



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

LEWIS & CLARK BANCORP AND SUBSIDIARIES

December 31, 2021 and 2020

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Note: These consolidated financial statements have not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.

Report of Independent Auditors

The Board of Directors and Stockholders
Lewis & Clark Bancorp

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Lewis & Clark Bancorp and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lewis & Clark Bancorp and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lewis & Clark Bancorp and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lewis & Clark Bancorp and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lewis & Clark Bancorp and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lewis & Clark Bancorp and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Moss Adams LLP

Portland, Oregon

May 10, 2022

Lewis & Clark Bancorp and Subsidiaries
Consolidated Balance Sheets
(dollars in thousands)

	December 31,	
	2021	2020
ASSETS		
Cash and due from banks	\$ 57,077	\$ 63,066
Federal funds sold	8,705	8,645
Total cash and cash equivalents	65,782	71,711
Time deposits with other financial institutions	735	1,460
Equity securities and other investments	2,117	702
Investment securities available-for-sale	164,324	1,515
Loans, net	190,603	253,190
Fixed assets, net of accumulated depreciation	7,232	7,210
Cash surrender value of bank-owned life insurance	10,442	6,806
Accrued interest receivable and other assets	2,486	2,440
Goodwill and intangible assets, net of accumulated amortization	902	1,264
Total assets	\$ 444,623	\$ 346,298
LIABILITIES		
Deposits		
Noninterest-bearing demand	\$ 97,189	\$ 86,191
Interest-bearing demand	20,558	16,791
Money market and savings accounts	237,681	149,915
Time deposits	42,527	42,082
Total deposits	397,955	294,979
Subordinated debentures, net	6,905	6,880
Borrowings	-	5,873
Accrued interest payable and other liabilities	2,134	1,690
Total liabilities	406,994	309,422
COMMITMENTS AND CONTINGENCIES (Notes 12 and 14)		
STOCKHOLDERS' EQUITY		
Common stock, no par value, 10,000,000 shares authorized; 1,133,567 shares issued; and 1,073,167 and 1,133,567 shares outstanding at December 31, 2021 and 2020, respectively	36,175	36,147
Treasury stock at cost, 60,400 shares at December 31, 2021	(1,983)	-
Accumulated other comprehensive income (loss), net of tax	(749)	11
Retained earnings	4,186	718
Total stockholders' equity	37,629	36,876
Total liabilities and stockholders' equity	\$ 444,623	\$ 346,298

See accompanying notes.

Lewis & Clark Bancorp and Subsidiaries
Consolidated Statements of Income
(in thousands, except per share amounts)

	Years Ended December 31,	
	2021	2020
INTEREST INCOME		
Interest and fees on loans	\$ 14,015	\$ 12,125
Interest on securities	360	195
Interest on balances due from banks	153	222
Total interest income	14,528	12,542
INTEREST EXPENSE		
Interest on deposits	864	1,397
Other interest expense	448	126
Total interest expense	1,312	1,523
Net interest income before provision for loan losses	13,216	11,019
PROVISION FOR LOAN LOSSES	-	1,055
Net interest income after provision for loan losses	13,216	9,964
NONINTEREST INCOME		
Deposit service charges and other fee income	469	389
Change in cash surrender value of bank-owned life insurance	197	217
Gain from securities	159	306
Other noninterest income	241	45
Total noninterest income	1,066	957
NONINTEREST EXPENSE		
Salaries and employee benefits	5,135	4,754
Professional fees	984	1,103
Data processing	634	715
Occupancy and equipment	515	489
Amortization expense	365	515
Insurance	159	139
Software license and maintenance	154	113
Other noninterest expenses	1,242	1,025
Total noninterest expense	9,188	8,853
INCOME BEFORE INCOME TAXES	5,094	2,068
PROVISION FOR INCOME TAXES	1,295	487
NET INCOME	\$ 3,799	\$ 1,581
BASIC EARNINGS PER SHARE	\$ 3.47	\$ 1.39
DILUTED EARNINGS PER SHARE	\$ 3.47	\$ 1.39

Lewis & Clark Bancorp and Subsidiaries
Consolidated Statements of Comprehensive Income
(dollars in thousands)

	Years Ended December 31,	
	2021	2020
Net income	\$ 3,799	\$ 1,581
Other comprehensive income (loss):		
Unrealized holding gain/(loss) on investment securities available-for-sale, net of taxes of \$278 and \$(37), respectively	(760)	99
Reclassification adjustment for realized gains on investment securities included in net income, net of taxes of \$83	-	(223)
Total other comprehensive income (loss)	(760)	(124)
Comprehensive income	\$ 3,039	\$ 1,457

Consolidated Statements of Changes in Stockholders' Equity
(dollars in thousands)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount				
BALANCE, December 31, 2019	1,133,542	\$ 26,535	\$ 9,039	\$ 135	\$ -	\$ 35,709
Net income	-	-	1,581	-	-	1,581
Holding company reorganization and merger	-	9,564	(9,564)	-	-	-
Cash dividends paid (\$0.30 per share)	-	-	(338)	-	-	(338)
Other comprehensive loss, net	-	-	-	(124)	-	(124)
Stock-based compensation	-	48	-	-	-	48
Restricted stock awards granted, net of forfeiture	25	-	-	-	-	-
BALANCE, December 31, 2020	1,133,567	36,147	718	11	-	36,876
Net income	-	-	3,799	-	-	3,799
Cash dividends paid (\$0.30 per share)	-	-	(331)	-	-	(331)
Other comprehensive loss, net	-	-	-	(760)	-	(760)
Stock-based compensation	-	28	-	-	-	28
Purchase of treasury stock	(60,400)	-	-	-	(1,983)	(1,983)
BALANCE, December 31, 2021	1,073,167	\$ 36,175	\$ 4,186	\$ (749)	\$ (1,983)	\$ 37,629

Lewis & Clark Bancorp and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,799	\$ 1,581
Adjustments to reconcile net income to net cash from operating activities:		
Amortization (accretion) of premiums (discounts) on securities	(41)	97
Amortization of intangible assets	365	515
Accretion of discount on loans	(38)	(24)
Depreciation of fixed assets	283	317
Amortization of deferred loan fees, including PPP loan fees	(2,762)	(728)
Provision for loan losses	-	1,055
Stock-based compensation	28	48
Unrealized gain on equity securities and other investments	(159)	-
Gain on sale of investments	-	(306)
Loss on sale of fixed assets	-	5
Increase in cash surrender value of bank-owned life insurance, net of premiums paid	(3,636)	(181)
Deferred income tax benefit	(116)	(219)
Changes in cash and cash equivalents due to changes in certain assets and liabilities:		
Accrued interest receivable and other assets	67	(1,065)
Accrued interest payable and other liabilities	444	671
Net cash from operating activities	<u>(1,766)</u>	<u>1,766</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity securities and other investments	(1,256)	(3)
Redemption of equity securities	-	16
Purchase of investment securities	(163,721)	(1,500)
Proceeds from maturities, sales of investment securities	918	17,770
Net loan payments (originations)	65,387	(55,249)
Purchase of fixed assets	(305)	(117)
Net cash from investing activities	<u>(98,977)</u>	<u>(39,083)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in demand deposit, money market, and savings accounts	102,531	60,471
Net change in time deposits	445	(10,748)
Proceeds from borrowings	-	12,753
Repayment of borrowings	(5,848)	-
Cash dividends paid	(331)	(338)
Repurchase of treasury stock	(1,983)	-
Net cash from financing activities	<u>94,814</u>	<u>62,138</u>

Lewis & Clark Bancorp and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,	
	2021	2020
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (5,929)	\$ 24,821
CASH AND CASH EQUIVALENTS, beginning of period	71,711	46,890
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 65,782</u>	<u>\$ 71,711</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid in cash	<u>\$ 1,360</u>	<u>\$ 1,579</u>
Cash paid for income taxes	<u>\$ 959</u>	<u>\$ 640</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Change in fair value of investment securities available-for-sale, net of taxes	<u>\$ (760)</u>	<u>\$ (124)</u>

Lewis & Clark Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and nature of operations

Lewis & Clark Bancorp (Bancorp) is a bank holding company headquartered in Oregon City, Oregon. It owns 100% of Lewis & Clark Bank (the Company or Bank), an Oregon state chartered community bank headquartered in Oregon City, Oregon. The Bank provides banking services to businesses and individuals in the Portland metropolitan area, with emphasis on Clackamas County, and Central and East Multnomah County, and also serves businesses and individuals in and around Clatsop County and Vancouver, Washington. The Bank owns 100% of LCB Investments, LLC and Columbia Property Holdings, LLC, whose activities are immaterial.

Effective May 10, 2019, the Bank purchased the assets and liabilities of Clatsop Community Bank, an Oregon state chartered community bank headquartered in Seaside, Oregon, for cash and exchange of the Bank's stock. Bancorp was formed in July 2020 and completed a common control reorganization where it obtained 100% of the outstanding stock of the Bank. BankEvo LLC, a subsidiary of the Bancorp, was formed in February 2021 offering banking infrastructure as-a-service.

The Bank is subject to regulation by certain Federal and State agencies and undergoes periodic examination by these regulatory authorities.

Basis of financial statement presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and with prevailing practices within the banking industry. In preparing such consolidated financial statements, management is required to make certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses for the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the fair value of investment securities, impaired loans, assets, and liabilities acquired in a business combination, and other real estate owned.

Basis of consolidation

The consolidated financial statements include the accounts of the Bancorp and its wholly-owned subsidiaries, the Bank and BankEvo. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash and due from banks, temporary investments such as federal funds sold and interest-bearing balances due from other banks. Cash and cash equivalents generally have a maturity of 90 days or less and include amounts the Bank is required to maintain to meet certain reserve and compensating balance requirements of the Federal Reserve Bank of San Francisco, based on a percentage of deposits. The Bank met the reserve requirements at December 31, 2021 and 2020, through the use of vault cash and deposits with the Federal Reserve.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Certificates of deposit with other banks

Certificates of deposit with other banks have an original maturity greater than 90 days and are carried at cost.

Investment securities

The Bank is required to specifically identify its investment securities as “trading accounts,” “available-for-sale,” or “held-to-maturity.”

Investments are classified in the trading category if the Bank’s intention is to hold the investment principally for the purpose of realizing short-term gains during periods of 90 days or less. Such investments are carried at fair value and changes in fair value are recognized in earnings during the period in which they arise. The Bank held no investments in this trading category during 2021 or 2020. Securities are classified as available-for-sale if the Bank intends to hold those debt securities for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors such as: (1) changes in market interest rates and related changes in the prepayment risk, (2) needs for liquidity, (3) changes in the availability of and the yield on alternative instruments, and (4) changes in funding sources and terms. Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as other comprehensive income and carried as accumulated comprehensive income or loss within stockholders’ equity until realized.

Investments for which the Bank has the positive intent and ability to hold until maturity are classified as held-to-maturity and carried at amortized cost. The Bank held no investments in the held-to-maturity category during 2021 or 2020.

Premiums and discounts arising from the purchase of investment securities are recognized in interest income using the effective interest method. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Management reviews investment securities on an ongoing basis for the presence of other-than-temporary impairment (OTTI) or permanent impairment, taking into consideration current market conditions; fair value in relationship to cost; extent and nature of the change in fair value; issuer rating changes and trends; whether management intends to sell a security or if it is likely that the Bank will be required to sell the security before recovery of the amortized cost basis of the investment, which may be maturity; and other factors. For debt securities, if management intends to sell the security or it is likely that the Bank will be required to sell the security before recovering its cost basis, the entire impairment loss would be recognized in earnings as an OTTI. If management does not intend to sell the security and it is not likely that the Bank will be required to sell the security, but management does not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings. The credit loss on a security is measured as the difference between the amortized cost basis and the present value of the cash flows expected to be collected. Projected cash flows are discounted by the original or current effective interest rate depending on the nature of the security being measured for potential OTTI. The remaining impairment related to all other factors, that is, the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to other comprehensive income.

Lewis & Clark Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Equity securities

At December 31, 2021 and 2020, the Bank held Data Center, Inc. (DCI) stock of \$160 as an equity security with a par value of \$1 per share, and is adjusted for observable transactions in that stock. The security is not marketable.

At December 31, 2021 and 2020, the Bank held Federal Home Loan Bank (FHLB) stock of \$418 and \$341, respectively, as a restricted equity security with a par value of \$100 per share and carried at cost, which approximates fair value. As a member of the FHLB system, the Bank is required to maintain a minimum investment level in FHLB stock based on specific percentages of the Bank's outstanding mortgages, total assets, or FHLB advances.

At December 31, 2021 and 2020, the Bank held \$101 of stock in United Bankers Bank. At December 31, 2021 and 2020, the Bank held Independent Bankers Financial Corporation (IBFC) stock of \$100 as a restricted equity security. As a financial institution customer of IBFC, the Bank has access to a federal funds line of credit and correspondent banking relationship with The Independent Bankers Bank, a subsidiary of IBFC.

At December 31, 2021, the Bank held \$115, \$250, and \$30 of equity-based investments in Fin VC Flagship II, LP, iCashe, Inc., and Banktech Ventures, LP, respectively. The investments are not marketable and do not have a readily determinable fair value. Due to the recent acquisition of the investments, carrying value approximates fair value. At December 31, 2021 the Bank held \$784 of stock in First Northwest Bancorp through a related company, LCB Investments, LLC. This stock is held as equity securities with a readily determinable fair value, and therefore unrealized gains of \$159 were recognized in the income statement as of December 31, 2021.

Management periodically evaluates equity securities for impairment. The Bank considers the future recoverability of its investment as the primary basis for determining impairment. Factors that impact the recoverability of the investment include, among other things, the ability of the Bank to redeem its investment in future periods, or transfer the investment to another institution at its carrying value. Management's determination of whether these investments are impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as: (1) the significance of any decline in net assets of the issuer as compared to the capital stock amount for the issuer and the length of time this situation has persisted, (2) commitments by the issuer to make payments required by law or regulation and the level of such payments in relation to the operating performance of the issuer, (3) the impact of legislative and regulatory changes on institutions and, accordingly, the customer base of the issuer, and (4) the liquidity position of the issuer. As a result of these factors and the Bank's annual analysis as of December 31, 2021 and 2020, management did not recognize impairment of the Bank's investment in restricted equity securities.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Loans held-for-sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Sales are made with no recourse. At December 31, 2021 and 2020, no loans were held-for-sale.

Loans and allowance for loan losses

Loans are stated at the amount of unpaid principal, net of an allowance for loan losses, net unearned income or cost, and premiums or discounts (if any). Interest on loans is calculated using the simple-interest method on daily balances of the principal amount outstanding. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment to the yield of the related loan. Unamortized net loan origination fees are recognized into income when the loan is extinguished.

Loans are classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due, in accordance with the terms of the original loan agreement. The carrying value of impaired loans is based on the present value of expected future cash flows (discounted at each loan's effective interest rate) or, for collateral dependent loans, at the net realizable value of the collateral. If the measurement of each impaired loan's value is less than the recorded investment in the loan, an impairment allowance is created by either charging the provision for loan losses or allocating an existing component of the allowance for loan losses.

Loans are reported as troubled debt restructurings when the Bank grants concessions to a borrower experiencing financial difficulties that it would not otherwise consider. As a result of these concessions, restructured loans are impaired as the Bank will not collect all amounts due, both principal and interest, in accordance with the terms of the original loan agreement. Impairment reserves on non-collateral dependent restructured loans are measured by comparing the present value of expected future cash flows on the restructured loans, discounted at the interest rate of the original loan agreement, to the loan's carrying value. These impairment reserves are recognized as a specific component to be provided for in the allowance for loan losses.

In conjunction with the passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in March 2020, and as amended in 2021, financial institutions have been provided the option, for loans meeting specific criteria, to temporarily suspend certain requirements under GAAP related to Troubled Debt Restructurings ("TDRs") for a limited time to assist borrowers experiencing financial hardship due to the COVID-19 Pandemic (the Pandemic). As a result, the Bank has not recognized eligible CARES Act loan modifications as TDRs. In addition, the federal banking regulators provided interpretive guidance clarifying that short-term (e.g., six months or less) payment forbearance plans offered to borrowers in response to COVID would not meet the conditions to be a TDR. Additionally, loans qualifying for these modifications are not required to be reported as delinquent, nonaccrual, impaired or criticized solely as a result of loan modification resulting from the economic effects of the Pandemic. Modifications include deferral of payments and interest only periods.

Lewis & Clark Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The Bank accrues and recognizes interest income on loans under payment relief based on the original contractual interest rates. When payments resume at the end of the relief period, the payments will generally be applied to accrued interest due until accrued interest is fully paid. Accrued interest balances are assessed for collectability on a periodic basis. As of December 31, 2021, there were no loans in a payment deferral period.

Loans, including impaired loans, are classified as non-accrual if the collection of principal and interest is doubtful. Generally, this occurs when a loan is past due as to maturity or payment of principal or interest by 90 days or more, unless such loans are well-secured and in the process of collection. If a loan or portion thereof is partially charged-off, the loan is considered impaired and classified as non-accrual. Loans that are less than 90 days past due may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt.

When a loan is classified as non-accrual, all uncollected accrued interest is reversed out of interest income and the accrual of interest income is terminated. Generally, any cash payments are applied as a reduction of principal outstanding. In cases where the future collectability of the principal balance in full is expected, interest income may be recognized on a cash basis. A loan may be restored to accrual status when the borrower's financial condition improves so that full collection of principal is considered likely.

The allowance for loan losses is established through a provision for loan losses charged to expenses. Amounts are charged against the allowance for loan losses when management believes that the collectability of principal is unlikely. The allowance is an amount that management believes is adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. Various regulatory agencies, as a regular part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgment of information available to them at the time of their examinations.

A reserve for unfunded commitments is maintained at a level that, in the opinion of management, is adequate to absorb probable losses associated with the Bank's commitment to lend funds under existing agreements such as for lines of credit and letters of credit. Management determines the adequacy of the reserve for unfunded commitments based upon reviews of individual credit facilities, current economic conditions, the risk characteristics of the various categories of commitments, and other relevant factors. The reserve is based on estimates, and ultimate losses may vary from the current estimates. These estimates are evaluated on a regular basis and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation is provided over the estimated useful lives of buildings, furniture, fixtures, and equipment on a straight-line basis. Depreciable life of the building is 30 years, while the depreciable lives of the furniture, fixtures, and equipment ranges from three to seven years. Land is not depreciated. Leasehold improvements are amortized over the life of the related lease or the life of the related asset, whichever is shorter. The costs of maintenance and repairs are expensed as they are incurred. Expenditures for major renovations and betterments of the Company's fixed assets are capitalized.

Management reviews long-lived and intangible assets any time that a change in circumstance indicates that the carrying amount of these assets may not be recoverable. Recoverability of these assets is determined by comparing the carrying value of the asset to the forecasted undiscounted cash flows of the operation associated with the asset. If the evaluation of the forecasted cash flows indicates that the carrying value of the asset is not recoverable, the asset is written down to fair value.

Cash surrender value of bank-owned life insurance

The Bank holds life insurance contracts covering certain executives and employees. The cash surrender values of the contracts reflect the Bank's investment in the recorded assets, net of surrender charges. Holding gains and losses related to the contracts are included in earnings as gains or losses in the period in which they arise.

Goodwill and intangible assets

Goodwill – Goodwill represents the excess of the purchase consideration over the fair value of net assets acquired in connection with the Bank's acquisitions using the acquisition method of accounting. Goodwill is not amortized but is periodically evaluated for impairment under the provisions of ASC Topic 350, *Intangibles – Goodwill and Other* ("ASC 350").

Core deposit intangible assets – Other intangible assets primarily consist of core deposit intangible assets. In valuing core deposit intangibles, the Bank considers variables such as deposit servicing costs, attrition rates and market discount rates. Core deposit intangibles are reviewed annually, or more frequently when events or changes in circumstances occur that indicate that their carrying values may not be recoverable. If the recoverable amount of the core deposit intangibles is determined to be less than its carrying value, impairment would be measured based on an estimate of the fair value at that time. The Bank also evaluates whether events or circumstances have occurred that warrant a revision to the remaining useful lives of intangible assets. In cases where a revision is deemed appropriate, the remaining carrying amounts of the intangible assets are amortized over the revised remaining useful life. Core deposit intangibles are currently amortized over an approximate five-year period.

Advertising expenses

Advertising costs are generally expensed as incurred. Advertising costs recognized as expenses were \$66 and \$68 for 2021 and 2020, respectively.

Lewis & Clark Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, a deferred tax asset or liability is determined based on the enacted tax rates which will be in effect when the differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in the Company's income tax returns. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established to reduce the net carrying amount of deferred tax assets if it is determined to be more likely than not, that all or some portion of the deferred tax asset will not be realized. Conversely, valuation allowances are reversed at such time there is sufficient evidence to support the likelihood that the net deferred tax asset will be utilized to offset future taxable income.

The Bank recognizes the tax benefit from uncertain tax positions only if it is more likely than not the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Bank also recognizes interest and penalties related to income tax matters as noninterest expense. There were no interest or penalties accrued for the year ended December 31, 2021. The Bank does not anticipate that the amount of unrecognized tax benefits will significantly increase or decrease in the next 12 months. The Bank files tax returns with the Internal Revenue Service and the Oregon Department of Revenue, which are subject to examination by the taxing authorities for years 2015 and later.

Stock-based compensation

The Company has an active stock-based compensation plan that provides for the granting of stock options and restricted stock awards to eligible employees and directors. The Bank records compensation expense for all share-based payment awards made to employees and directors. Companies are required to recognize in the income statement the grant-date fair value of stock options and other equity-based forms of compensation issued to employees over the employees' requisite service period (generally the vesting period). For employees, compensation cost related to stock options and restricted stock awards are charged to salaries and employee benefits. For board members, compensation cost related to stock options and restricted stock awards are charged to professional services.

The fair value of each option grant is estimated as of the grant date using the Black-Scholes option-pricing model with assumptions pertaining to stock volatility, expected term, risk-free interest rates, and anticipated forfeitures. The fair value of restricted stock awards is based on the market value of the Company's stock on the date of grant.

Lewis & Clark Bancorp and Subsidiaries **Notes to Consolidated Financial Statements** **(dollars in thousands, except per share amounts)**

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Comprehensive income

Recognized revenue, expenses, gains and losses are included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported on a cumulative basis, net of tax effects, as a separate component of equity on the Balance Sheets. Changes in such items, along with net income, are components of comprehensive income.

Earnings per share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the sum of the weighted-average number of shares outstanding plus the dilutive effect of stock options and restricted stock.

The Bancorp has two forms of outstanding common stock: common stock and unvested restricted stock awards. Holders of unvested restricted stock awards receive non-forfeitable dividends at the same rate as common stockholders and they both share equally in undistributed earnings. The computed basic and diluted earnings per share are calculated using the two-class method.

Off-balance sheet financial instruments

The Company holds no derivative financial instruments. However, in the ordinary course of business, the Company enters into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. These financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Business combinations

The Bank accounts for business combinations under the acquisition method of accounting. The Bank recognizes the fair value of the assets acquired and liabilities assumed as of the date of acquisition, with any excess of the fair value of consideration provided over the fair value of the identifiable net tangible and intangible assets acquired recorded as goodwill. Transaction costs are expensed as incurred. The results of operations of the acquired business are included in the statements of income from the effective date of the acquisition, which is the date control is obtained.

Fair value of assets and liabilities

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The Company determines fair value based upon quoted prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Lewis & Clark Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. The Company's own data used to develop unobservable inputs shall be adjusted for market consideration when reasonably available.

The Company used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the consolidated financial statements on either a recurring or non-recurring basis:

Investment securities available-for-sale – The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

Impaired loans – A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement. Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. As a practical expedient, fair value may be measured based on a loan's observable market price or the underlying collateral securing the loan. Collateral may be real estate or business assets including equipment. The value of collateral is determined based on independent appraisals and management's judgment.

The following methods were used to estimate the fair value of all other financial instruments not recognized on the basis of fair value in the accompanying balance sheets.

Cash and cash equivalents – The carrying amounts of cash and short-term instruments approximate their fair value.

Time deposits with other financial institutions – Fair value for time certificates with other banks are based on the market values for comparable investments.

Equity securities – The carrying value of equity securities is estimated to represent its fair value.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Loans – For variable rate loans, including loans held-for-sale, that reprice frequently and have no significant change in credit risk, fair values are considered to approximate carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential) and consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for fixed-rate commercial real estate and commercial loans are estimated using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposit liabilities – The fair values disclosed for demand deposits 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 (CDs) approximate their fair values at the reporting date. Fair values for fixed-rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities for time deposits.

Borrowings and subordinated debentures – The fair values disclosed for borrowings are determined based on contractual repayments discounted based on current borrowing rates for similar instruments.

Accrued interest receivable and payable – The fair values of accrued interest receivable and payable are based on the amounts to be received or paid, which approximates carrying value at the reporting date.

Off-balance sheet instruments – The Bank's off-balance sheet instruments include unfunded commitments to extend credit and standby letters of credit. The fair value of these instruments is not considered practicable to estimate because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

Subsequent events

Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued. The Company recognizes in its consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before the consolidated financial statements are issued.

The Company has evaluated subsequent events through May 10, 2022, the date the consolidated financial statements were available to be issued.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 2 – Investment Securities

The amortized cost and estimated fair value of investment securities available-for-sale are as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate subordinated note	\$ 1,500	\$ 68	\$ -	\$ 1,568
Mortgage-backed securities and collateralized mortgage obligations	9,985	21	(71)	9,935
U.S. Treasury securities	119,056	-	(523)	118,533
Agency securities	34,809	-	(521)	34,288
	<u>\$ 165,350</u>	<u>\$ 89</u>	<u>\$ (1,115)</u>	<u>\$ 164,324</u>

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate subordinated note	<u>\$ 1,500</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 1,515</u>

At December 31, 2021, the Bank had 14 investment securities in a loss position for less than twelve months, and no investment securities in an unrealized loss position for greater than twelve months. At December 31, 2020, the Bank had no investment securities in a loss position. The Bank evaluated the unrealized losses and determined that the declines in value were temporary and related to the change in market interest rates since the date of purchase.

No securities were pledged as of December 31, 2021.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities and collateralized mortgage obligations	\$ 4,934	\$ (71)	\$ -	\$ -	\$ 4,934	\$ (71)
U.S. Treasury securities	118,533	(523)	-	-	118,533	(523)
Agency securities	34,288	(521)	-	-	34,288	(521)
	<u>\$ 157,755</u>	<u>\$ (1,115)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,755</u>	<u>\$ (1,115)</u>

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 2 – Investment Securities (continued)

The amortized cost and estimated fair value of investment securities available-for-sale as of December 31, 2021, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-For-Sale Securities	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ -	\$ -
Due after one year through five years	136,036	135,263
Due after five years through ten years	19,329	19,125
Due after ten years	9,985	9,936
	\$ 165,350	\$ 164,324

Note 3 – Loans, Net of Allowance for Loan Losses and Unearned Income

The loan portfolio consists of the following major loan types as of December 31, which includes loan premiums or discounts upon acquisition:

	2021	2020
Real estate		
Construction and land development	\$ 13,346	\$ 14,100
Commercial and multi-family residential	137,822	135,053
Single-family residential	19,391	20,932
Commercial and industrial	23,679	88,032
Consumer and other	9	32
	194,247	258,149
Allowance for loan losses	(3,054)	(3,043)
Unearned income	(590)	(1,916)
	\$ 190,603	\$ 253,190

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 3 – Loans, Net of Allowance for Loan Losses and Unearned Income (continued)

Pursuant to the CARES Act passed in March 2020, the Bank funded loans to eligible small businesses and non-profit organizations who participated in the Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). In 2021 and 2020, the Bank funded 325 and 396 PPP loans, respectively. PPP loans have terms of two to five years and earn interest at 1%. In addition, the Bank received a fee of 1%-5% from the SBA, depending on the loan amount, which is accreted into interest income over the contractual life of the loan. PPP loans are fully guaranteed by the SBA and are expected to be forgiven by the SBA if they meet the requirements of the program. The balance of PPP loans included in “commercial and industrial” loans at December 31, 2021 and 2020 was approximately \$276 and \$62,849, respectively. During the years ended December 31, 2021 and 2020, the Bank recognized approximately \$3,045 and \$815, respectively, in SBA PPP fee income, including amounts recognized in income upon forgiveness of the loan.

Loans with an unpaid principal balance outstanding of \$117,881 were pledged to secure borrowings with the FHLB at December 31, 2021.

The following tables represent the activity in the allowance for loan losses by loan category as of and for the years ended December 31, 2021 and 2020:

	December 31, 2021						
	Construction and Land Development	Commercial and Multi-family Residential	Single-family Residential	Commercial and Industrial	Consumer and Other	Unallocated	Total
Allowance for loan losses							
Beginning balance	\$ 130	\$ 2,232	\$ 110	\$ 570	\$ 1	\$ -	\$ 3,043
Provision/reallocation	19	(3)	(6)	(10)	-	-	-
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	11	-	-	11
Ending balance	<u>\$ 149</u>	<u>\$ 2,229</u>	<u>\$ 104</u>	<u>\$ 571</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 3,054</u>
Ending balance individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending balance collectively evaluated for impairment	<u>\$ 149</u>	<u>\$ 2,229</u>	<u>\$ 104</u>	<u>\$ 571</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 3,054</u>
Loans							
Ending balance	<u>\$ 13,346</u>	<u>\$ 137,822</u>	<u>\$ 19,391</u>	<u>\$ 23,679</u>	<u>\$ 9</u>		<u>\$ 194,247</u>
Ending balance individually evaluated for impairment	<u>\$ -</u>	<u>\$ 4,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 4,994</u>
Ending balance collectively evaluated for impairment	<u>\$ 13,346</u>	<u>\$ 132,828</u>	<u>\$ 19,391</u>	<u>\$ 23,679</u>	<u>\$ 9</u>		<u>\$ 189,253</u>

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 3 – Loans, Net of Allowance for Loan Losses and Unearned Income (continued)

	December 31, 2020						Total
	Construction and Land Development	Commercial and Multi-family Residential	Single-family Residential	Commercial and Industrial	Consumer and Other	Unallocated	
Allowance for loan losses							
Beginning balance	\$ 97	\$ 1,316	\$ 159	\$ 467	\$ 1	\$ -	\$ 2,040
Provision/reallocation	33	916	(49)	155	-	-	1,055
Charge-offs	-	-	-	(61)	-	-	(61)
Recoveries	-	-	-	9	-	-	9
Ending balance	<u>\$ 130</u>	<u>\$ 2,232</u>	<u>\$ 110</u>	<u>\$ 570</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 3,043</u>
Ending balance individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending balance collectively evaluated for impairment	<u>\$ 130</u>	<u>\$ 2,232</u>	<u>\$ 110</u>	<u>\$ 570</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 3,043</u>
Loans							
Ending balance	<u>\$ 14,100</u>	<u>\$ 135,053</u>	<u>\$ 20,932</u>	<u>\$ 88,032</u>	<u>\$ 32</u>		<u>\$ 258,149</u>
Ending balance individually evaluated for impairment	<u>\$ -</u>	<u>\$ 1,693</u>	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ -</u>		<u>\$ 1,854</u>
Ending balance collectively evaluated for impairment	<u>\$ 14,100</u>	<u>\$ 133,360</u>	<u>\$ 20,932</u>	<u>\$ 87,871</u>	<u>\$ 32</u>		<u>\$ 256,295</u>

The following table shows the recorded investment and unpaid principal balance in impaired loans as of December 31, 2021 and 2020 accompanied by information about the average recorded investments in impaired loans and interest income recognized on impaired loans for the years then ended:

	December 31, 2021				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Commercial and multi-family residential	\$ 4,994	\$ 4,994	\$ -	\$ 5,355	\$ 111
Commercial and industrial	-	-	-	-	-
Total	<u>\$ 4,994</u>	<u>\$ 4,994</u>	<u>\$ -</u>	<u>\$ 5,355</u>	<u>\$ 111</u>
	December 31, 2020				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Commercial and multi-family residential	\$ 1,693	\$ 1,693	\$ -	\$ 1,693	\$ 31
Commercial and industrial	161	215	-	200	-
Total	<u>\$ 1,854</u>	<u>\$ 1,908</u>	<u>\$ -</u>	<u>\$ 1,893</u>	<u>\$ 31</u>

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 3 – Loans, Net of Allowance for Loan Losses and Unearned Income (continued)

Past due loans are loans for which principal and interest were not paid timely according to the contractual payment date. The following tables represent past due along with loans on nonaccrual status by loan category at December 31, 2021 and 2020:

	December 31, 2021						
	30–59 Days Past Due	60–89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Non-accrual
Real estate:							
Construction and land development	\$ -	\$ -	\$ -	\$ -	\$ 13,346	\$ 13,346	\$ -
Commercial and multi-family residential	-	-	-	-	137,822	137,822	-
Single-family residential	-	-	-	-	19,391	19,391	-
Commercial and industrial	-	-	-	-	23,679	23,679	-
Consumer and other	-	-	-	-	9	9	-
Total	\$ -	\$ -	\$ -	\$ -	\$ 194,247	\$ 194,247	\$ -
	December 31, 2020						
	30–59 Days Past Due	60–89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Non-accrual
Real estate:							
Construction and land development	\$ -	\$ -	\$ -	\$ -	\$ 14,100	\$ 14,100	\$ -
Commercial and multi-family residential	4,679	-	-	4,679	130,374	135,053	3,816
Single-family residential	-	-	-	-	20,932	20,932	-
Commercial and industrial	-	-	161	161	87,871	88,032	388
Consumer and other	-	-	-	-	32	32	-
Total	\$ 4,679	\$ -	\$ 161	\$ 4,840	\$ 253,309	\$ 258,149	\$ 4,204

The Bank's risk rating methodology assigns risk ratings ranging from 1 to 10, where a higher rating represents higher risk. The assignment of a risk rating is done on the individual loan basis. Loans are graded from inception and on a continuing basis until the debt is repaid.

The 10 risk rating categories can generally be described by the following groupings:

Pass – Credit exposure in this category ranges between the highest credit quality (1) to average credit quality (5). These loans are protected by collateral and have adequate sources of repayment.

Watch – Loans in this category generally have acceptable asset quality, but require close management attention. Borrowers may be experiencing strained liquidity, poor repayment performance, and may be fully leveraged. Occurrences or trends that are outside of management control have a material adverse effect on the Bank but may be mitigated by management action in a relatively short time frame.

Special Mention – Special Mention assets have potential weaknesses that deserve management's close attention. If left uncorrected these potential weaknesses may result in deterioration of the repayment prospects for the asset at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant an adverse classification.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 3 – Loans, Net of Allowance for Loan Losses and Unearned Income (continued)

Substandard – Assets classified Substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses. They are characterized by the distinct possibility that the Bank will sustain some loss, if the deficiencies are not corrected.

Doubtful – Assets classified Doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic of weakness that makes collection or liquidation in full, on the basis of currently existing facts, condition, and values, highly questionable and improbable. The actual asset, net of charge off, is typically classified Substandard, depending on the risk exposure of the remaining balance.

Loss – That portion of an asset classified Loss is considered uncollectible and of such little value that limit continuance as bankable assets, without establishment of a specific valuation allowance or charge off, is not warranted. This classification does not necessarily mean that an asset has absolutely no recovery or salvage value, but rather, it is not practical or likely appropriate to defer writing off a basically worthless asset (or portion) even though partial recovery may be affected in the future. There is little or no prospect for near term improvement and no realistic strengthening action of significance pending. The actual asset, net of charge off, is typically classified Substandard depending on the risk exposure of the remaining balance.

The following tables represent risk rating classification by loan type at December 31, 2021 and 2020:

	December 31, 2021					
	Construction and Land Development	Commercial and Multi-family Residential	Single-family Residential	Commercial and Industrial	Consumer and Other	Total
Grade						
Pass	\$ 13,346	\$ 120,495	\$ 19,247	\$ 22,813	\$ 9	\$ 175,910
Watch	-	12,333	144	866	-	13,343
Special Mention	-	-	-	-	-	-
Substandard	-	4,994	-	-	-	4,994
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	<u>\$ 13,346</u>	<u>\$ 137,822</u>	<u>\$ 19,391</u>	<u>\$ 23,679</u>	<u>\$ 9</u>	<u>\$ 194,247</u>

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 3 – Loans, Net of Allowance for Loan Losses and Unearned Income (continued)

	December 31, 2020					
	Construction and Land Development	Commercial and Multi-family Residential	Single-family Residential	Commercial and Industrial	Consumer and Other	Total
Grade						
Pass	\$ 14,100	\$ 119,190	\$ 20,165	\$ 87,644	\$ 32	\$ 241,131
Watch	-	10,354	767	-	-	11,121
Special Mention	-	3,816	-	227	-	4,043
Substandard	-	1,693	-	161	-	1,854
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	<u>\$ 14,100</u>	<u>\$ 135,053</u>	<u>\$ 20,932</u>	<u>\$ 88,032</u>	<u>\$ 32</u>	<u>\$ 258,149</u>

There were no impaired loans classified as troubled debt restructurings as of December 31, 2021 and 2020. There were no loans restructured within the previous 12 months for which there was a payment default during the years ended December 31, 2021 and 2020 and there were no loans restructured as troubled debt restructurings during the years ended December 31, 2021 and 2020.

Note 4 – Fixed Assets

The composition of fixed assets as of December 31 is summarized as follows:

	2021	2020
Land	\$ 2,828	\$ 2,828
Building	4,745	4,631
Leasehold improvements	135	146
Furniture, fixtures, and equipment	783	570
Total fixed assets	<u>8,491</u>	<u>8,175</u>
Less: Accumulated depreciation	<u>(1,259)</u>	<u>(965)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 7,232</u>	<u>\$ 7,210</u>

Depreciation expense was \$283 and \$317 for the years ended December 31, 2021 and 2020, respectively.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 5 – Goodwill and Intangibles Assets

The following table summarizes the changes in the Company's goodwill and intangible assets for the years ended December 31, 2021 and 2020.

	2021			Weighted Average Remaining Amortization Period in Years
	Gross Carrying Amount	Accumulated Amortization	Intangibles, Net	
Goodwill	\$ 596	\$ -	\$ 596	N/A
Core deposit intangible	1,530	(1,246)	284	1.92
Trademarks	22	-	22	N/A
	<u>\$ 2,148</u>	<u>\$ (1,246)</u>	<u>\$ 902</u>	<u>1.92</u>
	2020			
	Gross Carrying Amount	Accumulated Amortization	Intangibles, Net	Weighted Average Remaining Amortization Period in Years
Goodwill	\$ 596	\$ -	\$ 596	N/A
Core deposit intangible	1,530	(881)	649	2.92
Trademarks	19	-	19	N/A
	<u>\$ 2,145</u>	<u>\$ (881)</u>	<u>\$ 1,264</u>	<u>2.92</u>

Amortization expense was \$365 and \$515 for the years ended December 31, 2021 and 2020, respectively.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 6 – Accrued Interest Receivable and Other Assets

The composition of accrued interest receivable and other assets as of December 31 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Accrued interest receivable	\$ 886	\$ 1,387
Prepaid expenses	433	235
Deferred income tax assets, net	638	241
Other assets	<u>529</u>	<u>577</u>
	<u>\$ 2,486</u>	<u>\$ 2,440</u>

Note 7 – Time Deposits

Time certificates of deposit of \$250 and over aggregated to \$8,897 and \$9,271 as of December 31, 2021 and 2020, respectively.

At December 31, 2021, scheduled maturities of all time certificates of deposit are as follows:

Years ending December 31, 2022	\$ 35,421
2023	4,651
2024	1,447
2025	422
2026	569
Thereafter	<u>17</u>
	<u>\$ 42,527</u>

Note 8 – Lines of Credit, Subordinated Debt, and Borrowing Agreements

The Bank had federal funds line of credit agreements with three financial institutions as of December 31, 2021. The maximum borrowings available under these lines totaled \$13,200 as of December 31, 2021 and are subject to renewal on an annual basis. These lines are unsecured and are intended to support short-term liquidity needs, and the agreements may restrict consecutive day usage. There were no balances outstanding under federal fund lines of credit as of December 31, 2021 or 2020.

Lewis & Clark Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands, except per share amounts)

Note 8 – Lines of Credit, Subordinated Debt, and Borrowing Agreements (continued)

The Bank, as a member of the Federal Home Loan Bank (FHLB) of Des Moines, has entered into an 'Advances, Security and Deposit Agreement' which provides a credit arrangement with the FHLB. Borrowings under the credit arrangement are collateralized by pledged loans. At December 31, 2021, the Bank's maximum borrowing capacity with the FHLB was \$74,251, which provided the Bank with \$72,151 in excess borrowing capacity. As of December 31, 2021, the Bank had letters of credit in the amount of \$2,100 with the FHLB used to secure public funds as required by law or regulation. As of December 31, 2021 and 2020, the Bank had no FHLB borrowings outstanding.

On September 30, 2020, the Company issued \$7,000 in fixed-to-floating subordinated debentures that mature on September 30, 2030. The subordinated debentures bear a fixed interest rate of 6.00% until September 30, 2025 and a floating interest rate equal to a benchmark rate, which is expected to be the three-month Secured Overnight Financing Rate plus 587.5 basis points, thereafter until maturity. The transaction resulted in debt issuance costs of approximately \$128 that will be amortized over 5 years.

As of December 31, 2021, the liability outstanding of the subordinated debentures, net of unamortized debt issuance costs, was \$6,905. The Company may, at its option, redeem the debentures, in whole or in part, on a semi-annual basis beginning on September 30, 2025, subject to obtaining the prior approval of the Federal Reserve to the extent such approval is then required. The subordinated notes qualify as Tier 2 capital for regulatory purposes.

In 2020, the Company utilized the FRB's Paycheck Protection Program Liquidity Fund (PPPLF), pursuant to which it pledged its PPP loans as collateral at face value to obtain FRB non-recourse advances. As of December 31, 2021, the Company had no PPPLF borrowings outstanding.

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Note 9 – Income Taxes

The income tax expense consists of the following:

	<u>2021</u>	<u>2020</u>
Current payable		
Federal	\$ 1,011	\$ 506
State	<u>400</u>	<u>200</u>
	1,411	706
Deferred tax expense (benefit)		
Federal	(83)	(157)
State	<u>(33)</u>	<u>(62)</u>
	<u>(116)</u>	<u>(219)</u>
Provision for income taxes	<u>\$ 1,295</u>	<u>\$ 487</u>

The provision for current income taxes is different from that computed by applying the statutory rates for the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>		<u>2020</u>	
Federal tax at statutory rates	\$ 1,070	21.00%	\$ 434	21.00%
State income taxes, net of federal effect	306	6.00%	124	6.00%
Non-deductible expenses	17	0.34%	14	0.60%
Non-taxable income	(53)	-1.04%	(59)	-2.48%
Other	<u>(45)</u>	-0.88%	<u>(26)</u>	-1.13%
	<u>\$ 1,295</u>	25.42%	<u>\$ 487</u>	24.00%

As of December 31, 2021 and 2020, the Bank had unamortized pre-opening expenses, capitalized for tax purposes, of approximately \$2 and \$29, respectively, to offset future taxable income. The pre-opening expenses are being amortized and deducted for tax purposes over a 180-month period.

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Note 9 – Income Taxes (continued)

Deferred income taxes represent the tax effect of differences in timing between financial statement income and taxable income. The net deferred tax assets, recorded among other assets, in the accompanying balance sheets as of December 31 include the following components:

	2021	2020
Deferred tax assets		
Allowance for loan losses	\$ 712	\$ 712
Net operating loss	85	164
Lease liability	108	-
Accrued benefits	159	100
Purchase accounting adjustments	10	20
Stock-based compensation	37	29
Unfunded loan commitment allowance	10	10
Unamortized pre-opening expenses	-	8
Unrealized loss on available for sale securities	277	-
	1,398	1,043
Deferred tax liabilities		
Accumulated depreciation	(387)	(365)
Core deposit intangible	(77)	(175)
Loan origination costs	(186)	(208)
Right of use asset	(106)	-
Prepaid expenses	(45)	(37)
Unrealized gain on available for sale securities	-	(4)
Other	41	(13)
	(760)	(802)
Net deferred tax asset (liability)	\$ 638	\$ 241

Management determined, based upon the Bank's historical performance and future projections, the deferred tax assets will be realized in the normal course of operations, and determined that no valuation allowance is necessary at December 31, 2021 or 2020.

At December 31, 2021 and 2020, the Bank had federal net operating loss carryforwards of approximately \$433 and \$1,070, respectively, and Oregon net operating loss carryforwards of approximately \$0 and \$422, respectively, available to offset future taxable income. Unless utilized in earlier tax years, the carryforwards will expire beginning in 2031. The utilization of the net operating loss carryforward acquired through acquisition activity is subject to annual limitations of approximately \$205, pursuant to Section 382 of the Internal Revenue Code.

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Note 10 – Earnings per Share

The following table illustrates the computations of basic and diluted earnings per share for the years ended December 31, 2021 and 2020:

	Net Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
December 31, 2021			
Income attributable to common stockholders	\$ 3,799		
Allocation of earnings to restricted shares	<u>(38)</u>		
Earnings per share	<u>\$ 3,761</u>	<u>1,083,953</u>	<u>\$ 3.47</u>
Effect of dilutive restricted shares	<u>38</u>	<u>10,879</u>	<u>\$ -</u>
Diluted earnings per share	<u>\$ 3,799</u>	<u>1,094,832</u>	<u>\$ 3.47</u>
December 31, 2020			
Income attributable to common stockholders	\$ 1,581		
Allocation of earnings to restricted shares	<u>(17)</u>		
Earnings per share	<u>1,564</u>	<u>1,121,363</u>	<u>\$ 1.39</u>
Effect of dilutive restricted shares	<u>17</u>	<u>12,072</u>	<u>\$ -</u>
Diluted earnings per share	<u>\$ 1,581</u>	<u>1,133,435</u>	<u>\$ 1.39</u>

Note 11 – Transactions with Related Parties

Certain directors, executive officers, and principal stockholders are customers of and have had banking transactions with the Bank. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

During 2021 and 2020, there were new loans made to related parties of \$0 and \$873, respectively. As of December 31, 2021 and 2020, there were \$754 and \$878, respectively, in loans outstanding to directors, executive officers, principal stockholders, and companies with which they are associated. The Bank held related party deposits of \$973 and \$768 at December 31, 2021 and 2020, respectively.

Lewis & Clark Bancorp and Subsidiaries
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Note 12 – Financial Instruments with Off-Balance Sheet Risk

In the normal course of business to meet the financing needs of its customers, the Bank becomes a party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit and the issuance of letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

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 and letters of credit written is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to customers, as long as 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 some of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing properties.

Letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank may hold cash, marketable securities, or real estate as collateral supporting those commitments for which collateral is deemed necessary.

The notional amount of the Bank's financial instruments with off-balance sheet risk as of December 31, 2021 and 2020 consisted of commitments to extend credit totaling \$20,528 and \$24,912, respectively, and letters of credit totaling \$500 and \$700, respectively.

Note 13 – Concentrations of Credit Risk

The Bank maintains balances in correspondent bank accounts that at times may exceed federally insured limits. Management believes that its risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks. The Bank has not experienced any losses in its correspondent bank accounts.

A majority of the Bank's loans and commitments have been granted to customers in the Bank's market area. The distribution of commitments to extend credit is expected to approximate the distribution of loans outstanding. Concentrations of credit by type of loan are set forth in Note 3. The Bank's loan policies do not allow the extension of credit to any single borrower or group of related borrowers in excess of the Bank's legal lending limit, as defined in state banking regulations.

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Note 14 – Commitments and Contingencies

Operating leases

The Bank leases locations in Astoria, Oregon, and Vancouver, Washington under operating lease agreements which expire December 31, 2025 and September 30, 2025, respectively. The Bank also leases certain office equipment under operating lease agreements. Future minimum lease payments for all non-cancellable operating leases are as follows:

Year ending December 31,	2022	\$	110
	2023		112
	2024		115
	2025		98
	2026		10
			<hr/>
	Total	\$	<u>445</u>

Total rental expense associated with branch premises and office equipment was approximately \$125 and \$76 for the years ended December 31, 2021 and 2020, respectively.

Total rental income from subleasing was \$94 and \$105 for the years ended December 31, 2021 and 2020, respectively. The Bank has commitments from tenants under operating leases for \$8 per month through September 2023.

Legal contingencies

The Bank, in the ordinary course of business, may become a defendant in certain claims and legal actions. In the opinion of management, after consultation with legal counsel, there are no matters or potential claims presently known to the Bank that are expected to have a material adverse effect on the financial condition or results of operations of the Bank.

Severance agreements

Certain executives of the Bank are subject to an employment agreement that requires a payment upon a change in control or certain other events, as defined in the agreement. The payment is based upon a multiple of the executive's compensation. As none of the events contemplated by these agreements were considered probable at the balance sheet date, no amounts have been accrued.

The Bank has a stock-based compensation plan that provides for the granting of stock options and restricted stock awards to eligible employees and directors. The plan allows for the granting of both incentive and nonqualified stock options. All options under the plan are exercisable at purchase prices which approximate the fair value of the Bank's common stock on the date of grant. Option exercise prices, number of shares granted to recipients, and durations for stock options are determined and approved by the Board of Directors.

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Note 15 – Stock-based Compensation Plan

There was no stock option activity for the year ended December 31, 2021. The following table summarizes the restricted stock award activity for the years ended December 31, 2021 and 2020:

	Number of Shares	Weighted Average Per Share Grant Date Fair Value
	<u> </u>	<u> </u>
UNVESTED BALANCE, December 31, 2019	12,869	\$ 24.00
Granted	-	
Vested	(1,923)	
Forfeited	<u>-</u>	
UNVESTED BALANCE, December 31, 2020	10,946	\$ 24.11
Granted	-	
Vested	(67)	
Forfeited	<u>-</u>	
UNVESTED BALANCE, December 31, 2021	<u><u>10,879</u></u>	\$ 24.05

The total fair value of restricted stock awards vested in 2021 and 2020 was \$2 and \$49, respectively. As of December 31, 2021, unrecognized compensation expense related to unvested restricted stock awards was approximately \$131 and is expected to be recognized over a weighted-average period of 5 years. Compensation expense recognized during the years ended December 31, 2021 and 2020 was \$28 and \$48, respectively.

Under the terms of the plan, holders of shares of unvested restricted stock have all the rights of a stockholder, including voting, dividend, and liquidation rights with respect to shares that have been issued and delivered.

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Note 16 – Defined Contribution Plan and Other Compensation Arrangements

The Bank sponsors a defined contribution and profit sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, whereby eligible employees may defer a portion of their gross wages. Employees eligible to participate in the plan must be over 18 years of age and may contribute up to the maximum allowable by IRS statute. The Bank makes matching contributions of 100% of elective deferrals up to 4% of compensation and makes discretionary profit sharing contributions to the plan based on approval of the Board of Directors. Matching contributions vest immediately. Discretionary contributions vest over a period of five years. The Bank did not make discretionary contributions for the years ended December 31, 2021 and 2020. Bank matching contributions during 2021 and 2020 were approximately \$133 and \$152, respectively.

The Bank sponsors a nonqualified deferred compensation plan for one executive officer. Amounts are earned annually under a performance-based formula. Amounts are due upon termination, death, or disability.

Note 17 – Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on a bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, banks must meet specific capital guidelines that involve quantitative measures of the bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by 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 (set forth in the following table) of total capital, Tier 1 capital, and common equity Tier 1 to risk-weighted assets, and of Tier 1 capital to average assets (as defined in the regulations).

As of the most recent notification from its regulatory agencies, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's regulatory capital category to which it is subject. Management believes, as of December 31, 2021, that the Bank meets all capital adequacy requirements to which they are subject.

The Bank was required to establish and phase-in a "conservation buffer," consisting of a common equity Tier 1 capital amount equal to 2.5% of risk-weighted assets by 2019. An institution that does not meet the conservation buffer requirement will be subject to restrictions on certain activities including payment of dividends, stock repurchases, and discretionary bonuses to executive officers. The phase-in began in 2017 and increased until fully phased-in by 2019. At December 31, 2021, the conservation buffer was 2.50% in excess of the minimum capital requirement of 6.5%, for a minimum common equity Tier 1 capital percentage of 9% to prevent the foregoing restrictive provisions.

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Note 17 – Regulatory Matters (continued)

Bancorp is a bank holding company registered with the FRB. Bank holding companies are subject to capital adequacy requirements of the FRB under the Bank Holding Company Act of 1956, as amended, and the regulations of the FRB. For a bank holding company with less than \$3.0 billion in assets, the capital guidelines apply on a bank only basis, and the FRB expects the holding company's subsidiary bank to be well capitalized under the prompt corrective action provisions. If the Company was subject to regulatory guidelines for bank holding companies with \$3.0 billion or more in assets, as of December 31, 2021, Bancorp would have exceeded all regulatory capital requirements.

The Bank's capital amounts and ratios as of December 31, 2021 and 2020 are as follows:

	Actual		Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2021						
Total capital to risk-weighted assets	\$ 46,758	21.07%	\$ 17,754	>8.0%	\$ 22,192	>10.0%
Tier 1 capital to risk-weighted assets	43,980	19.82%	13,315	>6.0%	17,754	>8.0%
Tier 1 common to risk-weighted assets	43,980	19.82%	9,986	>4.5%	14,425	>6.5%
Tier 1 capital to average assets	43,980	10.79%	16,297	>4.0%	20,372	>5.0%
As of December 31, 2020						
Total capital to risk-weighted assets	\$ 43,594	20.44%	\$ 17,061	>8.0%	\$ 21,326	>10.0%
Tier 1 capital to risk-weighted assets	40,923	19.19%	12,796	>6.0%	17,061	>8.0%
Tier 1 common to risk-weighted assets	40,923	19.19%	9,597	>4.5%	13,862	>6.5%
Tier 1 capital to average assets	40,923	12.68%	12,905	>4.0%	16,131	>5.0%

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Note 18 – Fair Values of Assets and Liabilities

Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the consolidated financial statements at each reporting date. Assets measured on a non-recurring basis are assets that, due to an event or circumstance, were required to be remeasured at fair value after initial recognition in the consolidated financial statements at some time during the reporting period. The Bank had no assets measured and carried at fair value on a non-recurring basis in 2021 or 2020.

The following tables disclose the estimated fair value and the related carrying value of all of the Bank's financial assets and liabilities at December 31, 2021 and 2020:

	2021			
	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 57,077	\$ 57,077	\$ -	\$ -
Federal funds sold	8,705	8,705	-	-
Time deposits with other financial institutions	735	-	746	-
Equity securities	2,117	-	-	2,117
Investment securities available-for-sale, at fair value	164,324	-	164,324	-
Loans	194,247	-	-	195,918
Accrued interest receivable	662	-	-	662
Financial liabilities:				
Demand deposits, interest-bearing demand deposits, and savings deposits	\$ 355,428	\$ -	\$ 355,428	\$ -
Time deposits	42,527	-	-	42,612
Subordinated notes, net	6,905	-	-	7,000
Accrued interest payable	134	-	2	132
2020				
	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 630,666	\$ 630,666	\$ -	\$ -
Federal funds sold	8,645	8,645	-	-
Time deposits with other financial institutions	1,460	-	1,454	-
Equity securities	702	-	-	702
Investment securities available-for-sale, at fair value	1,515	-	1,515	-
Loans	258,149	-	-	256,000
Accrued interest receivable	1,352	-	-	1,352
Financial liabilities:				
Demand deposits, interest-bearing demand deposits, and savings deposits	\$ 252,897	\$ -	\$ 252,897	\$ -
Time deposits	42,082	-	-	42,421
Subordinated notes, net	6,880	-	-	6,643
Borrowings	5,873	-	-	5,868
Accrued interest payable	189	-	3	186

