Report of Independent Auditors
and Financial Statements for

Idaho First Bank

December 31, 2015 and 2014

MOSS-ADAMS LLP

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Idaho First Bank

We have audited the accompanying financial statements of Idaho First Bank, which comprise the statements of financial condition as of December 31, 2015 and 2014, and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Idaho First Bank as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
February 12, 2016

IDAHO FIRST BANK
STATEMENTS OF FINANCIAL CONDITION

ASSETS

	December 31, 2015	December 31, 2014
Cash and due from banks	$ 2,543,806	$ 2,933,751
Interest-bearing deposits due from banks	7,307,277	4,757,572
Cash and cash equivalents	9,851,083	7,691,323
Securities available for sale, at fair value	7,372,908	5,895,998
Equity securities	200,902	257,400
Mortgage loans held for sale	6,522,816	2,564,053
Loans receivable	89,578,695	85,973,902
Allowance for loan losses	(1,233,976)	(1,274,319)
Net loans receivable	88,344,719	84,699,583
Premises and equipment, net	4,981,803	5,007,971
Accrued interest receivable	283,187	282,650
Net deferred tax asset	3,174,380	1,857,802
Cash surrender value of Bank-owned life insurance	706,000	689,000
Other real estate owned, net	382,950	301,500
Other assets	306,054	273,203
Total assets	$ 122,126,802	$ 109,520,483

LIABILITIES AND STOCKHOLDERS' EQUITY

	2015	2014
Deposits		
Noninterest-bearing demand	$ 22,034,372	$ 16,943,645
Interest-bearing demand	9,023,611	9,162,883
Savings	20,890,904	18,314,068
Time deposits, less than $100,000	3,615,754	4,037,888
Time deposits from $100,000 to $249,999	42,548,786	42,576,037
Time deposits of $250,000 and more	6,936,542	4,656,914
Total deposits	105,049,969	95,691,435
Borrowings from Federal Home Loan Bank	1,000,000	1,000,000
Accrued interest payable	42,619	39,634
Other liabilities	393,738	354,240
Total liabilities	106,486,326	97,085,309
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS’ EQUITY		
Preferred stock $1,000 par value; 10,000 shares authorized; none issued or outstanding	-	-
Common stock - no par value; 6,000,000 shares authorized; 2,348,960 and 1,976,355 shares issued and outstanding, respectively	20,524,179	19,248,409
Accumulated deficit	(4,865,816)	(6,788,535)
Accumulated other comprehensive loss	(17,887)	(24,700)
Total stockholders' equity	15,640,476	12,435,174
Total liabilities and stockholders' equity	$ 122,126,802	$ 109,520,483

See accompanying notes.

	Years Ended December 31, 2015	2014
Interest income		
Loans, including fees	$ 5,005,629	$ 4,402,618
Securities	90,133	57,291
Other interest income	16,995	9,224
Total interest income	5,112,757	4,469,133
Interest expense		
Time deposits	461,835	448,081
Savings	42,684	23,938
Interest-bearing demand	6,599	6,831
Borrowed funds	32,512	34,169
Total interest expense	543,630	513,019
Net interest income	4,569,127	3,956,114
Provision for loan losses	320,000	291,000
Net interest income after provision for loan losses	4,249,127	3,665,114
Noninterest income		
Mortgage banking income	1,954,929	2,152,680
Service charges on deposits	111,622	87,300
Increase in cash surrender value of Bank-owned life insurance	17,000	18,000
Other income	212,605	199,211
	2,296,156	2,457,191
Noninterest expenses		
Salaries and employee benefits	3,663,270	3,333,793
Occupancy	384,439	402,994
Equipment	161,661	186,731
Data processing	587,170	401,660
Professional services	415,408	403,242
Employee expenses	186,546	105,092
Loan expenses	122,310	85,681
Advertising and promotion	120,630	129,747
Telephone	112,532	104,786
Supplies and postage	97,475	72,717
FDIC insurance	85,881	132,372
Collection and other real estate owned expenses	17,808	29,211
Other real estate owned (gains) losses, net	(29,396)	25,645
Other operating	17,830	76,332
	5,943,564	5,490,003
Income before income taxes	601,719	632,302
Income tax benefit	(1,321,000)	(1,090,000)
Net income	$ 1,922,719	$ 1,722,302
Net income per share	$ 0.87	$ 0.98
Diluted net income per share	$ 0.80	$ 0.83

See accompanying notes.

IDAHO FIRST BANK
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2015	2014
Net income	$ 1,922,719	$ 1,722,302
Other comprehensive income		
Change in unrealized losses on securities available for sale	11,234	73,199
Income tax provision	(4,421)	(28,560)
Other comprehensive income	6,813	44,639
Comprehensive income	$ 1,929,532	$ 1,766,941

See accompanying notes.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Shares	Common Stock	Accumulated (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2013	1,619,055	$ 18,069,319	$ (8,510,837)	$ (69,339)	$ 9,489,143
Net income	-	-	1,722,302	-	1,722,302
Issuance of stock, net	357,300	1,179,090	-	-	1,179,090
Other comprehensive income, net of tax	-	-	-	44,639	44,639
BALANCE, December 31, 2014	1,976,355	19,248,409	(6,788,535)	(24,700)	12,435,174
Net income	-	-	1,922,719	-	1,922,719
Issuance of stock, net	372,605	1,275,770	-	-	1,275,770
Other comprehensive income, net of tax	-	-	-	6,813	6,813
BALANCE, December 31, 2015	2,348,960	$ 20,524,179	$ (4,865,816)	$ (17,887)	$ 15,640,476

IDAHO FIRST BANK
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,922,719	$ 1,722,302
Adjustments to reconcile net income to net cash from operating activities		
Net accretion of deferred loan fees and costs	(270,042)	(193,966)
Net amortization of securities' discounts and premiums	69,933	66,951
Provision for loan losses	320,000	291,000
Originations of loans held for sale	(69,229,516)	(65,229,191)
Proceeds from sale of loans held for sale	66,586,532	65,747,906
Gain on sale of loans	(1,315,779)	(1,328,259)
Increase in cash surrender value of life insurance	(17,000)	(18,000)
Loss on disposal of premises, equipment and software	9,632	3,346
Depreciation and amortization	248,865	251,157
Net gain (losses) and provisions on other real estate owned	(29,396)	25,645
Deferred income tax benefit	(1,321,000)	(1,090,000)
Change in accrued interest receivable and other assets	(43,396)	(6,145)
Change in accrued interest payable and other liabilities	68,962	(132,997)
Net cash from operating activities	(2,999,486)	109,749
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale		
Maturities, prepayments and calls	1,986,641	1,698,956
Purchases	(3,522,249)	(2,635,227)
Redemption of equity securities	205,900	10,300
Purchase of equity securities	(149,402)	-
Net increase in loans	(5,187,684)	(13,693,834)
Purchases of premises, equipment, and software	(222,321)	(219,856)
Proceeds from sale of premises and equipment	-	250
Proceeds from sale of repossessed property	1,414,057	880,272
Net cash from investing activities	(5,475,058)	(13,959,139)

	Years Ended December 31, 2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	$ 9,358,534	$ 15,813,132
Borrowings from Federal Home Loan Bank	5,000,000	17,000,000
Repayments of borrowings from Federal Home Loan Bank	(5,000,000)	(17,000,000)
Proceeds from issuance of common stock, net	1,275,770	1,179,090
Net cash from financing activities	10,634,304	16,992,222
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,159,760	3,142,832
Cash and cash equivalents, beginning of year	7,691,323	4,548,491
Cash and cash equivalents, end of year	$ 9,851,083	$ 7,691,323
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Interest	$ 540,645	$ 514,975
Income taxes	$ -	$ -
NONCASH INVESTING AND FINANCING ACTIVITIES		
Loans provided for the sale of other real estate owned	$ -	$ 214,057
Transfer of loans to repossessed property	$ 1,492,590	$ 784,895

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Bank organization – Idaho First Bank (Bank) provides a full range of banking services to its commercial and consumer customers through its offices serving McCall and Boise, Idaho, and contiguous areas.

The Bank was organized March 2, 2005. Banking operations commenced on October 3, 2005, with the opening of the McCall, Idaho, office.

Basis of financial statement presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the statement of financial condition 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, valuation of other real estate owned, and deferred income taxes. In connection with the determination of the allowance for loan losses and valuation of other real estate owned, management obtains independent appraisals for certain significant loans and other real estate owned.

Management believes the allowance for loan losses is adequate. While management uses currently available information to recognize losses on loans, 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. 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.

Cash and cash equivalents – For the purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand accounts due from banks, both interest-bearing and noninterest-bearing.

Securities available for sale – Securities available for sale are recorded at fair value. Unrealized holding gains and losses on securities available for sale are reported as a net amount in other comprehensive income. Premiums and discounts are recognized in interest income using the interest method over the period to maturity. The Bank uses the specific identification method to determine the cost of securities sold.

Note 1 – Summary of Significant Accounting Policies (continued)

Securities available for sale (continued) – The Bank periodically evaluates each of its investments in debt and equity securities with a decline in fair value below the amortized cost of the investment to determine whether or not the decline is deemed to be other-than-temporary. If it is determined the impairment is other-than-temporary for equity securities, the impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value. If it is determined the impairment is other-than-temporary for debt securities, the Bank will recognize the credit component of an other-than-temporary impairment in earnings and the noncredit component in other comprehensive income when the Bank does not intend to sell the security and it is more likely than not the Bank will not be required to sell the security prior to recovery. In evaluating investments with declines in value, the Bank considers the length of the time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the Bank's intent or plans to sell with regard to the investment.

Equity securities – The Bank is a member of the Federal Home Loan Bank (FHLB) system and owns equity securities of the Federal Home Loan Bank of Des Moines. Members are required to own a certain amount of stock based on the level of borrowings and other factors, therefore stock is periodically purchased and sold. The FHLB stock was carried at a cost of $171,500 and was classified as restricted securities. There is no determinable fair value for these equity securities as all purchases and redemptions occur at the $100 par value of the stock. The equity securities are periodically evaluated for impairment based upon ultimate recovery at par value. The securities were not considered to be impaired at December 31, 2015 or 2014.

The Bank also owns stock of Bankers' Bank of the West located in Denver, Colorado. Bankers' Bank of the West provides correspondent banking services and is owned by community banks in its market area. These securities were carried at a cost of $29,402.

Cash dividends on equity securities are reported as other interest income.

Loans receivable and allowances for loan losses – The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans in McCall, Boise, and surrounding areas. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in these areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off are reported at their outstanding principal adjusted for any charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Loans receivable and allowances for loan losses (continued) – A loan is considered impaired when, based on current information and events, it is probable the Bank will be unable to collect the scheduled payments, 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. When loan terms are modified because of financial difficulties of the customer they are classified as troubled debt restructurings and accounted for as impaired loans.

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.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due or the loan has been in default for a period of 90 days or more. Loans that are in default over 90 days may continue to accrue interest if the loan is well collateralized and in the process of collection. Interest may be recognized, as received in cash, if the ultimate collection of principal is not in doubt. If there is doubt as to the collectability of both interest and principal, all payments are applied against the principal balance. A loan may be returned to full accrual status when the borrower is current on all payments and they have the ability to pay principal and interest as agreed.

An allowance for probable losses on loans is maintained at a level deemed by management to be adequate to provide for probable loan losses through charges to earnings. The allowance is based upon a continuing review of loans, which includes consideration of actual net loan loss experience, changes in the size and character of the loan portfolio, identification of individual problem situations that may affect the borrower's ability to repay, and evaluation of current economic conditions. Loan losses are recognized through charges to the allowance.

Note 1 – Summary of Significant Accounting Policies (continued)

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 cost or fair value 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 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.

Premises and equipment – Premises and equipment are stated at cost less accumulated depreciation over estimated useful lives, which range from 3 to 35 years. Leasehold improvements are amortized over the terms of the related lease or the estimated useful lives of the improvements, whichever is shorter. Depreciation and amortization expense is computed using the straight-line method for financial statement purposes. Accelerated depreciation methods are used for income tax purposes. Normal costs of maintenance and repairs are charged to expense as incurred.

Bank-owned life insurance – The Bank purchased a life insurance policy on its chief executive officer. The Bank-owned life insurance is recorded, at the balance sheet date, at the amount that can be realized under the insurance contract, which is the cash surrender value.

Other real estate owned – Other real estate owned includes real estate acquired through foreclosure or deed taken in lieu of foreclosure. Property is recorded at the lower of recorded investment or fair value less estimated costs to sell. Any required write-down from the recorded investment to fair value, at the time of foreclosure, is charged to the allowance for loan losses. Subsequent write-downs and gains or losses recognized upon sale of the property are included in noninterest income or expense. The Bank may have a valuation allowance for probable losses on disposition of other real estate owned, which is allocated on a specific property by property basis. There was no valuation allowance for possible losses on other real estate owned at December 31, 2015. The valuation allowance was $14,700 at December 31, 2014.

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 during the years ended December 31, 2015 or 2014.

Transfers of financial assets – Transfers of financial assets are accounted for as sales when control over the assets is relinquished. Control is considered to be relinquished when the assets have been isolated from the Bank, when the transferee has the right to pledge or transfer the assets, and when the Bank does not continue to control the assets by maintaining a repurchase agreement.

Note 1 – Summary of Significant Accounting Policies (continued)

Loss contingencies – If it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated then a contingency for that loss is reflected in the financial statements. If a loss contingency does not meet both criteria for recognition it may be disclosed in the financial statements depending upon the probability of loss.

Advertising – Advertising and promotion costs are charged to noninterest expense when incurred. Advertising and promotion expense for the years ended December 31, 2015 and 2014, was $120,630 and $129,747, respectively.

Income taxes – Deferred income taxes are reported for temporary differences between items of income or expense reported in the financial statements and those reported for income tax purposes. Deferred taxes are computed using the asset and liability method. Under this method, a deferred tax asset or liability is determined based on management's estimate of the enacted tax rates that 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 Bank's income tax returns. The deferred tax provision for the year is equal to the net change in the net deferred tax asset from the beginning to the end of the year, less amounts applicable to the change in value related to investments available for sale. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. Management considers among other things, the scheduled reversal of deferred tax liabilities, projected future taxable income, tax planning strategies, and positions taken by taxing authorities on the various issues related to the deductibility of certain costs in making this assessment. A valuation allowance has been recorded against the Bank's Idaho state investment tax credits at December 31, 2015.

The Bank recognizes and measures uncertain tax positions using a "more-likely-than-not" approach. The Bank's approach consisted of an examination of its financial statements, its income tax provision, and its federal and state income tax returns. The Bank analyzed its tax positions including the permanent and temporary differences as well as the major components of income and expense. As of December 31, 2015, the Bank did not believe that it had any uncertain tax positions that would rise to the level of having a material effect on its financial statements. In addition, the Bank had no accrued interest or penalties as of December 31, 2015. It is the Bank's policy to record interest and penalties as a component of income tax expense.

Note 1 – Summary of Significant Accounting Policies (continued)

Off-balance sheet financial instruments – In the ordinary course of business, the Bank originates 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 financial statements when they are funded. These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the statements of financial condition. An allowance for potential credit exposure on off-balance sheet financial instruments is reflected in other liabilities. Provisions to increase that allowance are reflected in noninterest expense.

Equity compensation – The cost resulting from share-based payment transactions are recognized in the financial statements of the Bank. 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 at the date of the grant. There was no compensation expense recorded for the years ended December 31, 2015 and 2014.

Net income per share – Net income per share is calculated by taking the net income for the year divided by the average number of shares of common stock outstanding during the year. Diluted net income per share is calculated taking into account the dilutive impact of stock warrants.

Comprehensive income – Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, net of tax. Other comprehensive income is recognized as a separate component of equity.

Fair value of financial instruments – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassifications – Certain reclassifications have been made in the December 31, 2014, financial statements in order to conform with the December 31, 2015, presentation with no effect on previously reported net income or stockholders' equity.

Subsequent events review – Subsequent events are events or transactions that occur after the date of the statement of financial condition but before the financial statements are issued. The Bank recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial condition, including the estimates inherent in the process of preparing of the financial statements. The Bank's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial condition but arose after the date of the statement of financial condition and before the financial statements are available to be issued.

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent events review (continued) – The Bank has evaluated subsequent events through February 12, 2016, which is the date the financial statements are available to be issued.

Note 2 – Securities Available for Sale

Securities have been classified in the statements of financial condition according to management's intent and ability. All investment securities were classified as available for sale at December 31, 2015. As of December 31, 2015, securities available for sale, with an estimated market value of $1,982,580 were pledged as collateral for $1,118,997 of uninsured public deposits. The carrying amounts of securities available for sale and their approximate fair values were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
As of December 31, 2015				
U.S. government agency securities	$ 4,003,359	$ 1,819	$ (9,225)	$ 3,995,953
Mortgage-backed securities	3,398,817	8,329	(30,191)	3,376,955
	$ 7,402,176	$ 10,148	$ (39,416)	$ 7,372,908
As of December 31, 2014				
U.S. government agency securities	$ 3,012,450	$ 3,252	$ (35,623)	$ 2,980,079
Mortgage-backed securities	2,924,050	7,672	(15,803)	2,915,919
	$ 5,936,500	$ 10,924	$ (51,426)	$ 5,895,998

At December 31, 2015 and 2014, there were six and five securities, respectively, with unrealized losses.

Note 2 – Securities Available for Sale (continued)

Information for securities with unrealized losses is as follows:

	December 31, 2015			December 31, 2014		
	U.S. Government Agency Securities	Mortgage-backed Securities	Total	U.S. Government Agency Securities	Mortgage-backed Securities	Total
Securities with unrealized losses for 12 consecutive months of longer						
Amortized cost	$ -	$ 1,062,228	$ 1,062,228	$ 1,010,633	$ 831,508	$ 1,842,141
Gross unrealized losses	-	(16,577)	(16,577)	(34,334)	(8,001)	(42,335)
Estimated market value	-	1,045,651	1,045,651	976,299	823,507	1,799,806
Securities with unrealized losses for less than 12 consecutive months						
Amortized cost	2,004,046	1,991,747	3,995,793	992,287	1,549,971	2,542,258
Gross unrealized losses	(9,225)	(13,614)	(22,839)	(1,289)	(7,802)	(9,091)
Estimated market value	1,994,821	1,978,133	3,972,954	990,998	1,542,169	2,533,167
Total securities with unrealized losses						
Amortized cost	2,004,046	3,053,975	5,058,021	2,002,920	2,381,479	4,384,399
Gross unrealized losses	(9,225)	(30,191)	(39,416)	(35,623)	(15,803)	(51,426)
Estimated market value	1,994,821	3,023,784	5,018,605	1,967,297	2,365,676	4,332,973

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

The Bank's unrealized losses primarily relate to fluctuations in the current interest rate environment. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the ability and intent to hold debt securities for the foreseeable future, no declines are deemed other-than-temporary.

There were no sales of securities in 2015 or 2014.

Note 2 – Securities Available for Sale (continued)

Maturities of securities available for sale at December 31, 2015, are summarized below. Actual maturities may differ from contractual maturities due to call provisions.

	Amortized Cost	Estimated Market Value
Maturing within one year	$ 1,004,457	$ 1,004,998
Maturing in one to five years	2,998,902	2,990,955
Mortgage-backed securities	3,398,817	3,376,955
	$ 7,402,176	$ 7,372,908

Note 3 – Loans Receivable and Allowance for Loan Losses

Major classifications of loans at December 31 were as follows:

	2015	2014
Real estate - commercial	$ 31,105,195	$ 27,234,558
Real estate - residential	26,885,963	24,159,388
Commercial	21,015,816	23,336,726
Construction and land development	6,449,313	6,727,885
Consumer	4,122,408	4,515,345
	89,578,695	85,973,902
Allowance for loan losses	(1,233,976)	(1,274,319)
Net loans receivable	$ 88,344,719	$ 84,699,583

Deferred fees and costs were a net credit of $258,189 and $293,088 at December 31, 2015 and 2014, respectively.

The interest rates on loans at December 31 fall into the following fixed and variable components:

	2015	2014
Fixed	$ 15,463,007	$ 16,971,999
Variable	74,115,688	69,001,903
	$ 89,578,695	$ 85,973,902

Note 3 – Loans Receivable and Allowance for Loan Losses (continued)

The Bank completes a quarterly analysis of the adequacy of allowance for loan losses. This quarterly analysis is reviewed and approved by the Board of Directors each quarter. The allowance for loans losses is calculated using two separate and distinct methodologies as follows:

> **Impaired loans –** Impaired loans are comprised of troubled debt restructurings and nonaccrual loans. The Bank reviews each impaired loan, on a loan-by-loan basis. A loan may have a specific reserve within the allowance for loan losses if there is a deficiency in expected cash flows or collateral values.
>
> **Unimpaired loans –** Each segment of the loan portfolio (excluding impaired loans) is evaluated separately as a pool and an appropriate loss factor for each segment is calculated. The historical loss factors experienced by the Bank over a three-year period are used as a foundation for estimating potential losses. Historical loss factors are adjusted using management's judgment for the impact of internal measures, such as delinquent loans, classified loans, and impaired loans. The experience of lending staff and changes in internal underwriting policies are also considered. The impact of both national and local economic conditions is evaluated. Also, the impact of loan volumes, trends, and concentrations is considered. The allowance for each portfolio segment of unimpaired loans is determined separately using the historical loss rates for that segment and adjusting for each of the above-mentioned factors.

Loans are charged off when they are considered uncollectible and of such little value that their continued classification as bankable assets is not warranted. For impaired loans, where no source of repayment other than the liquidation of collateral is expected, a charge-off is made when the loan balance exceeds the fair value of the collateral, less selling costs.

Note 3 – Loans Receivable and Allowance for Loan Losses (continued)

An analysis of the changes in the allowance for loan losses for the years ended December 31, 2015 and 2014, measured segment by segment, is included in the following tables. The following tables also show the amount of the allowance for loan losses and the amount of loans receivable segregated by impaired loans and unimpaired loans as of December 31, 2015 and 2014.

	Real Estate Commercial	Real Estate Residential	Commercial	Construction and Land Development	Consumer	Unallocated	Total
Balance at December 31, 2014	$ 508,866	$ 295,318	$ 255,537	$ 128,503	$ 52,152	$ 33,943	$ 1,274,319
Provision (recapture)	(304,815)	467,056	(142,198)	354,414	(20,588)	(33,869)	320,000
Loans charged off	(12,912)	-	(16,901)	(347,107)	(5,184)	-	(382,104)
Loan recoveries	1,380	4,305	8,276	2,850	4,950	-	21,761
Balance at December 31, 2015	$ 192,519	$ 766,679	$ 104,714	$ 138,660	$ 31,330	$ 74	$ 1,233,976
Balances as of December 31, 2015							
Allowance for impaired loans	$ 7,395	$ 433,951	$ -	$ -	$ -	$ -	$ 441,346
Allowance for unimpaired loans	185,124	332,728	104,714	138,660	31,330	74	792,630
Total allowance for loan losses	$ 192,519	$ 766,679	$ 104,714	$ 138,660	$ 31,330	$ 74	$ 1,233,976
Impaired loans receivable	$ 756,942	$ 1,084,267	$ 72,972	$ -	$ -		$ 1,914,181
Unimpaired loans receivable	30,348,253	25,801,696	20,942,844	6,449,313	4,122,408		87,664,514
Total loans receivable	$ 31,105,195	$ 26,885,963	$ 21,015,816	$ 6,449,313	$ 4,122,408		$ 89,578,695
Allowance for loan losses to loans receivable by segment	0.62%	2.85%	0.50%	2.15%	0.76%		1.38%

	Real Estate Commercial	Real Estate Residential	Commercial	Construction and Land Development	Consumer	Unallocated	Total
Balance at December 31, 2013	$ 464,966	$ 314,321	$ 134,136	$ 122,780	$ 48,915	$ 48,570	$ 1,133,688
Provision (recapture)	34,822	141,107	123,064	2,873	3,761	(14,627)	291,000
Loans charged off	-	(167,542)	(22,125)	-	(524)	-	(190,191)
Loan recoveries	9,078	7,432	20,462	2,850	-	-	39,822
Balance at December 31, 2014	$ 508,866	$ 295,318	$ 255,537	$ 128,503	$ 52,152	$ 33,943	$ 1,274,319
Balances as of December 31, 2014							
Allowance for impaired loans	$ 10,035	$ 6,188	$ -	$ -	$ -	$ -	$ 16,223
Allowance for unimpaired loans	498,831	289,130	255,537	128,503	52,152	33,943	1,258,096
Total allowance for loan losses	$ 508,866	$ 295,318	$ 255,537	$ 128,503	$ 52,152	$ 33,943	$ 1,274,319
Impaired loans receivable	$ 771,361	$ 720,000	$ -	$ -	$ -		$ 1,491,361
Unimpaired loans receivable	26,463,197	23,439,388	23,336,726	6,727,885	4,515,345		84,482,541
Total loans receivable	$ 27,234,558	$ 24,159,388	$ 23,336,726	$ 6,727,885	$ 4,515,345		$ 85,973,902
Allowance for loan losses to loans receivable by segment	1.87%	1.22%	1.09%	1.91%	1.15%		1.48%

The Bank had no loans that were 30 or more days past due as of December 31, 2015. The Bank had one residential real estate loan of $146,089 and one consumer loan of $5,160 that were 30-59 days past due as of December 31, 2014. There were no loans that were 60 or more days past due as of December 31, 2014.

Note 3 – Loans Receivable and Allowance for Loan Losses (continued)

Residential real estate loans on nonaccrual status at December 31, 2015, were $1,084,267. Commercial loans on nonaccrual status were $72,972 at December 31, 2015. There were no loans on nonaccrual status at December 31, 2014.

The Bank has an internal system of grading loans according to the risk inherent in each loan.

Pass – Loans of average or above average quality with no unusual risk.

Special Mention – Loans that require more than the usual amount of management attention. Adverse industry conditions, deteriorating financial conditions, declining trends, management problems, or other similar weaknesses may be evident. Ability to meet current payment schedules may be questionable, even though interest and principal are still being paid as agreed.

Substandard – Loans possessing weaknesses that jeopardize the ultimate collection of principal and interest. The weaknesses require close supervision by Bank management. Loss may not be evident; however, the loan is inadequately protected by current financials or pledged collateral.

Doubtful – Loans with one or more weaknesses, which, on the basis of currently existing facts, conditions, and values, make ultimate collection of all principal highly questionable.

The following table shows loans as of December 31, 2015 and 2014, by type of loan and by internal loan grades:

	Real Estate Commercial	Real Estate Residential	Commercial	Construction and Land Development	Consumer	Total
As of December 31, 2015						
Grade						
Pass	$ 30,915,071	$ 25,801,696	$ 19,929,744	$ 6,269,611	$ 4,122,408	$ 87,038,530
Special mention	-	-	1,086,072	179,702	-	1,265,774
Substandard	190,124	1,084,267	-	-	-	1,274,391
Total	$ 31,105,195	$ 26,885,963	$ 21,015,816	$ 6,449,313	$ 4,122,408	$ 89,578,695

	Real Estate Commercial	Real Estate Residential	Commercial	Construction and Land Development	Consumer	Total
As of December 31, 2014						
Grade						
Pass	$ 27,040,485	$ 22,898,019	$ 23,336,726	$ 5,917,982	$ 4,515,345	$ 83,708,557
Special mention	-	758,307	-	-	-	758,307
Substandard	194,073	503,062	-	809,903	-	1,507,038
Total	$ 27,234,558	$ 24,159,388	$ 23,336,726	$ 6,727,885	$ 4,515,345	$ 85,973,902

Note 3 – Loans Receivable and Allowance for Loan Losses (continued)

The following tables show information on impaired loans by loan class. The “recorded impaired loan balance” is net of any charge-off amount. The “unpaid principal balance” is total principal balance including amounts the Bank determined to be a loss and charged-off. The “specific reserve in allowance” is the amount of impairment that has been specifically reserved for in the allowance for loan losses.

	Recorded Impaired Loan Balance	Unpaid Principal Balance	Specific Reserve in Allowance
As of December 31, 2015			
With no specific reserve in allowance			
Real estate - commercial	$ 476,214	$ 476,214	
Real estate - residential	436,581	436,581	
Commerical	72,972	85,885	
Total	$ 985,767	$ 998,680	
With specific reserve in allowance			
Real estate - commercial	$ 280,728	$ 280,728	$ 7,395
Real estate - residential	647,686	647,686	433,951
Total	$ 928,414	$ 928,414	$ 441,346
Total			
Real estate - commercial	$ 756,942	$ 756,942	$ 7,395
Real estate - residential	1,084,267	1,084,267	433,951
Commercial	72,972	85,885	-
Total	$ 1,914,181	$ 1,927,094	$ 441,346
As of December 31, 2014			
With no specific reserve in allowance			
Real estate - commercial	$ 485,685	$ 485,685	
With specific reserve in allowance			
Real estate - commercial	$ 285,676	$ 285,676	$ 10,035
Real estate - residential	720,000	720,000	6,188
Total	$ 1,005,676	$ 1,005,676	$ 16,223
Total			
Real estate - commercial	$ 771,361	$ 771,361	$ 10,035
Real estate - residential	720,000	720,000	6,188
Total	$ 1,491,361	$ 1,491,361	$ 16,223

Note 3 – Loans Receivable and Allowance for Loan Losses (continued)

The Bank allocated specific reserves of $7,395 and $16,223 as of December 31, 2015 and 2014, respectively, to customers whose loan terms were modified in previous troubled debt restructurings. The Bank has not committed to lend additional amounts as of December 31, 2015 and 2014, to customers with outstanding loans that are classified as troubled debt restructurings.

There were no newly restructured loans in 2015 or 2014, nor were there any loans that failed to make timely payment of principal and interest within 12 months of being restructured.

A summary of the annual average balance of impaired loans along with the interest income recognized on impaired loans for the years ended December 31 follows:

	2015		2014	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
Real estate - commercial	$ 763,545	$ 32,265	$ 778,988	$ 32,453
Real estate - residential	1,439,196	68,473	793,264	25,062
Commercial	17,864	-	402,640	36,849
Construction and land development	311,305	-	-	-
Total	$ 2,531,910	$ 100,738	$ 1,974,892	$ 94,364

Note 4 – Premises and Equipment

Major classifications of premises and equipment at December 31 are summarized as follows:

	2015	2014
Land	$ 459,000	$ 459,000
Buildings and improvements	4,502,125	4,440,203
Furniture and equipment	1,035,829	894,430
Total cost	5,996,954	5,793,633
Less accumulated depreciation	1,015,151	785,662
Net book value	$ 4,981,803	$ 5,007,971

Depreciation and amortization expense for the years ended December 31, 2015 and 2014, was $243,421 and $244,255, respectively.

Note 5 – Deposits

The following table shows weighted average rates and scheduled maturities for time deposits at December 31, 2015:

Years ending December 31,	Amount	Average Rate
2016	$ 40,199,858	0.70%
2017	4,057,739	0.97%
2018	1,394,931	1.11%
2019	4,489,451	1.74%
2020	2,710,103	1.92%
Thereafter	249,000	2.00%
	$ 53,101,082	0.89%

The Bank had $6,936,542 of time deposits of $250,000 and more as of December 31, 2015. Of this amount, there was one time deposit of $250,000, and $6,686,542 was in time deposits exceeding $250,000.

Note 6 – Borrowings

The Bank had a $3 million line of credit with Bankers' Bank of the West and a $1.5 million line of credit with both Pacific Coast Bankers' Bank and Zions Bank at December 31, 2015. These lines are unsecured. There was no balance outstanding on the lines as of December 31, 2015 or 2014.

The Bank has a credit arrangement with the Federal Home Loan Bank of Des Moines, under which the Bank can borrow up to 35% of its assets. Borrowings must be collateralized with loans or securities. At December 31, 2015, loans with a principal balance of $22.3 million were pledged as collateral. At December 31, 2015, the Bank had $1,000,000 of borrowings from the FHLB. Borrowings from the FHLB have penalties for early payment. The advance of $1,000,000, from the FHLB has a fixed rate of 3.19% and matures on July 2, 2024.

Note 7 – Commitments and Contingencies

Lease commitments and contracts – The Bank has entered into various leases for property and equipment. Total rental expense for premises and equipment operating leases amounted to $106,918 and $98,203 in 2015 and 2014, respectively. The future minimum annual rental payments under operating leases at December 31, 2015, are summarized as follows:

Years ending December 31,	
2016	$ 75,851
2017	77,885
2018	79,919
2019	81,953
2020	83,987
Thereafter	147,974
	$ 547,569

Commitments to extend credit – In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities that are not presented in the accompanying financial statements. The commitments and contingent liabilities include various guarantees and commitments to extend credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment letter. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many 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 creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include securities, accounts receivable, inventory, fixed assets, or real estate properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

At December 31, 2015 and 2014, the Bank had $23,323,507 and $15,218,188, respectively, in commitments to extend credit. The Bank also had $95,000 and $145,000, respectively, of standby letters of credit.

The Bank does not anticipate material losses as a result of these commitments. At December 31, 2015 and 2014, the Bank had $35,000 and $30,000, respectively, in an allowance for off-balance sheet credit exposure.

Note 8 – Dividend Restriction

Banking regulations limit the amount of dividends that may be paid. No dividends can be paid until all initial losses have been recaptured, an appropriate allowance for loan losses has been established, overall capital is adequate, and an adequate amount of additional paid-in capital of the Bank exists. The Bank has no intention of paying cash dividends in the foreseeable future.

Note 9 – Income Taxes

The components of income tax expense (benefit) consist of the following:

	2015	2014
Current tax expense		
Federal	$ -	$ -
State	-	-
Deferred tax benefit		
Federal	204,775	209,679
State	38,020	28,510
Change in valuation allowance	(1,563,795)	(1,328,189)
Income tax benefit	$ (1,321,000)	$ (1,090,000)

Note 9 – Income Taxes (continued)

The component of the net deferred income tax assets and liabilities in the statements of financial condition are as follows:

	2015	2014
Deferred tax assets		
Net operating loss carryforward	$ 2,983,212	$ 3,288,599
Allowance for loan and credit losses	192,724	133,859
Held for sale loans	72,285	30,812
Nonaccrual interest income	35,470	-
Investment tax credit carryforwards	28,161	24,898
Unrealized loss on securities available for sale	11,380	15,802
Losses on other real estate owned	-	31,127
Other	6,103	23,636
Total deferred tax assets	3,329,335	3,548,733
Less valuation allowance	(28,161)	(1,591,956)
Deferred tax liabilities		
Deferred loan origination costs	(77,248)	(68,285)
Book-tax depreciation	(48,271)	(30,690)
Other	(1,275)	-
Total deferred tax liabilities	(126,794)	(98,975)
Net deferred tax asset	$ 3,174,380	$ 1,857,802

The net deferred income tax assets for December 31, 2015 and 2014, were recorded as assets.

Note 9 – Income Taxes (continued)

The income tax benefit recorded differs from the expected income tax benefit and the reconciliation of these differences is as follows:

	2015	2014
Federal income tax expense at expected rate	$ 204,584	$ 214,983
State tax expense	26,906	26,624
Effect of tax exempt income	(7,157)	(7,813)
Effect of permanent differences	18,462	4,395
Change in valuation allowance	(1,563,795)	(1,328,189)
Income tax benefit	$ (1,321,000)	$ (1,090,000)

Operating loss carryforwards as of December 31, 2015, for tax purposes were as follows:

Expiration Dates	Federal	State
December 31, 2026	$ 79,503	$ 217,689
December 31, 2027	1,448,689	1,546,374
December 31, 2028	1,815,472	1,986,000
December 31, 2029	1,739,106	1,837,028
December 31, 2030	2,337,157	2,420,266
December 31, 2031	168,522	189,085
December 31, 2032	2,850	-
December 31, 2034	350	-
December 31, 2035	5,115	-
	$ 7,596,764	$ 8,196,442

Note 9 – Income Taxes (continued)

State investment tax credit carryforwards as of December 31, 2015, for tax purposes were as follows:

Expiration Dates	Amount
December 31, 2019	$ 4,391
December 31, 2020	2,239
December 31, 2021	12,045
December 31, 2022	1,714
December 31, 2023	117
December 31, 2024	31
December 31, 2025	1,492
December 31, 2026	1,167
December 31, 2027	6,437
December 31, 2028	7,535
December 31, 2029	5,501
	$ 42,669

The above investment tax carryforwards represent a deferred tax asset of $28,161 as of December 31, 2015. The amount and timing of the realization of these tax benefits is uncertain because they have shorter carryforward time limits than net operating loss carryforwards. Therefore, a valuation allowance of $28,161 has been established against this deferred tax asset.

The Bank had no unrecognized tax benefits at December 31, 2015 or 2014.

The Bank recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2015 and 2014, the Bank recognized no interest and penalties.

Note 10 – Employee Retirement Benefits

The Bank has a deferred compensation plan known as the Idaho First Bank 401(k) Employee Stock Ownership Plan (ESOP). Employees are eligible to participate in the ESOP after attaining age 21. Participants may make elective contributions to the ESOP.

Note 10 – Employee Retirement Benefits (continued)

For the year ended December 31, 2015, the Bank made a matching contribution of 50% of the first 5% of employee contribution. In effect, this limits the matching contribution to 2.5% of eligible compensation. The 2014 contribution consisted of a 2% matching contribution and a 1% profit sharing contribution. Bank contributions do not begin until an employee has worked one year. The compensation expense relating to employer contributions for the years ended December 31, 2015 and 2014, was $52,681 and $63,679, respectively.

Bank contributions are made in the form of common stock of the Bank. At December 31, 2015, the ESOP owned 41,633 shares, or 1.8% of the Bank's common stock.

The Bank is required by regulation to provide a repurchase option to participants holding the Bank's stock, as the stock is not widely traded. The Bank is required to repurchase stock at market value. At December 31, 2015, there were no shares subject to this repurchase requirement.

Note 11 – Related Party Transactions

In the normal course of business, the Bank accepts deposits and makes loans to its executive officers, directors, principal shareholders, and companies affiliated with these individuals. There were approximately $682,000 and $924,000 of deposits from related parties at December 31, 2015 and 2014, respectively.

It is management's opinion that loans to the Bank's officers, directors, and principal shareholders are on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectability. The activity for these loans is as follows:

	2015	2014
Balance, beginning of year	$ 2,960,442	$ 3,681,862
Advances	1,683,662	1,250,648
Payments	(2,393,183)	(1,972,068)
Balance, end of year	$ 2,250,921	$ 2,960,442

Note 12 – Stock Options and Stock Grants

Shareholders approved the Idaho First Bank 2014 Long-Term Equity Incentive Plan at the 2014 Annual Shareholders' Meeting. The Plan allows the Bank to grant up to 500,000 shares of nonqualified stock options, incentive stock options, restricted stock and restricted stock unit awards. The Bank has not granted any options or grants under the new plan. There was no equity compensation expense in 2015 or 2014.

The Bank has stock options outstanding that were granted under prior plans. The Bank has no intention to grant new options under the prior plans, and expects all options granted under the prior plans to expire without exercise. The vesting of prior stock options ranged from immediate vesting to five year vesting, with original terms of 10 years.

A summary of activity for stock options, granted under prior plans, for the years ended December 31 is presented below:

	2015		2014	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding options at beginning of period	6,263	$ 104.45	6,473	$ 102.68
Forfeited	(4,828)	100.00	(210)	50.00
Outstanding at end of year	1,435	$ 119.40	6,263	$ 104.45
Options exercisable at year end	1,435	$ 119.40	6,263	$ 104.45

Note 12 – Stock Options and Stock Grants (continued)

The following is additional information on options as of December 31, 2015:

	Outstanding	Exercisable
Options at December 31, 2015	1,435	1,435
Aggregate market value, assuming price of $4.55	$ 6,529	$ 6,529
Aggregate exercise price	171,354	171,354
Aggregate intrinsic value*	$ -	$ -
Weighted average contractual term - years	1.0	1.0

*Exercise price exceeds market value; therefore, aggregate intrinsic value is zero.

Note 13 – Concentrations of Credit Risk

Most 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 state of Idaho. As such, significant changes in economic conditions in Idaho or with its primary industries could adversely affect the Bank's ability to collect loans. Substantially all such customers are depositors of the Bank. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Under banking regulations, the Bank is not allowed to extend credit to any single borrower or group of related borrowers in excess of $3,385,000 at December 31, 2015.

The Bank places its cash with high credit quality institutions. The Bank is at risk for uninsured deposits, the amount in excess of $250,000. The Bank regularly reviews the financial condition of other financial institutions at which it has uninsured deposits.

Note 14 – Stockholders' Equity and Regulatory Matters

The Bank issued stock warrants in connection with two stock offerings. At December 31, 2015, there were 629,581 shares of warrants outstanding that entitle warrant holders to purchase common stock at $4.20 per share at any time prior to the expiration of those warrants on December 27, 2017.

Note 14 – Stockholders' Equity and Regulatory Matters (continued)

The Bank is subject to various regulatory capital requirements administered by state and federal banking agencies. If the Bank does not meet minimum capital standards, regulators can take actions that they deem necessary to return the Bank to a safe and sound condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank 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. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. Banks (Basel III rules) became effective for the Bank on January 1, 2015, with full compliance being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The Basel III rules include a new Common Equity Tier 1 Risk-based Capital Ratio. The Basel III rules also establish requirements for minimum capital ratios. The Bank is required to have a Tier 1 Leverage Ratio of 4.0%, a Common Equity Tier 1 Risk-based Capital Ratio of 4.5%, a Tier 1 Risk-based Capital Ratio of 6.0%, and a Total Risk-based Capital Ratio of 8.0%. The Bank is also required to establish a "conservation buffer", consisting of Common Equity Tier 1 Risk-based Capital, equal to 2.5% of risk-weighted assets. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases and discretionary bonuses to executive officers. Management believes, as of December 31, 2015 and 2014, that the Bank met all capital adequacy requirements to which it is subject.

Note 14 – Stockholders' Equity and Regulatory Matters (continued)

As of December 31, 2015, the most recent notification from the Idaho State Department of Finance and the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum ratios as set forth in the following tables. Management believes that there have been no conditions or events since receipt of the notification that changed the Bank's well capitalized status.

	Actual Capital		Minimum Capital Requirements		Well-Capitalized Capital Requirements	
December 31, 2015	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 leverage	$ 12,675,000	10.57%	$ 4,798,000	4.00%	$ 5,998,000	5.00%
Common equity tier 1 risk-based capital	12,675,000	12.52%	4,554,000	4.50%	6,579,000	6.50%
Tier 1 risk-based capital	12,675,000	12.52%	6,073,000	6.00%	8,097,000	8.00%
Total risk-based capital	13,944,000	13.78%	8,097,000	8.00%	10,121,000	10.00%
December 31, 2014						
Tier 1 leverage	$ 11,077,000	10.53%	$ 4,206,000	4.00%	$ 5,257,000	5.00%
Tier 1 risk-based capital	11,077,000	11.94%	3,712,000	4.00%	5,568,000	6.00%
Total risk-based capital	12,239,000	13.19%	7,424,000	8.00%	9,280,000	10.00%

Note 15 – Fair Value Measurement

Under accounting principles generally accepted in the United States of America, most assets and liabilities of the Bank are measured at historical cost. However, the Bank is required to use alternative value measurements for some assets and liabilities, such as securities available for sale, real estate loans held for sale, impaired loans, and other real estate owned.

Note 15 – Fair Value Measurement (continued)

Accounting standards contain a framework of determining fair values as follows:

Level 1 Quoted prices in active markets for identical instruments.

Level 2 Quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations based on observable market data such as interest rates or yield curves.

Level 3 Valuations determined by unobservable data based upon subjective judgments or appraisals.

The following table summarizes the Bank's assets that were measured at fair value:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015				
Assets measured at fair value on a recurring basis				
Securities available for sale				
U.S. government agency securities	$ 3,995,953	$ -	$ 3,995,953	$ -
Mortgage-backed securities	3,376,955	-	3,376,955	-
Total securities available for sale	$ 7,372,908	$ -	$ 7,372,908	$ -
Assets measured at fair value on a nonrecurring basis				
Impaired loans	$ 1,001,386	$ -	$ -	$ 1,001,386
Other real estate owned	382,950	-	-	382,950

Note 15 – Fair Value Measurement (continued)

December 31, 2014	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value on a recurring basis				
Securities available for sale				
U.S. government agency securities	$ 2,980,079	$ -	$ 2,980,079	$ -
Mortgage-backed securities	2,915,919	-	2,915,919	-
Total securities available for sale	$ 5,895,998	$ -	$ 5,895,998	$ -
Assets measured at fair value on a nonrecurring basis				
Impaired loans	$ 1,005,676	$ -	$ -	$ 1,005,676
Other real estate owned	301,500	-	-	301,500

Securities available for sale are included under Level 2 because there may or may not be daily trades in each of the individual securities or because the valuation of these securities may be based on instruments that are not exactly identical to those owned by the Bank.

The following table shows assets measured at fair value on a nonrecurring basis, using Level 3 measurements for the past two years:

	December 31, 2015		
	Estimated Fair Value	Valuation Techniques	Unobservable Inputs
Impaired loans	$ 353,700	Discounted cash flow	Restructured cash flow discounted at original rates ranging from 3.38% to 6.00%
Impaired loans	647,686	Market approach	Appraised value less selling costs of 7% to 10%
Other real estate owned	382,950	Market approach	Appraised value less selling costs of 8%

Note 15 – Fair Value Measurement (continued)

	December 31, 2014		
	Estimated Fair Value	Valuation Techniques	Unobservable Inputs
Impaired loans	$ 1,005,676	Discounted cash flow	Restructured cash flow discounted at original rates ranging from 3.38% to 7.25%
Other real estate owned	301,500	Market approach	Appraised value less selling costs of 8% to 10%

If collateral dependent, impaired loans are valued at the fair value of underlying collateral, as determined by a qualified independent appraiser, less the estimated cost to foreclose, sell, and carry the collateral. For impaired loans that are not collateral dependent, the Bank can measure fair value as described above or use a measurement based upon the present value of expected future cash flows discounted at the loan's effective interest rate.

Other real estate owned is valued at fair value as determined by a qualified independent appraiser, less estimated selling costs.

Note 16 – Fair Value of Financial Instruments and Interest Rate Risk

The estimated fair values of the Bank's financial instruments are as follows:

	December 31, 2015		December 31, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	$ 9,851,083	$ 9,851,083	$ 7,691,323	$ 7,691,323
Securities available for sale	7,372,908	7,372,908	5,895,998	5,895,998
Equity securities	200,902	200,902	257,400	257,400
Mortgage loans held for sale	6,522,816	6,522,816	2,564,053	2,564,053
Net loans receivable	88,344,719	88,099,568	84,699,583	85,642,454
Accured interest receivable	283,187	283,187	282,650	282,650
Financial Liabilities				
Noninterest-bearing demand	22,034,372	22,034,372	16,943,645	16,943,645
Interest-bearing demand	9,023,611	9,023,611	9,162,883	9,162,883
Savings	20,890,904	20,890,904	18,314,068	18,314,068
Time deposits	53,101,082	53,266,801	51,270,839	51,268,492
Borrowings from Federal Home Loan Bank	1,000,000	1,036,178	1,000,000	1,035,626
Accrued interest payable	42,619	42,619	39,634	39,634

Note 16 – Fair Value of Financial Instruments and Interest Rate Risk (continued)

The estimated fair value of standby letters of credit at the end of 2015 and 2014, is insignificant. Loan commitments in which the committed interest rate is less than the current market rate are also insignificant.

The following methods and assumptions were used by the Bank in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amounts reported in the balance sheets for cash and cash equivalents approximate their fair value and are classified as Level 1.

Securities available for sale – Fair values of investment securities available for sale were primarily measured using information from a third party pricing service. This service provides pricing information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data from market research publications. Fair values were estimated primarily by obtaining quoted prices for similar assets in active markets or through the use of pricing models. In cases where there may be limited or less transparent information provided by the Bank's third party pricing service, fair value may be estimated by the use of secondary pricing services or through the use of nonbinding third party broker quotes. Securities available for sale as classified as Level 2.

Equity securities – The carrying value of FHLB stock is stated at cost and approximates fair value based on the redemption provisions of the FHLB. The carry value of Bankers' Bank of the West stock is stated at cost as it was purchased in December 2015, and the purchase price approximates fair value resulting in a Level 1 classifcation.

Mortgage loans held for sale – Fair values are based on quoted market prices of similar loans sold in the secondary market or current buying commitments from investors on loans held for sale resulting in a Level 2 classification.

Loans receivable – For variable rate loans that re-price frequently and have experienced no significant change in credit risk, fair values are based on carrying values. The fair values for all other loans are estimated using discounted cash flow analyses, using interest rates currently offered for loans with similar terms to borrowers with similar credit quality resulting in a Level 3 classification. Prepayments prior to the re-pricing date are not expected to be significant. Loans are generally expected to be held to maturity and any unrealized gains or losses are not expected to be realized. The allowance for loan losses is considered to be a reasonable estimate of loan discount for credit quality concerns.

Accrued interest receivable and payable – The carrying amounts reported in the statements of financial condition for accrued interest receivable and payable approximate their fair values.

Note 16 – Fair Value of Financial Instruments and Interest Rate Risk (continued)

Deposits – The fair value disclosed for demand deposits is by definition equal to the amount payable on demand at the reporting date (that is, the carrying amount) resulting in a Level 1 classification. The carrying amount for variable-rate deposit accounts approximates fair value resulting in a Level 1 classification. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation, which applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on these deposits resulting in a Level 2 classification. Early withdrawals of fixed-rate certificates of deposit are not expected to be significant.

Borrowings from Federal Home Loan Bank – The fair values of the Bank's long-term debt and term advances, including FHLB advances, are estimated using discounted cash flow analyses, based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Off-balance sheet instruments – Fair values for the Bank's off-balance sheet financial instruments (lending commitments and standby letters of credit) are based on quoted fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

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

Note 17 – Net Income per Share

Net income per share is calculated by dividing net income by the weighted average outstanding shares of common stock. Diluted net income per share is calculated by dividing net income by the weighted average outstanding shares of common stock plus the common stock equivalent of stock warrants using the treasury stock method. Stock options were not included in the common stock equivalents as they were determined to be anti-dilutive. For purposes of calculating common stock equivalent shares the estimated average market price of the Bank's common stock was $5.47 and $6.70 for 2015 and 2014, respectively.

Note 17 – Net Income per Share (continued)

The following table shows the calculation of net income per share and diluted net income per share for the years ended December 31:

	2015	2014
Net income per share		
Net income	$ 1,922,719	$ 1,722,302
Weighted average common shares outstanding	2,219,940	1,763,223
Net income per share	$ 0.87	$ 0.98

	2015	2014
Diluted net income per share		
Net income	$ 1,922,719	$ 1,722,302
Weighted average common shares outstanding	2,219,940	1,763,223
Stock warrants - common stock equivalent	195,500	321,679
Total	2,415,440	2,084,902
Diluted net income per share	$ 0.80	$ 0.83