REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

OREGON BANCORP, INC., AND SUBSIDIARIES

December 31, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

The Board of Directors and Shareholders
Oregon Bancorp, Inc., and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Oregon Bancorp, Inc., 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 shareholders' 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 Oregon Bancorp, Inc., 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 Oregon Bancorp, Inc., 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 Oregon Bancorp, Inc., and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are 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 consolidated 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 Oregon Bancorp, Inc., 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Bancorp, Inc., 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.

Other Matter

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

Moss Adams LLP

Everett, Washington
March 4, 2022

(in thousands, except share and par value amounts)

ASSETS

	December 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks	$ 18,204	$ 6,341
Interest-bearing deposits with banks	53,906	21,535
Total cash equivalents	72,110	27,876
Investment securities available-for-sale, at fair value	13,758	-
Loans held-for-sale, at fair value	60,974	125,738
Loans, net of allowance for loan losses	244,003	220,948
Federal Home Loan Bank stock, at cost	474	1,723
Premises and equipment, net	3,578	3,120
Cash surrender value of life insurance, net	4,580	4,359
Accrued interest receivable	726	1,029
Deferred tax asset	2,086	1,910
Right of use asset	2,128	2,198
Mortgage banking related derivative asset	2,557	5,924
Other assets	4,687	1,064
Total assets	$ 411,661	$ 395,889

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2021	December 31, 2020
LIABILITIES		
Noninterest-bearing demand deposits	$ 34,423	$ 26,882
Interest-bearing demand deposits and money market accounts	227,786	169,696
Time certificates of deposit	60,715	72,110
Total deposits	322,924	268,688
Borrowings	-	48,500
Accrued wages and compensation	8,916	9,789
Mortgage banking related derivative liability	-	1,351
Accounts payable and accrued expenses	2,061	2,487
Lease liabilities	2,172	2,238
Accrued interest payable	34	107
Total liabilities	336,107	333,160
COMMITMENTS AND CONTINGENCIES (Note 11)		
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 2,000,000 shares authorized; no shares of Series A and Series B issued and outstanding as of December 31, 2021 or 2020	-	-
Common stock, no par value; 10,000,000 shares authorized; 2,412,998 shares issued and 2,352,805 outstanding as of December 31, 2021; 2,362,692 shares issued and 2,289,265 outstanding as of December 31, 2020	18,137	15,415
Retained earnings	57,524	47,314
Accumulated other comprehensive loss, net of tax	(107)	-
Total shareholders' equity	75,554	62,729
Total liabilities and shareholders' equity	$ 411,661	$ 395,889

See accompanying notes.

Oregon Bancorp, Inc., and Subsidiaries
Consolidated Statements of Income
(in thousands, except share and par value amounts)

	Years Ended December 31, 2021	Years Ended December 31, 2020
INTEREST INCOME		
Interest and fees on loans	$ 13,900	$ 13,423
Interest from investment securities available-for-sale	46	-
Interest due from banks	64	148
Total interest income	14,010	13,571
INTEREST EXPENSE		
Demand deposits	72	51
Interest-bearing demand deposits and money market accounts	331	239
Time certificates of deposit	682	1,486
Borrowings	32	127
Total interest expense	1,117	1,903
Net interest income before provision for loan losses	12,893	11,668
PROVISION FOR LOAN LOSSES	113	657
Net interest income after provision for loan losses	12,780	11,011
NONINTEREST INCOME		
Mortgage banking revenue, net	76,516	88,897
Brokered loan fees	101	45
Service charge income	50	46
Increase in cash surrender value of life insurance	216	222
. Other income	575	513
Total noninterest income	77,458	89,723
NONINTEREST EXPENSE		
Salaries	33,811	33,528
Employee benefits	14,882	16,679
Occupancy expenses	1,905	1,638
Depreciation and amortization expense	239	376
Regulatory assessment	133	116
Other operating expenses	9,737	10,435
Total noninterest expense	60,707	62,772
INCOME BEFORE PROVISION FOR INCOME TAXES	29,531	37,962
PROVISION FOR INCOME TAXES	7,142	9,670
NET INCOME	$ 22,389	$ 28,292
EARNINGS PER SHARE OF COMMON STOCK		
Basic	$ 9.56	$ 12.40
Diluted	$ 9.54	$ 12.37
Weighted-average number of common shares outstanding		
Basic	2,342,563	2,281,887
Diluted	2,346,525	2,287,851

See accompanying notes.

Consolidated Statements of Comprehensive Income

(in thousands)

	Years Ended December 31,	
	2021	2020
NET INCOME	$ 22,389	$ 28,292
Other comprehensive loss, net of tax		
Change in unrealized loss on securities, net of taxes of $39 and $0, respectively	(107)	-
COMPREHENSIVE INCOME	$ 22,282	$ 28,292

Oregon Bancorp, Inc., and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(in thousands, except share and par value amounts)

	Common Stock			Accumulated Other	Total
	Number of Shares	Amount	Retained Earnings	Comprehensive Loss, Net of Tax	Shareholders' Equity
BALANCE, December 31, 2019	2,249,551	$ 14,457	$ 23,939	$ -	$ 38,396
Stock-based compensation	-	958	-	-	958
Common stock cash dividend at $2.09 per share	-	-	(4,917)	-	(4,917)
Stock-based compensation - vesting	39,714	-	-	-	-
Net income	-	-	28,292	-	28,292
BALANCE, December 31, 2020	2,289,265	15,415	47,314	-	62,729
Stock-based compensation	-	2,722	-	-	2,722
Common stock cash dividend at $5.06 per share	-	-	(12,179)	-	(12,179)
Stock-based compensation - vesting	63,540	-	-	-	-
Unrealized loss on securities available-for-sale	-	-	-	(107)	(107)
Net income	-	-	22,389	-	22,389
BALANCE, December 31, 2021	2,352,805	$ 18,137	$ 57,524	$ (107)	$ 75,554

See accompanying notes.

Oregon Bancorp, Inc., and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 22,389	$ 28,292
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	113	657
Depreciation and amortization	284	376
Net amortization of investment premiums and discounts	16	-
Deferred tax benefits	(137)	(878)
Origination of loans held-for-sale	(1,599,488)	(1,687,195)
Proceeds from loans held-for-sale	1,740,767	1,709,106
Gain on sale of loans	(76,774)	(94,166)
Net loss on derivatives	258	5,269
Cash surrender value of life insurance	(221)	(222)
Stock-based compensation	2,722	958
Increase (decrease) in cash due to changes in certain assets and liabilities		
Accrued interest receivable	302	(458)
Derivative asset	3,368	(4,231)
Accrued wages and compensation	(873)	6,048
Derivative liability	(1,991)	1,240
Accounts payable and accrued expenses	(492)	53
Accrued interest payable	(73)	(133)
Other assets	(3,553)	(272)
Net cash from (used for) operating activities	86,618	(35,557)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities available-for-sale	(14,287)	-
Principal repayments on securities available-for-sale	367	-
Loan originations, net of principal collections	(23,168)	(42,158)
Redemption of FHLB stock	1,249	-
Purchase of premises and equipment, net	(742)	(539)
Purchase of Federal Home Loan Bank stock	-	(1,433)
Net cash used for investing activities	(36,581)	(44,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	54,237	46,848
Net (repayments) advances on borrowings	(48,500)	47,659
Dividends paid on common stock	(11,540)	(4,558)
Net cash (used for) from financing activities	(5,803)	89,949
Net increase in cash and due from banks	44,234	10,263
CASH AND DUE FROM BANKS, beginning of year	27,876	17,613
CASH AND DUE FROM BANKS, end of year	$ 72,110	$ 27,876
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for		
Interest	$ 1,189	$ 2,036
Taxes	$ 11,889	$ 9,748
Noncash balance sheet adjustments		
Right-of-use assets obtained in exchange for operating lease liabilities	$ -	$ 278

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of operations and principles of consolidation – In October 2000, Willamette Valley Bank (the Bank) received regulatory approval to become a state-chartered institution authorized to provide banking services in the state of Oregon; in 2008, Oregon Bancorp, Inc. (the Company), an Oregon corporation, was formed for the purpose of becoming a holding company for the Bank. The Company is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and is subject to the supervision and examination by the Federal Reserve Board. In 2010, the Company formed a single-member LLC, OR Resolutions, LLC, for the purpose of holding notes and/or deeds of trusts for properties acquired through the foreclosure process of the Bank. There was no activity in OR Resolutions, LLC, as of and for the years ended December 31, 2021 and 2020.

The Bank, operating from its headquarters in Salem, Oregon, provides banking services to businesses and individuals located primarily in the markets from which the Bank operates its four full-service branches in Salem, Albany, Keizer, and Silverton, Oregon. In addition to the full-service branches, the Bank has various locations throughout Oregon, Washington, and Idaho that function as residential mortgage loan production offices. The Bank is subject to regulations of certain federal and state agencies and, from time to time, undergoes periodic examinations by those regulatory authorities.

All significant intercompany accounts and transactions between Oregon Bancorp, Inc., and its subsidiaries have been eliminated in the preparation of the consolidated financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the date of the consolidated balance sheet but before consolidated financial statements are issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company has evaluated subsequent events for recognition and disclosure through March 4, 2022, which is the date the consolidated financial statements were available to be issued.

Use of estimates – The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and reporting practices applicable to the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and revenues and expenses for the reporting periods. Actual results could differ significantly from those estimates. The most significant accounting estimates made by management involve the calculation of the allowance for loan losses, mortgage banking derivatives, and deferred tax assets. Management believes that the assumptions used in arriving at these estimates are appropriate.

Cash and due from banks – For purposes of reporting cash flows, cash and due from banks include cash, due from banks, and federal funds sold, all with original maturities of three months or less. The Bank, at times, may have cash deposits at other financial institutions in excess of Federal Deposit Insurance Corporation (FDIC)-insured limits.

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

Investment securities – Investment securities are classified into one of three categories: (1) held-to-maturity, (2) available-for-sale, or (3) trading. The Bank had no securities as of December 31, 2020. Investment securities are categorized as held-to-maturity when the Bank has the positive intent and ability to hold those securities to maturity. Securities that are held-to-maturity are stated at amortized cost. Investment securities categorized as available-for-sale are generally held for investment purposes (to maturity), although unanticipated future events may result in the sale of some securities. Available-for-sale securities are carried at estimated fair value, with unrealized holding gains or losses reported in accumulated other comprehensive income.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on the sale of securities are recorded on the settlement 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. 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, i.e., 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. Impairment losses related to all other factors are presented as separate categories within other comprehensive income, net of taxes.

Loans held-for-sale, at fair value – Mortgage loans originated and intended for sale in the secondary market are carried at fair value. Fair value is determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis. Origination fees and costs are recognized in earnings at the time of origination. Mortgage loans held-for-sale are sold with the mortgage service rights released by the Bank. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. The Bank sells loans to investors without recourse. As such, the investors have assumed the risk of loss or default by the borrower. However, the Bank is usually required by these investors to make certain standard representations and warranties relating to credit information, loan documentation and collateral. To the extent that the Bank does not comply with such representations, or there are early payment defaults, the Bank may be required to repurchase the loans or indemnify these investors for any losses from borrower defaults. In addition, if loans pay-off within a specified time frame, the Company may be required to refund a portion of the sales proceeds to the investors.

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

Mortgage banking derivatives – Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free-standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitments to fund the loans. The Company enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair values of these derivatives are included in “Mortgage banking revenue, net.”

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity are stated at the amount of unpaid principal, net of deferred loan fees and costs, premiums, or discounts on purchased loans, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the effective interest method without anticipating prepayments.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Significant concentrations of credit risk – Most of the Bank’s business activity is with customers located within the Mid-Willamette Valley, Oregon. The Bank originates commercial, real estate, construction, residential mortgage, and consumer loans. Generally, loans are secured by real estate, accounts receivable, inventory, deposit accounts, or personal property. Rights to collateral vary and are legally documented to the extent practicable. Local economic conditions may affect borrowers’ ability to meet the stated repayment terms. Approximately 94% of the Bank’s loan portfolio is secured by real estate (Note 3). The Company does not have any significant concentrations to any one customer.

Allowance for loan losses – The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectability of principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans. The 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, will 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 examinations.

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

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts 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 collection of the 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. Impaired loans are carried at the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller-balance homogeneous loans or leases are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer loans for impairment disclosures, unless such loans are the subject of a troubled debt restructuring agreement.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral-dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses individually identified as impaired.

In conjunction with the passage of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020, 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 Company has not recognized eligible CARES Act loan modifications as TDRs. 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. The Company 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.

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

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the most recent five years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; level of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Transfer of financial assets – Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Federal Home Loan Bank of Des Moines (FHLB) stock – 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. This security is classified at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. Management determined there was no impairment at December 31, 2021 and 2020.

Premises and equipment – Premises and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets, which range from 2 to 39 years. Maintenance and repairs are expensed as incurred whereas major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Bank-owned life insurance – The Company has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Impairment of long-lived assets – The assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines impairment exists, the asset is reduced with an offsetting charge to expense.

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

Advertising – Advertising costs, which are principally included in operating expenses, are expensed as incurred. Advertising expense was approximately $0.9 million and $1.0 million for the years ended December 31, 2021 and 2020, respectively.

Deposit service charges – The Company earns fees from its deposit customers for account maintenance, transaction-based activity, and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied, and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposit accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Other income – Fees earned on other services, such as merchant services, occasional non-recurring type services, or bank owned life insurance are recognized at the time of the event or the applicable billing cycle.

Stock-based compensation – The Company measures and recognizes as compensation expense the grant-date fair market value for all share-based awards. That portion of the grant-date fair value that is ultimately expected to vest is recognized as expense over the requisite service period, typically the vesting period, using the graded attribution method. The Company uses the market price of the Company's common stock to determine compensation expense for stock issued to employees.

Income taxes – Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary.

The Company recognizes the tax benefit from uncertain tax positions only if it is more likely than not that 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 Company recognizes interest and penalties related to income tax matters in income tax expense. The Company does not anticipate that the amount of unrecognized tax benefits will significantly increase or decrease in the next 12 months. There were no interest and penalties accrued for the years ended December 31, 2021 or 2020.

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

Earnings per share – Nonvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and are included in the computation of earnings per share (EPS) pursuant to the two-class method. The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating securities accordingly to dividends declared or accumulated and participation rights in undistributed earnings. Certain shares of the Company's nonvested stock awards qualify as participating securities.

Net income is allocated between the common stock and participating securities pursuant to the two-class method, based on their rights to receive dividends, participate in earnings, or absorb losses. Basic earnings per share of common stock are computed by dividing net income available to common shareholders, which consists of net income less preferred dividends declared, by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under vested stock. There were no antidilutive shares as of December 31, 2021 and 2020.

Comprehensive income – Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized holding gains and losses on securities available-for-sale, net of tax, for the year ended December 31, 2021. There were no components within comprehensive income for the year ended December 31, 2020.

Restrictions on cash – Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

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.

Segment reporting – Segments are defined as components of a Company to which separate financial information is available that is evaluated regularly by the chief operating decision maker (CODM), or decision making group, in deciding how to allocate resources and in assessing performance. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's CODM for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the CODM, review operating results by the revenue of different services. For the year ended December 31, 2021, the Company has two operating business lines; Community Banking and Home Mortgage Lending (see Note 14).

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

Off-balance-sheet financial instruments – In the ordinary course of business, the Bank enters into off-balance-sheet financial instruments consisting of commitments to extend 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.

The allowance for off-balance-sheet credit losses related to unfunded loan commitments is increased through charges to noninterest expense and is decreased by charge-offs or transfers to the allowance for loan losses at the time that the related loan is funded. Management periodically evaluates the adequacy of this allowance based on the Bank's off-balance-sheet credit loss experience, known and inherent risks in the portfolio, adverse situations that may increase the likelihood of loss, and current economic conditions. The reserve for unfunded loan commitments is not material to the consolidated financial statements.

Reclassifications – Certain reclassifications have been made to the prior-year consolidated financial statements to conform with current-year presentations. These reclassifications did not affect previously reported consolidated comprehensive income or shareholders' equity.

Note 2 – Investments

The following tables present the amortized cost, unrealized gains, unrealized losses, and estimated fair value of securities available-for-sale as of December 31, 2021. The Bank had no securities as of December 31, 2020.

The amortized cost and estimated fair value of investments as of December 31, 2021, are as follows:

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. Treasury notes	$ 1,977	$ -	$ (11)	$ 1,966
Mortgage-backed securities	10,128	-	(134)	9,995
Federal agency securities	1,261	-	(1)	1,260
Municipal bonds	538	-	(1)	537
Total	$ 13,905	$ -	$ (147)	$ 13,758

Note 2 – Investments (continued)

The amortized cost and estimated fair value of investments by expected maturity as of December 31, 2021, are shown below.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in 1 to 5 years	$ 4,918	$ 4,881
Due after 5 to 10 years	7,969	7,868
Due after 10 years	1,018	1,009
	$ 13,905	$ 13,758

The amortized costs and fair values of residential mortgage banked securities are presented by their expected average life, rather than contractual maturity, because the underlying loans may be repaid without repayment penalties.

Gross unrealized losses and fair value by length of time that the individual investments have been in a continuous unrealized loss position at December 31, 2021, are as follows:

	Less Than 12 Months		Over 12 Months		Total	
December 31, 2021	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available-for-sale						
Mortgage-backed securities	$ (134)	$ 9,995	$ -	$ -	$ (134)	$ 9,995
Federal agency securities	(1)	1,260	-	-	(1)	1,260
Municipal bonds	(1)	537	-	-	(1)	537
U.S. Treasury notes	(11)	1,966	-	-	(11)	1,966
	$ (147)	$ 13,758	$ -	$ -	$ (147)	$ 13,758

There were 12 investments in a temporary unrealized loss position as of December 31, 2021. The unrealized losses on investments were caused by interest rate increases or widening of market spreads subsequent to the purchase of these securities. Because the Company does not intend to sell these securities and it is not likely that the Company will be required to sell them before recovery of their amortized cost basis, which may include holding each security until contractual maturity, the unrealized losses on these investments were not considered to be other-than-temporarily impaired as of December 31, 2021.

There were no sales of securities available-for-sale during the year ended December 31, 2021.

Note 3 – Loans

As of December 31, the loan portfolio consisted of the following:

	2021	2020
Commercial	$ 12,889	$ 16,688
SBA paycheck protection program (PPP)	4,782	20,176
Commercial real estate		
Construction and land development	45,648	23,312
Nonresidential (owner-occupied)	89,688	87,932
Nonresidential (non-owner-occupied)	36,156	29,925
Multifamily	38,004	26,704
Residential real estate		
Real estate - 1-4 family mortgage	20,109	19,299
Consumer and other	90	123
Gross loans	247,366	224,159
Deferred fees and costs	(757)	(729)
Loans, net of deferred fees and costs	246,609	223,430
Allowance for loan and lease losses	(2,606)	(2,482)
Net loans	$ 244,003	$ 220,948

All of the Bank’s loans and loan commitments are geographically concentrated in its service areas within Oregon, Washington, and Idaho.

As of December 31, 2021 and 2020, loans of $186.1 million and $228.2 million, respectively, were pledged to support FHLB borrowings, and loans as of December 31, 2021 and 2020, of $84.8 million and $73.6 million, respectively, were pledged at Federal Reserve Bank of San Francisco for additional borrowing capacity.

Note 3 – Loans (continued)

Pursuant to the CARES Act passed in March 2020, the Company funded over 356 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). 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 was netted with loan origination costs and amortized into interest income under the effective yield method over the contractual life of the loan. The recognition of fees and costs is accelerated when the loan is forgiven by the SBA and/or paid off prior to maturity. 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 at December 31, 2021 and 2020, was $4.8 million and $20.2 million, respectively. The Company ended its origination of new PPP loans on June 30, 2021. On June 5, 2020, the PPP Flexibility Act was signed into law that modified, among other things, rules governing the PPP payment deferral period. In October 2020, due to updated guidance from the SBA the bank revised their maturity dates and associated payment deferral periods. The extended payment deferral period will affect the timing over which the accretion of PPP net loan origination fees are recognized.

Section 4013 of the CARES Act and Section 541 of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (the Coronavirus Relief Act) passed in January 2021 provided optional, temporary relief from evaluating loans that may have been considered TDRs under GAAP. This relief applies to loan modifications executed between March 1, 2020, and the earlier of 60 days after the national emergency related to the Pandemic is terminated, or January 1, 2022. The Company elected to apply these temporary accounting provisions to payment relief loans beginning in March 2020. During the year ending December 31, 2020, 46 loans totaling $27.9 million were modified as CARES Act deferrals and not subject to TDR accounting and reporting. No loans were modified as CARES Act deferrals and not subject to TDR accounting and reporting during the year ended December 31, 2021. As of December 31, 2021, no remaining loans are modified as CARES Act deferrals and not subject to TDR accounting and reporting.

Note 4 – Allowance for Loan Losses

The general valuation allowance is systematically calculated quarterly using quantitative and qualitative information about specific loan classes. The minimum required level in which an entity develops a systematic methodology to determine its allowance for loan and lease losses (ALLL) is at the segment level. However, the Bank's systematic methodology in determining its allowance for loan and lease losses is prepared at the class level, which is more detailed than the segment level. The quantitative information uses historical losses from specific loan classes and incorporates the loan's risk rating migration from origination to the point of loss. A loan's risk rating is primarily determined based upon the borrower's ability to fulfill its debt obligation from a cash flow perspective. In the event there is financial deterioration of the borrower, the borrower's other sources of income or repayment are also considered, including recent appraisal values for collateral-dependent loans. The qualitative information takes into account general economic and business conditions affecting the marketplace, seasoning of the loan portfolio, duration of the business cycle, etc. to ensure that the methodologies reflect the current economic environment and other factors; using historical loss information exclusively may not give an accurate estimate of inherent losses within the Bank's loan portfolio.

Note 4 – Allowance for Loan Losses (continued)

The specific valuation allowance is a reserve for each loan determined to be impaired and the value of the impaired loan is less than its recorded investment. The Bank measures the impairment based on the discounted expected future cash flows, observable market price, or the fair value of the collateral, if the loan is collateral-dependent or if foreclosure is probable. The specific reserve for each loan is equal to the difference between the recorded investment in the loan and its determined impairment value.

Adjustments to the percentages of the ALLL allocated to loan categories are made based on trends with respect to delinquencies and problem loans within each pool of loans. The Company reviews the ALLL quantitative and qualitative methodology on a quarterly basis and makes adjustments when appropriate. The Company strives to maintain a conservative approach to credit quality and will continue to prudently add to the ALLL as necessary in order to maintain adequate reserves. The Company carefully monitors the loan portfolio and continues to emphasize the importance of credit quality while continuously strengthening loan monitoring systems and controls.

An analysis of the change in the allowance for loan losses follows:

December 31, 2021	Residential	Commercial Real Estate	Construction	Commercial	Consumer	PPP Loans	Unallocated	Total
Allowance								
Balance, beginning of the period	$ 248	$ 1,758	$ 303	$ 172	$ 1	$ -	$ -	$ 2,482
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	11	-	-	-	-	-	-	11
Provision (recapture) for loan losses	(48)	(90)	178	(84)	-	-	157	113
Balance, end of the period	$ 211	$ 1,668	$ 481	$ 88	$ 1	$ -	$ 157	$ 2,606
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	$ 211	$ 1,668	$ 481	$ 88	$ 1	$ -	$ 157	$ 2,606
Loans								
Ending balance	$ 20,109	$ 163,848	$ 45,648	$ 12,889	$ 90	$ 4,782	$ -	$ 247,366
Ending balance individually evaluated for impairment	$ 624	$ 783	$ -	$ -	$ -	$ -	$ -	$ 1,407
Ending balance collectively evaluated for impairment	$ 19,485	$ 163,065	$ 45,648	$ 12,889	$ 90	$ 4,782	$ -	$ 245,959

Note 4 – Allowance for Loan Losses (continued)

December 31, 2020	Residential	Commercial Real Estate	Construction	Commercial	Consumer	PPP Loans	Unallocated	Total
Allowance								
Balance, beginning of the period	$ 377	$ 1,000	$ 245	$ 188	$ 5	$ -	$ -	$ 1,815
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	10	-	-	-	-	-	-	10
Provision (recapture) for loan losses	(139)	758	60	(16)	(4)	-	-	657
Balance, end of the period	$ 248	$ 1,758	$ 303	$ 172	$ 1	$ -	$ -	$ 2,482
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	$ 248	$ 1,758	$ 303	$ 172	$ 1	$ -	$ -	$ 2,482
Loans								
Ending balance	$ 19,299	$ 144,561	$ 23,312	$ 16,688	$ 123	$ 20,176	$ -	$ 224,159
Ending balance individually evaluated for impairment	$ -	$ 849	$ -	$ -	$ -	$ -	$ -	$ 849
Ending balance collectively evaluated for impairment	$ 19,299	$ 143,712	$ 23,312	$ 16,688	$ 123	$ 20,176	$ -	$ 223,310

When the Bank classifies problem assets as either substandard or doubtful, pursuant to federal regulations, it may establish a specific allowance in an amount it deems prudent and approved by management to address the risk specifically, or it may allow the loss to be addressed in the general allowance. General allowances represent loss allowances that have been established to recognize the inherent risk associated with lending activities, but, unlike specific allowances, have not been specifically allocated to the particular problem assets. When an insured institution classifies problem assets as a loss, pursuant to federal regulations, it is required to charge off such assets in the period in which they are deemed uncollectible. The determination as to the classification of assets and the amount of valuation allowances is subject to review by the FDIC, which can require the establishment of additional loss allowances.

Loan grades are used by the Bank to identify and track potential problem loans that do not rise to the levels described for substandard, doubtful, or loss. The grades for special mention are assigned to loans that have been criticized based upon known characteristics such as periodic payment delinquency or stale financial information from the borrower and/or guarantors. Loans identified as classified (substandard, doubtful, or loss) are subject to problem loan reporting quarterly. There were no loans classified as doubtful or loss as of December 31, 2021 and 2020.

Note 4 – Allowance for Loan Losses (continued)

The following tables show credit quality indicators as of December 31:

December 31, 2021	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Residential	$ 19,198	$ -	$ -	$ 911	$ -	$ 20,109
Commercial real estate	160,675	1,213	-	1,960	-	163,848
Construction	44,313	1,335	-	-	-	45,648
PPP loans	4,782	-	-	-	-	4,782
Commercial	12,889	-	-	-	-	12,889
Consumer	90	-	-	-	-	90
	$ 241,947	$ 2,548	$ -	$ 2,871	$ -	$ 247,366
December 31, 2020						
Residential	$ 19,012	$ -	$ -	$ 287	$ -	$ 19,299
Commercial real estate	142,556	-	-	2,005	-	144,561
Construction	23,312	-	-	-	-	23,312
PPP loans	20,176	-	-	-	-	20,176
Commercial	16,688	-	-	-	-	16,688
Consumer	123	-	-	-	-	123
	$ 221,867	$ -	$ -	$ 2,292	$ -	$ 224,159

Pass – Credit exposure in this category ranges between the highest credit quality to average credit quality. Primary repayment sources generate satisfactory debt service coverage under normal conditions. Cash flow from recurring sources is expected to continue to produce adequate debt service capacity.

Substandard – A substandard loan is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of debt. Loans in this category are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Any asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and value, highly questionable and improbable.

Loss – Assets classified loss are considered uncollectible and of such minimal value that the continuance as bankable assets are not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but that it is not practical or desirable to defer writing off this basically worthless asset even though a partial recovery may occur in the future.

Note 4 – Allowance for Loan Losses (continued)

The following table shows the age analysis of past due loans as of December 31:

December 31, 2021	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days And Greater	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing	Recorded Investment on Nonaccrual Status
Residential	$ -	$ -	$ 624	$ 624	$ 19,485	$ 20,109	$ -	$ 624
Commercial real estate	-	-	-	-	163,848	163,848	-	783
Construction	-	-	-	-	45,648	45,648	-	-
PPP loans	-	-	-	-	4,782	4,782	-	-
Commercial	-	-	-	-	12,889	12,889	-	-
Consumer	-	-	-	-	90	90	-	-
	$ -	$ -	$ 624	$ 624	$ 246,742	$ 247,366	$ -	$ 1,407
December 31, 2020								
Residential	$ 304	$ -	$ -	$ 304	$ 18,995	$ 19,299	$ -	$ -
Commercial real estate	-	-	-	-	144,561	144,561	-	849
Construction	-	-	-	-	23,312	23,312	-	-
PPP loans	-	-	-	-	20,176	20,176	-	-
Commercial	-	-	-	-	16,688	16,688	-	-
Consumer	-	-	-	-	123	123	-	-
	$ 304	$ -	$ -	$ 304	$ 223,855	$ 224,159	$ -	$ 849

The following table shows impaired loans for the years ended December 31:

December 31, 2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Weighted Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Commercial real estate	$ 1,407	$ 1,524	$ -	$ 1,128	$ -
With allowance recorded	$ -	$ -	$ -	$ -	$ -
Total					
Commercial real estate	$ 1,407	$ 1,524	$ -	$ 1,128	$ -
December 31, 2020					
With no related allowance recorded					
Commercial real estate	$ 849	$ 915	$ -	$ 900	$ -
With allowance recorded	$ -	$ -	$ -	$ -	$ -
Total					
Commercial real estate	$ 849	$ 915	$ -	$ 900	$ -

Note 4 – Allowance for Loan Losses (continued)

The Bank had no outstanding loans classified as troubled debt restructurings as of December 31, 2021 and 2020, respectively. A troubled debt restructuring is a loan to a borrower that is experiencing financial difficulty that has been modified from its original terms and conditions in such a way that the Bank is granting the borrower a concession of some kind.

There were no new troubled debt restructured loans during the years ended December 31, 2021 or 2020. The Bank had no commitments to extend additional credit to borrowers owing receivables whose terms have been modified in troubled debt restructurings.

Subsequent to a loan being classified as a troubled debt restructuring, a borrower may become unwilling or unable to abide by the terms of the modified agreement. In such cases of default, the Bank takes appropriate action to secure additional payments including the use of foreclosure proceedings. There were no troubled debt restructurings that subsequently defaulted within 12 months of restructuring during the years ended December 31, 2021 and 2020.

Note 5 – Mortgage Banking-related Derivatives

The Bank is engaged in providing first mortgage permanent financing for residential property. Residential home mortgages are originated for sale into the secondary market and are hedged against interest rate fluctuations with forward sales commitments, futures, and option contracts from the time of an interest rate lock loan commitment until the loans are sold (typically 30 to 90 days).

The following is a summary of the interest rate lock loan commitments and open forward commitments as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate lock loan commitments	$ 82,520	$ 2,526	$ 158,105	$ 5,924
Forward sales of mortgage-backed securities commitments	77,500	(19)	141,000	(938)

The notional amounts of the derivatives do not represent amounts exchanged by the parties and, thus, are not a measure of the Bank's exposure through its use of derivatives. The amounts exchanged are determined by reference to the notional amounts and the other terms of the individual derivatives.

The derivatives expose the Bank to credit risk in the event of nonperformance by counterparties to such agreements. The risk consists primarily of the termination value of the agreements where the Bank is in a favorable position. The Bank controls credit risk associated with its derivative instruments through management review and approval of counterparties.

Note 5 – Mortgage Banking-related Derivatives (continued)

The following table summarizes the types of derivatives, separately by assets and liabilities, their locations on the consolidated balance sheets, and the fair values of such derivatives as of December 31, 2021 and 2020:

		Asset Derivatives		Liability Derivatives	
	Balance	December 31,		December 31,	
Derivatives	Sheet Location	2021	2020	2021	2020
Interest rate lock loan commitments	Derivative asset	$ 2,526	$ 5,924	$ -	$ -
Forward sales of mortgage-backed securities commitments	Derivative asset (liability)	31	-	-	(1,351)

The following table summarizes the types of derivatives, their locations within the consolidated statements of income, and the gains (losses) recorded for the years ended December 31, 2021 and 2020:

		December 31,	
Derivatives	Income Statement Location	2021	2020
Interest rate lock loan commitments	Mortgage banking revenue	$ (3,398)	$ 4,231
Forward sales of mortgage-backed securities commitments	Mortgage banking revenue	3,140	(9,500)

Note 6 – Premises and Equipment

The composition of premises and equipment as of December 31 is summarized as follows:

	2021	2020
Land	$ 976	$ 976
Furniture and equipment	2,400	2,145
Buildings	1,082	1,050
Leasehold improvements	1,489	1,482
Assets in process	566	-
	6,513	5,653
Less accumulated depreciation and amortization	(2,935)	(2,533)
Premises and equipment, net of accumulated depreciation and amortization	$ 3,578	$ 3,120

Note 7 – Time Certificates of Deposit

Time certificates of deposit of $250,000 or more aggregated to $7.6 million and $13.4 million as of December 31, 2021 and 2020, respectively.

The scheduled contractual maturities of time certificates of deposit as of December 31 are as follows:

2022	$ 38,021
2023	12,158
2024	2,556
2025	4,680
2026	3,280
Thereafter	20
	$ 60,715

Time certificates of deposit included brokered deposits of $19.0 million and $17.8 million as of December 31, 2021 and 2020, respectively.

Note 8 – Borrowings

FHLB advances – The Bank, as a member of the FHLB of Des Moines, has entered into a credit arrangement with the FHLB under which authorized borrowings are collateralized by the Bank's loans (Note 3). The Bank's outstanding borrowings totaled $0 and $35.0 million as of December 31, 2021 and 2020, respectively. Available borrowings and their respective terms are subject to eligible collateral being pledged and are reduced by outstanding letters of credit.

Correspondent bank lines of credit – The Bank has federal funds line-of-credit agreements with Pacific Coast Bankers' Bank, Zions Bank, and United Bankers Bank. As of December 31, 2021 and 2020, there were no outstanding balances owed under these agreements. The maximum borrowings available under the Pacific Coast Bankers' Bank agreement were $10.0 million and $4.0 million as of December 31, 2021 and 2020, respectively. This line of credit is unsecured, expires June 30, 2022, and bears interest at the then-stated rate. The Zions Bank line of credit had maximum borrowings available of $4.0 million as of December 31, 2021 and 2020. This line of credit has no expiration date, is unsecured, and bears interest at the then-stated rate. The United Bankers Bank line of credit has maximum borrowings available of $5.0 million as of December 31, 2021 and 2020. This line of credit has no expiration date, is unsecured, and bears interest at the then-stated rate.

Federal Reserve borrowings – The Bank has established a line of credit under the discount window program. As of December 31, 2021 and 2020, there were no outstanding borrowings under this program. The available borrowing limit was $36.1 million and $37.3 million as of December 31, 2021 and 2020, respectively. The borrowings bear interest at the then-stated rate. The Bank has pledged certain loans to collateralize these borrowings (Note 3).

Note 8 – Borrowings (continued)

Paycheck Protection Program Liquidity Facility – On April 8, 2020, the Bank was approved by the Federal Reserve to access its SBA Paycheck Protection Program Liquidity Facility (PPPLF) through the discount window. The PPPLF enables the Company to fund PPP loans without taking on additional liquidity or funding risks by providing non-recourse loans collateralized by the PPP loans. Borrowings under the PPPLF have a fixed-rate of 0.35%, with a term that matches the underlying loans pledged of two years. The Bank pledged $0 and 12.8 million of PPP loans as eligible collateral under the PPPLF borrowing arrangement at December 31, 2021 and 2020, respectively. The outstanding borrowings totaled $0 and 12.8 million as of December 31, 2021 and 2020, respectively.

Long-term debt – The Company has entered into a long-term note secured by Bank stock with United Bankers' Bank on October 4, 2013, in the original principal amount of $3.5 million at 4.250%, with maturity extended to October 15, 2022. The debt was obtained to repurchase the preferred stock originally issued as part of the United States Department of the Treasury's Capital Purchase Program, and the repurchase was completed in 2013. The note was paid off in October, 2021.

Margin call account – The Bank's brokerage account used to facilitate activities in their trading security portfolio may require additional deposits when investments exceed established loss thresholds. The outstanding deposit amount is $0.1 million and $0.6 million as of December 31, 2021 and 2020, respectively. The Bank may be required at times to transfer collateral to a third party sufficient to eliminate unsecured forward exposure.

Note 9 – Income Taxes

The provision for income taxes consisted of the following as of December 31:

	2021	2020
Income tax expense (benefit)		
Current		
Federal	$ 5,947	$ 8,151
State	1,331	2,397
Deferred		
Federal	(249)	(722)
State	112	(156)
	$ 7,142	$ 9,670

Note 9 – Income Taxes (continued)

The provision for current income taxes is different from that computed by applying the statutory rates as follows:

	2021	2020
Federal tax at statutory rates	$ 6,233	$ 7,972
State income taxes, net of federal effect	1,120	1,841
Increase in cash surrender value	(45)	(56)
Permanent difference	28	-
Equity based compensation	(185)	(118)
Other	(9)	31
	$ 7,142	$ 9,670

The components of the net deferred tax asset as of December 31 are as follows:

	2021	2020
Assets		
Allowance for loan losses	$ 553	$ 535
Lease liability	546	574
Deferred compensation	1,625	1,481
Unrealized loss on AFS securities	39	-
Equity based compensation	265	268
Total deferred tax assets	3,029	2,858
Liabilities		
Depreciation	(332)	(336)
Prepaid expenses	(76)	(48)
Right of use asset	(535)	(564)
Other	-	-
Total deferred tax liabilities	(943)	(948)
Net deferred tax assets	$ 2,086	$ 1,910

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company has evaluated the impact of the CARES Act and determined that none of the changes would result in a material income tax benefit to the Company.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law and extends several provisions of the CARES Act. As of December 31, 2021 and 2020, the Company has determined that neither this Act nor changes to income tax laws or regulations in other jurisdictions have a significant impact on our effective tax rate.

Note 10 – Retirement Plan

The Bank has established a 401(k) plan to which employees can elect to defer a portion of their pay. Employee deferrals for any calendar year may not exceed the annual permissible dollar limit as defined under Internal Revenue Code Section 415. At management's discretion, the Bank can make a matching contribution. For the years ended December 31, 2021 and 2020, the Bank contributed $0.6 million and $0.6 million, respectively.

Note 11 – Commitments and Contingencies

In the normal course of business to meet the financing needs of its customers, the Bank is 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 amounts recognized in the consolidated balance sheets. 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.

A summary of the notional amounts of the Bank's financial instruments with off-balance-sheet risk as of December 31 is as follows:

	2021	2020
Commitments to extend credit, including loans with interest rate lock commitments	$ 148,922	$ 204,763
	$ 148,922	$ 204,763

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. Because many of the commitments are expected to expire without being drawn upon, the 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. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds cash, marketable securities, or real estate as collateral supporting those commitments for which collateral is deemed necessary.

Note 12 – Stock Incentive Plan

The Bank formed the 2011 Stock Incentive Plan (the Plan), as amended, approved by the Board of Directors and ratified by the shareholders, authorizing the grant of up to 300,000 shares of common stock. The Plan allows for granting of both incentive, nonqualified stock options, and stock shares. The Plan was amended in 2021 to extend the term indefinitely. There are 161,606 shares available for grant as of December 31, 2021.

There is no unrecognized compensation expense related to unvested stock options at December 31, 2021. Tax benefits of $0.2 million and $0.1 million were realized during the years ended December 31, 2021 and 2020, respectively.

Nonvested stock – A summary of nonvested stock is presented below:

	Nonvested Stock	Weighted-Average Grant-Date Fair Value
Nonvested stock at December 31, 2020	73,431	$ 24.93
Stock granted	51,921	49.91
Stock vested	(63,540)	20.48
Stock forfeited	(1,619)	35.38
Nonvested stock at December 31, 2021	60,193	$ 33.61

As of December 31, 2021, there was $0.7 million, of unrecognized compensation expense related to nonvested stock grants, which is expected to be recognized over a period of approximately five years.

Note 13 – Operating Leases

The Bank has committed to rent premises used in business operations under non-cancelable operating leases and determines if an arrangement meets the definition of a lease upon inception.

The Bank adopted the provisions of ASU 2016-02 (Topic 842) on January 1, 2019. Operating lease right-of-use (ROU) assets represent a right to use an underlying asset for the contractual lease term. Operating lease liabilities represent an obligation to make lease payments arising from the lease. Upon adoption, operating lease ROU assets and operating lease liabilities totaling approximately $2.9 million were recorded for leases that existed at the adoption date, based on the present value of lease payments over the remaining lease term. ROU assets are further adjusted for lease incentives. Operating leases entered into after the adoption date will be recognized as an operating lease ROU asset and operating lease liability at the commencement date of the new lease.

Note 13 – Operating Leases (continued)

The Bank is obligated under noncancelable operating leases with initial or remaining terms in excess of one year on various facilities. These leases require periodic adjustments to the minimum rental payments based on published price indexes, and contain various extension options, which may be exercised by management. The leases contain both lease and non-lease components, which are accounted for separately. The leases do not contain any residual value guarantees.

The following table shows the balances of operating right-of-use assets and lease liabilities as of December 31, 2021:

Operating leases		
Operating lease right-of-use assets	$	2,128
Operating lease liabilities		2,172

The following is a schedule of estimated future minimum rental payments based upon price indexes currently in effect, inclusive of renewal options that the Bank is reasonably certain to renew as of December 31:

Year		Operating Leases
2022	$	950
2023		523
2024		386
2025		257
2026		106
Thereafter		-
Total lease payments		2,222
Less amounts representing interest		(51)
Present value of lease liabilities	$	2,172
Weighted average remaining term (in years)		2.21
Weighted average discount rate		1.80%

Rental expense recognized on a straight-line basis over the lease term amount to under all operating leases was $1.2 million and $1.2 million for 2021 and 2020, respectively.

Note 14 – Segment Information

The Company's operations are managed along two operating segments: Community Banking and Home Mortgage Lending. The Community Banking segment's principal business focus is the offering of loan and deposit products to business and consumer customers in its primary market areas. As of December 31, 2021, the Community Banking segment operated 4 branches in the Willamette Valley of Oregon. The Home Mortgage Lending segment's principal business focus is the origination and sale of mortgage loans for 1-4 family residential properties. The Home Mortgage Lending segment operated 15 home loan centers throughout Oregon, Washington, and Idaho.

Summarized financial information for the Company's reportable segments and the reconciliation to the consolidated financial results is shown in the following tables:

December 31, 2021	Community Banking	Home Mortgage Lending	Consolidated
Interest income	$ 11,976	$ 2,034	$ 14,010
Interest expense	1,117	-	1,117
Net interest income	10,859	2,034	12,893
Provision for loan losses	113	-	113
Other operating income	900	76,558	77,458
Other operating expense	7,847	52,860	60,707
Income before provision for income taxes	3,799	25,732	29,531
Provision for income taxes	919	6,223	7,142
Net income	$ 2,880	$ 19,509	$ 22,389
Total assets	$ 345,160	$ 66,501	$ 411,661
Loans held-for-sale	$ -	$ 60,974	$ 60,974

December 31, 2020	Community Banking	Home Mortgage Lending	Consolidated
Interest income	$ 11,237	$ 2,334	$ 13,571
Interest expense	1,903	-	1,903
Net interest income	9,334	2,334	11,668
Provision for loan losses	657	-	657
Other operating income	719	89,004	89,723
Other operating expense	6,267	56,505	62,772
Income before provision for income taxes	3,129	34,833	37,962
Provision for income taxes	817	8,853	9,670
Net income	$ 2,312	$ 25,980	$ 28,292
Total assets	$ 261,453	$ 134,436	$ 395,889
Loans held-for-sale	$ -	$ 125,738	$ 125,738

Note 15 – Regulatory Matters

The Bank and Company are subject to various regulatory capital requirements administered by federal 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 the Bank and Company. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, banks must meet specific capital guidelines that involve quantitative measures of a 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 the regulators about components, risk weightings, and other factors.

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

As of December 31, 2021, according to the most recent notifications from its regulatory agencies, the Bank and Company were categorized as well-capitalized under the applicable regulatory framework. There are no conditions or events that management believes may have changed the Bank's category. To be categorized as well-capitalized, the Bank and Company must maintain minimum total risk-based capital, Tier 1 risk-based capital, Tier 1 leverage capital, and Common Equity Tier 1 capital ratios.

Management believes as of December 31, 2021, the Bank meets all capital adequacy requirements to which they are subject. The Bank's actual and required capital amounts and ratios are as follows:

	Actual Capital		Minimal Required Capital		Capital Adequacy*		To Be Well Capitalized Under Prompt Corrective Action Provision	
As of December 31, 2021	Amount in Thousands	Ratio	Amount in Thousands	Ratio	Amount in Thousands	Ratio	Amount in Thousands	Ratio
Total capital to risk-weighted assets	$ 77,830	24.78%	$ 32,628	≥8%	$ 42,824	10.50%	$ 40,785	≥10%
Tier 1 capital to risk-weighted assets	$ 75,224	23.95%	$ 24,471	≥6%	$ 34,667	8.50%	$ 32,628	≥8%
Tier 1 capital to average assets	$ 75,224	18.46%	$ 16,302	≥4%	N/A	N/A	$ 20,377	≥5%
Common Tier 1 capital to risk-weighted assets	$ 75,224	23.95%	$ 18,353	≥4.5%	$ 28,550	7.00%	$ 26,510	≥6.5%
As of December 31, 2020								
Total capital to risk-weighted assets	$ 65,876	20.91%	$ 31,663	≥8%	$ 41,558	10.50%	$ 39,579	≥10%
Tier 1 capital to risk-weighted assets	$ 62,729	20.11%	$ 23,748	≥6%	$ 33,642	8.50%	$ 31,663	≥8%
Tier 1 capital to average assets	$ 62,729	16.58%	$ 15,136	≥4%	N/A	N/A	$ 18,920	≥5%
Common Tier 1 capital to risk-weighted assets	$ 62,729	20.11%	$ 17,811	≥4.5%	$ 27,706	7.00%	$ 25,727	≥6.5%

*Includes capital adequacy buffer under Basel III final rules of 2.5%.

Note 16 – Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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

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 that 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 Bank's own data used to develop unobservable inputs shall be adjusted for market consideration when reasonably available.

The Bank used the following methods and assumptions to estimate fair value on a recurring and nonrecurring basis:

Investment securities available-for-sale – The fair value of securities available-for-sale are recorded on a recurring basis. 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 methodologies.

Loans held-for-sale – Loans held-for-sale are valued at the market value as determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis. Loans that are committed with firm investor pricing are classified as Level 1. In the absence of a commitment, the best source of fair value is a current estimated market price as reflected in the Company's hedge reporting model that is provided by a reputable third party. In assessing the value of the uncommitted loans, it must be noted that open forward commitments or obligations to sell loans are a component of the loan value at any given date. These are typically classified as Level 2.

Interest rate lock commitments – The Bank considers its commitments to extend the secondary market qualifying loans (the pipeline) with interest rate lock commitments to be derivatives. These derivatives are recognized at their estimated fair values as reflected in the Company's hedge reporting model that is provided by a reputable third party based on market prices for similar assets. Pull through rate component is not significant to overall market value. These are typically classified as Level 2.

Note 16 – Fair Value of Financial Instruments (continued)

Forward sale commitments – The Bank considers its futures contracts and its positions taken in put options to be derivatives, which are recognized at their estimated fair value as reflected in the Company's hedge reporting model that is provided by a reputable third party based on market prices for similar assets. These are typically classified as Level 2.

The following table presents information about the Bank's assets and liabilities measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used by the Bank to determine such fair value:

	Fair Value Measurements			
	Fair Value 12/31/2021	Level 1	Level 2	Level 3
Recurring items				
Investment securities available-for-sale	$ 13,758	$ -	$ 13,758	$ -
Loans held-for-sale	60,974	-	60,974	-
Interest rate lock commitments	2,526	-	2,526	-
Forward sale commitments	31	-	31	-
Total assets and liabilities measured at fair value	$ 77,289	$ -	$ 77,289	$ -

	Fair Value Measurements			
	Fair Value 12/31/2020	Level 1	Level 2	Level 3
Recurring items				
Loans held-for-sale	$ 125,738	$ -	$ 125,738	$ -
Interest rate lock commitments	5,924	-	5,924	-
Forward sale commitments	(938)	-	(938)	-
Total assets and liabilities measured at fair value	$ 130,724	$ -	$ 130,724	$ -

Assets and liabilities measured at fair value on a nonrecurring basis – Assets are considered to be fair valued on a nonrecurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the consolidated balance sheets. Generally, nonrecurring valuation is the result of the application of other accounting pronouncements that require assets or liabilities to be assessed for impairment or recorded at the lower of cost or fair value. There were no assets or liabilities measured at fair value on a nonrecurring basis at December 31, 2021 or 2020.

The Company normally intends to hold the majority of its financial instruments until maturity; it does not expect to realize many of the estimated amounts disclosed. In addition, other assets and liabilities of the Company that are not defined as financial instruments are not included in the below disclosures, such as furniture and equipment. Also, nonfinancial instruments typically not recognized in the consolidated financial statements nevertheless may have value but are not included in the below disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the trained work force, customer goodwill, and similar items.

Note 16 – Fair Value of Financial Instruments (continued)

The fair value calculations below are management's estimate to incorporate the effect of current market conditions at the time. These estimates of fair value are based on management's judgment of the most appropriate factors, such as underlying assumptions, discount rates and estimates of future cash flows, and there can be no assurance that were the Company to have disposed of such items as of December 31, 2021 and 2020, the estimated fair values would necessarily have been achieved at that date. Because market values may differ depending on various circumstances, the estimated fair values as of December 31, 2021 and 2020, should not necessarily be considered to apply at subsequent dates.

The following table discloses the estimated fair value and the related carrying value of the Bank's financial instruments as of December 31:

	Carrying	Fair Value		
December 31, 2021	Value	Level 1	Level 2	Level 3
Financial assets				
Cash and due from banks	$ 18,204	$ 18,204	$ -	$ -
Interest-bearing deposits with banks	53,906	53,906	-	-
Investments available-for-sale	13,758	-	13,758	-
Loans held-for-sale	60,974	-	60,974	-
Interest rate lock commitments	2,526	-	2,526	-
Forward sale commitments	31	-	31	-
Accrued interest receivable	726	-	726	-
Federal Home Loan Bank stock	474	-	474	-
Loans	244,003	-	-	242,111
Financial liabilities				
Noninterest-bearing demand deposits	$ 34,423	$ 34,423	$ -	$ -
Interest-bearing demand and money market accounts	227,786	-	227,786	-
Time deposits	60,715	-	-	60,660
Accrued interest payable	34	-	34	-

	Carrying	Fair Value		
December 31, 2020	Value	Level 1	Level 2	Level 3
Financial assets				
Cash and due from banks	$ 6,341	$ 6,341	$ -	$ -
Interest-bearing deposits with banks	21,535	21,535	-	-
Loans held-for-sale	125,738	-	125,738	-
Interest rate lock commitments	5,924	-	5,924	-
Accrued interest receivable	1,029	-	1,029	-
Federal Home Loan Bank stock	1,723	-	1,723	-
Loans	220,948	-	-	213,557
Financial liabilities				
Noninterest-bearing demand deposits	$ 26,882	$ 26,882	$ -	$ -
Interest-bearing demand and money market accounts	169,696	-	169,696	-
Time deposits	72,110	-	-	72,872
Lines of credit and other borrowings	48,501	-	48,501	-
Accrued interest payable	107	-	107	-
Forward sale commitments	938	-	938	-

Note 17 – Related-Party Transactions

In the ordinary course of business, the Bank has granted loans to certain directors and executive officers and the companies with which they are associated. In the Bank's opinion, all loans and loan commitments to such parties are made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons.

An analysis of activity with respect to loans to directors, executive officers, and principal shareholders of the Bank is as follows as of December 31:

	2021	2020
Balance, beginning of year	$ 484	$ 552
Loans issued	-	100
Repayments	(286)	(168)
Balance, end of year	$ 198	$ 484

As of December 31, 2021 and 2020, deposits held for related parties were $18.6 million and $13.1 million, respectively.

Note 18 – Other Income and Other Operating Expenses

Other income included in noninterest income included the following for the years ended December 31:

	2021	2020
Construction inspection fees	$ 133	$ 78
Network interchange fees	232	165
Other income	210	270
	$ 575	$ 513

Other operating expenses included in noninterest expense included the following for the years ended December 31:

	2021	2020
Investor fees	$ 1,656	$ 2,327
Software licensing fees	1,472	1,324
Credit reports	828	1,014
Advertising	872	968
Telephone	411	390
Data processing	500	322
Other expenses	3,997	4,090
	$ 9,736	$ 10,435

Supplementary Information

Oregon Bancorp, Inc., and Subsidiaries
Consolidating Balance Sheet
December 31, 2021

ASSETS

	Willamette Valley Bank	Oregon Bancorp, Inc.	Eliminations	Consolidated Total
ASSETS				
Cash and due from banks	$ 18,204	$ 563	$ (563)	$ 18,204
Interest-bearing deposits with banks	53,906	-	-	53,906
Total cash equivalents	72,110	563	(563)	72,110
Investment securities available-for-sale	13,758	-	-	13,758
Loans held-for-sale, at fair value	60,974	-	-	60,974
Loans, net of allowance for loan losses	244,003	-	-	244,003
Federal Home Loan Bank stock, at cost	474	-	-	474
Premises and equipment, net	3,578	-	-	3,578
Cash surrender value of life insurance, net	4,580	-	-	4,580
Accrued interest receivable	726	-	-	726
Deferred tax asset	1,925	161	-	2,086
Right of use asset	2,128	-	-	2,128
Mortgage banking related derivative asset	2,557	-	-	2,557
Other assets	4,693	1,255	(1,261)	4,687
Investment in subsidiary	-	75,117	(75,117)	-
Total assets	$ 411,506	$ 77,096	$ (76,941)	$ 411,661

LIABILITIES AND SHAREHOLDERS' EQUITY

	Willamette Valley Bank	Oregon Bancorp, Inc.	Eliminations	Consolidated Total
LIABILITIES				
Noninterest-bearing demand deposits	$ 34,986	-	$ (563)	$ 34,423
Interest-bearing demand deposits and money market accounts	227,786	-	-	227,786
Time certificates of deposit	60,715	-	-	60,715
Total deposits	323,487	-	(563)	322,924
Accrued wages and compensation	8,916	-	-	8,916
Accounts payable and accrued expenses	1,780	1,542	(1,261)	2,061
Lease liability	2,172	-	-	2,172
Accrued interest payable	34	-	-	34
Total liabilities	336,389	1,542	(1,824)	336,107
COMMITMENTS AND CONTINGENCIES (NOTE 11)				
SHAREHOLDERS' EQUITY				
Preferred stock, no par value; 2,000,000 shares authorized; no shares of Series A and Series B issued and outstanding as of December 31, 2021	-	-	-	-
Common stock, no par value; 10,000,000 shares authorized; 2,412,998 shares issued and 2,352,805 outstanding as of December 31, 2020	16,008	18,137	(16,008)	18,137
Retained earnings	59,216	57,524	(59,216)	57,524
Accumulated other comprehensive loss, net of tax	(107)	(107)	107	(107)
Total shareholders' equity	75,117	75,554	(75,117)	75,554
Total liabilities and shareholders' equity	$ 411,506	$ 77,096	$ (76,941)	$ 411,661

Oregon Bancorp, Inc., and Subsidiaries
Consolidating Statement of Income
Year Ended December 31, 2021

	Willamette Valley Bank	Oregon Bancorp, Inc.	Eliminations	Consolidated Total
INTEREST INCOME				
Interest and fees on loans	$ 13,900	$ -	$ -	$ 13,900
Interest from investment securities available-for-sale	46	-	-	46
Interest due from banks	64	-	-	64
Total interest income	14,010	-	-	14,010
INTEREST EXPENSE				
Demand deposits	72	-	-	72
Savings and money market	331	-	-	331
Time certificates of deposit	682	-	-	682
Borrowings	12	20	-	32
Total interest expense	1,097	20	-	1,117
Net interest income (loss) before provision for loan losses	12,913	(20)	-	12,893
PROVISION FOR LOAN LOSSES	113		-	113
Net interest income (loss) after provision for loan losses	12,800	(20)	-	12,780
NONINTEREST INCOME				
Mortgage banking revenue, net	76,516	-	-	76,516
Brokered loan fees	101	-	-	101
Service charge income	50	-	-	50
Increase in cash surrender value of life insurance	216	-	-	216
Other income	597	-	(22)	575
Total noninterest income	77,480	-	(22)	77,458
NONINTEREST EXPENSE				
Salaries	33,811	-	-	33,811
Employee benefits	14,882	-	-	14,882
Occupancy expenses	1,905	-	-	1,905
Depreciation and amortization expense	239	-	-	239
Regulatory assessment	133	-	-	133
Other operating expenses	9,282	477	(22)	9,737
Total noninterest expense	60,252	477	(22)	60,707
Income (loss) before provision for income taxes (benefit)	30,028	(497)	-	29,531
PROVISION FOR INCOME TAXES (BENEFIT)	7,289	(147)	-	7,142
Net income (loss) before undivided net income from subsidiaries	22,739	(350)	-	22,389
Undivided net income from subsidiaries	-	22,739	(22,739)	-
NET INCOME	$ 22,739	$ 22,389	$ (22,739)	$ 22,389

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