,790,000	12.53%	\$ 15,892,120	4.00%	\$ 19,865,150	5.00%
	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018						
Common Equity Tier 1 Ratio						
Bank of Idaho	\$ 34,629,000	13.95%	\$ 11,167,785	4.50%	\$ 16,131,245	6.50%
Tier 1 Capital to Risk Weighted Assets						
Bank of Idaho	\$ 34,629,000	13.95%	\$ 14,890,380	6.00%	\$ 19,853,840	8.00%
Total Risk Based Capital to Risk Weighted Assets						
Bank of Idaho	\$ 37,746,000	15.21%	\$ 19,853,840	8.00%	\$ 24,817,300	10.00%
Tier 1 Capital to Average Assets						
Bank of Idaho	\$ 34,629,000	10.37%	\$ 13,355,040	4.00%	\$ 16,693,800	5.00%

(continued on next page)

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 16 – INCOME TAXES

The provision for income taxes charged to income for the year ended December 31, 2019 consists of the following:

	<u>2019</u>
Current tax expense	
Federal	\$ 447,177
State	158,431
Deferred tax expense (benefit)	
Federal	(793,804)
State	<u>(281,239)</u>
Income tax expense (benefit)	<u>\$ (469,435)</u>

The Company's effective income tax rate is lower than what would be expected if the federal statutory rate were applied to income from continuing operations primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes, tax-exempt income, and the dividends-received-deduction. The Company recorded a federal income tax benefit of \$951,541 and state tax benefit of \$234,995 in 2019 related to the change from an S-Corporation to a C-Corporation.

Deferred Income Tax Assets	<u>2019</u>
Allowance for loan losses	\$ 1,147,947
Allowance for unfunded commitment	108,878
Deferred lease costs	78,342
Other real estate	47,518
Deferred incentive payments	296,922
Other	<u>40,849</u>
Total deferred income tax assets	<u>1,720,456</u>
Deferred Income Tax Liabilities	
Accumulated depreciation	(527,637)
Deferred loan fees	(99,888)
Accrual to cash conversion	(252,883)
Net unrealized gain on available for sale securities	<u>(204,076)</u>
Total deferred income tax liabilities	<u>(1,084,484)</u>
Net deferred tax asset	<u>\$ 635,972</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A reconciliation of income taxes computed at the federal statutory rate of 21% is as follows:

	<u>2019</u>
Federal income tax expense at statutory rates	\$ 438,734
Effect of permanent differences	92,927
Effect of state income taxes, net of federal benefit	155,440
Effect of conversion to C-corporation	<u>(1,156,536)</u>
Income tax expense (benefit)	<u><u>\$ (469,435)</u></u>

NOTE 17 – EARNINGS PER SHARE

A reconciliation of the income available to common stockholders and common stock share amounts used in the calculation of basic and diluted EPS for the years then ended December 31, 2019 and 2018, follow:

	<u>2019</u>	<u>2018</u>
Net income (loss) available to common stockholders	\$ 2,714,057	\$ 3,672,387
Basic EPS:		
Weighted average number of common shares outstanding	2,121,290	1,776,085
Earnings (loss) per common share	\$ 1.28	\$ 2.07
Diluted EPS:		
Weighted average number of common shares outstanding	2,121,290	1,776,085
Common share equivalents - stock options	14,250	13,534
Weighted average number of common shares and common share equivalents	2,135,540	1,789,619
Earnings (loss) per common share	\$ 1.27	\$ 2.05

Options outstanding of 118,413 shares of common stock at a weighted average price of \$10.50 at the periods ended December 31, 2019 and 2018 were included in the computation of diluted earnings per share because their exercise price was below the average market price of the common stock during that period.

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 18 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Noninterest Income. Gains on sales of loans and gains from sales of securities are outside of the scope of ASC 606. Other income includes \$25,946 of interchange income which is within the scope of ASC 606, Service charges on deposit accounts in the amount of \$572,462, and Trust fee income of \$1,389,335; the remaining balance of \$74,260 represents other miscellaneous income, which are outside the scope of ASC 606.

A description of the Company's revenue streams accounted for under Topic 606 follows:

Service Charges on Deposit Accounts - The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which related primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income - The Company earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder

Trust fee income - The Company earns account management fees from its contracts with trust and investment management customers to manage assets for investment. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of the assets under management (AUM) at month-end. Other related services provided include probate and the fees the Company earns, which are based on time and expense are recognized when the services are rendered.

NOTE 19 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 27, 2020, which is the date the audited consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019

(in thousands)	Bank of Idaho			Consolidated
	Bank of Idaho	Holding Company	Eliminations	
ASSETS				
Cash	\$ 7,718	\$ 338	\$ (338)	\$ 7,718
Interest bearing deposits in banks	34	-	-	34
Certificates of deposit	289	-	-	289
Securities available for sale, at fair value	84,960	-	-	84,960
Federal Home Loan Bank stock, at cost	843	-	-	843
Mortgage loans held for sale	15,017	-	-	15,017
Loans, net	279,066	-	-	279,066
Investment in subsidiary, at cost, plus equity in net income	-	50,356	(50,356)	-
Accrued interest receivable	1,448	-	-	1,448
Premises and equipment, net	6,288	-	-	6,288
Right of use asset operating leases	2,337	-	-	2,337
Right of use asset financing leases	3,013	-	-	3,013
Other real estate owned	2,927	-	-	2,927
Other assets	1,312	-	-	1,312
	<u>\$ 405,252</u>	<u>\$ 50,694</u>	<u>\$ (50,694)</u>	<u>\$ 405,252</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019

	Bank of Idaho			
	<u>Bank of Idaho</u>	<u>Holding Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
EQUITY				
DEPOSITS				
Noninterest-bearing, demand	\$ 141,267	\$ -	\$ (338)	\$ 140,929
Interest-bearing				
NOW demand	86,651	-	-	86,651
Savings	75,849	-	-	75,849
Money market	18,026	-	-	18,026
Time certificates of deposit	13,914	-	-	13,914
Total deposits	<u>335,707</u>	<u>-</u>	<u>(338)</u>	<u>335,369</u>
Accrued interest payable	18	-	-	18
Accounts payable and accrued liabilities	2,477	(5)	-	2,472
Operating lease liabilities	2,355	-	-	2,355
Stock appreciation rights	221	-	-	221
FHLB advances and other borrowings	11,040	-	-	11,040
Finance lease borrowings	3,078	-	-	3,078
Total liabilities	<u>354,896</u>	<u>(5)</u>	<u>(338)</u>	<u>354,553</u>
STOCKHOLDERS' EQUITY				
Common stock	28,836	26,689	(28,836)	26,689
Retained earnings	20,953	23,443	(20,953)	23,443
Accumulated other comprehensive income	<u>567</u>	<u>567</u>	<u>(567)</u>	<u>567</u>
Total stockholders' equity	<u>50,356</u>	<u>50,699</u>	<u>(50,356)</u>	<u>50,699</u>
	<u>\$ 405,252</u>	<u>\$ 50,694</u>	<u>\$ (50,694)</u>	<u>\$ 405,252</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018

(in thousands)	Bank of Idaho	Bank of Idaho Holding Company	Eliminations	Consolidated
ASSETS				
Cash	\$ 7,322	\$ 50	\$ (50)	\$ 7,322
Interest bearing deposits in banks	17,586	-	-	17,586
Certificates of deposit	289	-	-	289
Securities available for sale, at fair value	88,615	-	-	88,615
Federal Home Loan Bank stock, at cost	386	-	-	386
Mortgage loans held for sale	3,780	-	-	3,780
Loans, net	205,226	-	-	205,226
Investment in subsidiary, at cost, plus equity in net income	-	33,741	(33,741)	-
Accrued interest receivable	1,547	-	-	1,547
Premises and equipment, net	5,610	-	-	5,610
Other real estate owned	3,140	-	-	3,140
Other assets	445	-	-	445
	<u>\$ 333,946</u>	<u>\$ 33,791</u>	<u>\$ (33,791)</u>	<u>\$ 333,946</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
DEPOSITS				
Noninterest-bearing, demand	\$ 112,941	\$ -	\$ (50)	\$ 112,891
Interest-bearing				
NOW demand	83,454	-	-	83,454
Savings	71,669	-	-	71,669
Money market	13,889	-	-	13,889
Time certificates of deposit	15,096	-	-	15,096
Total deposits	<u>297,049</u>	<u>-</u>	<u>(50)</u>	<u>296,999</u>
Accrued interest payable	14	-	-	14
Accounts payable and accrued liabilities	2,922	-	-	2,922
Stock appreciation rights	220	-	-	220
Total liabilities	<u>300,205</u>	<u>-</u>	<u>(50)</u>	<u>300,155</u>
STOCKHOLDERS' EQUITY				
Common stock	14,829	12,505	(14,829)	12,505
Retained earnings	19,800	22,174	(19,800)	22,174
Accumulated other comprehensive (loss)	<u>(888)</u>	<u>(888)</u>	<u>888</u>	<u>(888)</u>
Total stockholders' equity	<u>33,741</u>	<u>33,791</u>	<u>(33,741)</u>	<u>33,791</u>
	<u>\$ 333,946</u>	<u>\$ 33,791</u>	<u>\$ (33,791)</u>	<u>\$ 333,946</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2019

(in thousands)	Bank of Idaho	Bank of Idaho Holding Company	Eliminations	Consolidated
INTEREST AND DIVIDEND INCOME				
Loans, including fees	\$ 14,684	\$ -	\$ -	\$ 14,684
Securities available for sale	2,283	-	-	2,283
Interest on interest bearing deposits and CDs	464	-	-	464
Total interest and dividend income	17,431	-	-	17,431
INTEREST EXPENSE				
NOW demand and savings	178	-	-	178
Money market	20	-	-	20
Time certificates of deposit	69	-	-	69
Federal Home Loan Bank advances and other borrowings	75	-	-	75
Total interest expense	342	-	-	342
NET INTEREST INCOME	17,089	-	-	17,089
Provision for loan losses	774	-	-	774
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	16,315	-	-	16,315
NONINTEREST INCOME				
Service charges on deposit accounts	572	-	-	572
Gain on sale of mortgage loans held for sale	3,142	-	-	3,142
Merchant card income	26	-	-	26
Trust fee income	1,389	-	-	1,389
Equity in net income of subsidiary	-	2,825	(2,825)	-
Gain on sale of securities	160	-	-	160
Gain on sale of other real estate owned	9	-	-	9
Other	66	-	-	66
Total noninterest income	5,364	2,825	(2,825)	5,364
NONINTEREST EXPENSE				
Salaries, wages and benefits	12,177	62	-	12,239
Net occupancy expense	2,101	-	-	2,101
Advertising and business development	1,031	-	-	1,031
Accounting and consulting	354	-	-	354
Data processing	1,414	-	-	1,414
Legal	222	30	-	252
Telephone, postage and courier	244	-	-	244
Other real estate owned expenses	58	-	-	58
Office supplies	150	-	-	150
FDIC insurance	48	-	-	48
General and administrative	1,483	59	-	1,542
Total noninterest expense	19,282	151	-	19,433
INCOME BEFORE INCOME TAXES	2,397	2,674	(2,825)	2,246
Income tax expense (benefit)	(428)	(40)	-	(468)
NET INCOME	2,825	\$ 2,714	\$ (2,825)	\$ 2,714

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2018

(in thousands)	Bank of Idaho Holding Company			
	Bank of Idaho	Company	Eliminations	Consolidated
INTEREST AND DIVIDEND INCOME				
Loans, including fees	\$ 12,567	\$ -	\$ -	\$ 12,567
Securities available for sale	2,095	-	-	2,095
Interest on interest bearing deposits and CDs	322	-	-	322
Total interest and dividend income	14,984	-	-	14,984
INTEREST EXPENSE				
NOW demand and savings	172	-	-	172
Money market	14	-	-	14
Time certificates of deposit	52	-	-	52
Total interest expense	238	-	-	238
NET INTEREST INCOME	14,746	-	-	14,746
Provision for loan losses	925	-	-	925
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,821	-	-	13,821
NONINTEREST INCOME				
Service charges on deposit accounts	584	-	-	584
Gain on sale of mortgage loans held for sale	2,261	-	-	2,261
Merchant card income	22	-	-	22
Trust fee income	1,312	-	-	1,312
Equity in net income of subsidiary	-	3,697	(3,697)	-
Gain on sale of securities	25	-	-	25
Other	69	-	-	69
Total noninterest income	4,273	3,697	(3,697)	4,273
NONINTEREST EXPENSE				
Salaries, wages and benefits	9,454	19	-	9,473
Net occupancy expense	1,623	-	-	1,623
Advertising and business development	585	-	-	585
Accounting and consulting	351	-	-	351
Data processing	896	-	-	896
Legal	145	5	-	150
Telephone, postage and courier	207	-	-	207
Other real estate owned expenses	39	-	-	39
Loss and provision for loss on sale of ORE	27	-	-	27
Office supplies	99	-	-	99
FDIC Insurance	99	-	-	99
General and administrative	872	1	-	873
Total noninterest expense	14,397	25	-	14,422
NET INCOME (LOSS)	\$ 3,697	\$ 3,672	\$ (3,697)	\$ 3,672

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019

(in thousands)	Bank of Idaho Holding Company			
	Bank of Idaho	Company	Eliminations	Consolidated
Net Income	\$ 2,825	\$ 2,714	\$ (2,825)	\$ 2,714
Unrealized gains (losses) on securities				
Unrealized holding gains arising during period, net of tax	1,615	-	-	1,615
Less: reclassification adjustment for gains included in net income, net of tax	(160)	-	-	(160)
Other Comprehensive Income	1,455	-	-	1,455
Comprehensive Income	\$ 4,280	\$ 2,714	\$ (2,825)	\$ 4,169

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2018

(in thousands)	Bank of Idaho Holding Company			
	Bank of Idaho	Company	Eliminations	Consolidated
Net Income	\$ 3,697	\$ 3,672	\$ (3,697)	\$ 3,672
Unrealized gains (losses) on securities				
Unrealized holding (losses) arising during period	(694)	-	-	(694)
Less: reclassification adjustment for gains included in net income	(25)	-	-	(25)
Other Comprehensive (Loss)	(719)	-	-	(719)
Comprehensive Income	\$ 2,978	\$ 3,672	\$ (3,697)	\$ 2,953

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2019

(in thousands)	Bank of Idaho	Bank of Idaho Holding Company	Eliminations	Consolidated
COMPONENTS OF STOCKHOLDERS' EQUITY:				
Common Stock, Beginning	\$ 14,829	\$ 12,505	\$ (14,829)	\$ 12,505
Issuance of common stock	-	14,177	-	14,177
Equity compensation expense	7	7	(7)	7
Investment in Sub	14,000	-	(14,000)	-
Common Stock, Ending	<u>28,836</u>	<u>26,689</u>	<u>(28,836)</u>	<u>26,689</u>
Retained Earnings, Beginning	19,799	22,173	(19,799)	22,173
Net Income	2,825	2,714	(2,825)	2,714
Cash distributions paid on common stock	-	(1,333)	-	(1,333)
Cash dividends	(1,560)	-	1,560	-
S-Corp to C-Corp AOCI tax adjustment	(234)	(234)	234	(234)
	123	123	(123)	123
Retained Earnings, Ending	<u>20,953</u>	<u>23,443</u>	<u>(20,953)</u>	<u>23,443</u>
Accumulated Other Comprehensive Income (Loss), Beginning	(888)	(888)	888	(888)
Net changes in unrealized gain (loss) on securities available for sale, net of tax	1,455	1,455	(1,455)	1,455
Accumulated Other Comprehensive Income (Loss), Ending	<u>567</u>	<u>567</u>	<u>(567)</u>	<u>567</u>
Total equity	<u>\$ 50,356</u>	<u>\$ 50,699</u>	<u>\$ (50,356)</u>	<u>\$ 50,699</u>

BANK OF IDAHO HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2018

(in thousands)	Bank of Idaho	Bank of Idaho Holding Company	Eliminations	Consolidated
COMPONENTS OF STOCKHOLDERS' EQUITY:				
Common Stock, Beginning	\$ 14,829	\$ 12,505	\$ (14,829)	\$ 12,505
Issuance of common stock	-	-	-	-
Equity compensation expense	-	-	-	-
Investment in Sub	-	-	-	-
Common Stock, Ending	<u>14,829</u>	<u>12,505</u>	<u>(14,829)</u>	<u>12,505</u>
Retained Earnings, Beginning	17,663	20,011	(17,663)	20,011
Net Income	3,697	3,673	(3,697)	3,673
Cash distributions paid on common stock	-	(1,510)	-	(1,510)
Cash dividends	<u>(1,560)</u>	<u>-</u>	<u>1,560</u>	<u>-</u>
Retained Earnings, Ending	<u>19,800</u>	<u>22,174</u>	<u>(19,800)</u>	<u>22,174</u>
Accumulated Other Comprehensive Income (Loss), Beginning				
Net changes in unrealized gain (loss) on securities available for sale	(169)	(169)	169	(169)
Accumulated Other Comprehensive Income (Loss), Ending	<u>(719)</u>	<u>(719)</u>	<u>719</u>	<u>(719)</u>
Accumulated Other Comprehensive Income (Loss), Ending	<u>(888)</u>	<u>(888)</u>	<u>888</u>	<u>(888)</u>
Total equity	<u>\$ 33,741</u>	<u>\$ 33,791</u>	<u>\$ (33,741)</u>	<u>\$ 33,791</u>