Annual Report

For the year ended
June 30, 2017

High Country bancorp, inc.

To Our Shareholders,

Management and the Board of Directors of High Country Bancorp, Inc. are pleased to present this 2017 Annual Report to Stockholders. We are appreciative of your support and encourage you to attend our Annual Meeting of Shareholders.

The Company continues to benefit from improved economic conditions with continued low interest rates. Fiscal 2017 proved to be an exceptional year. We are pleased to present you with our financial condition and operating results in our 2017 annual report. The report demonstrates growth, healthy earnings with an increase in both net interest income and non-interest income, good capital levels and few asset quality concerns.

For the fiscal year ended June 30th 2017, net income was $2,973,990 as compared to earnings of $2,761,752 in fiscal 2016 which equates to an improvement in earnings per share of 7% to $3.30 in fiscal 2017 as compared to earnings of $3.09 in fiscal 2016. With steady earnings and a continued strengthening of the Company's capital position, the Company was able to continue to pay a dividend on our common stock in fiscal 2017 of $2.00 per share.

Consistent with our strategic plan of targeted growth with a focus on asset quality, the Company's total assets increased by 7% to $247.5 million at June 30, 2017 from $230.5 million at fiscal 2016. The Company achieved this growth organically through core deposit and solid loan growth.

As always, we remain committed to strengthen our communities, help our neighbors, promote the career growth and development of our employees and reward our stakeholders. While our current operating environment is quite favorable, as in the past, potential challenges, such as rising interest rates or a downturn in our local economy, do exist and make ongoing asset quality and expense management important. We feel fortunate to be operating from a positive position and will continue to dedicate ourselves to the continued prosperity of the Company,

Sincerely,

Larry D. Smith

President and Chief Executive Officer

P.O. Box 368, 7360 West Hwy. 50, Salida, CO 81201 Phone (719) 539-2516 FAX (719) 530-8880

HIGH COUNTRY BANCORP, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
High Country Bancorp, Inc.

We have audited the accompanying consolidated financial statements of High Country Bancorp, Inc. and Subsidiaries (collectively, the Company), which comprise the consolidated statements of financial condition as of June 30, 2017 and 2016, and the related consolidated statements of income, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of High Country Bancorp, Inc. and Subsidiaries as of June 30, 2017 and 2016, 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.

Stockman Kast Ryan & Co., LLP

August 24, 2017

HIGH COUNTRY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and equivalents, non-interest bearing	$ 9,494,444	$ 5,814,094
Cash and equivalents, interest earning	7,087,818	10,280,528
Mortgage-backed securities, available for sale	11,378,901	13,205,228
Mortgage-backed securities, held to maturity	470,432	1,101,771
Securities available for sale	27,667,325	31,973,405
Securities held to maturity	1,007,933	1,266,088
Loans held for sale	259,020	1,118,318
Loans receivable, net	175,531,368	152,132,033
FHLBank stock, at cost	253,600	250,100
Federal Reserve Bank stock, at cost	175,800	175,800
Accrued interest receivable	981,527	888,326
Foreclosed assets, net	390,000	44,000
Property and equipment, net	5,048,152	5,084,242
Deferred income taxes	1,431,000	1,167,000
Bank owned life insurance	5,006,772	4,879,436
Prepaid expenses and other assets	1,297,970	1,135,405
TOTAL ASSETS	$ 247,482,062	$ 230,515,774
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits	$ 219,682,664	$ 204,292,015
Advances from FHLBank	100,000	120,000
Accrued interest payable and other liabilities	2,111,842	1,617,974
TOTAL LIABILITIES	221,894,506	206,029,989
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock- $.01 par value; authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock - $.01 par value; 3,000,000 shares authorized; 922,534 and 895,534 shares	—	—
issued and outstanding, respectively	9,225	8,955
Paid-in capital	6,004,681	5,812,695
Other comprehensive income - unrealized gain (loss) on securities available for sale, net of deferred income taxes	(78,884)	292,523
Note receivable from ESOP	—	(125,000)
Retained earnings	19,652,534	18,496,612
TOTAL EQUITY	25,587,556	24,485,785
TOTAL LIABILITIES AND EQUITY	$ 247,482,062	$ 230,515,774

See notes to consolidated financial statements.

HIGH COUNTRY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Interest income		
Interest and fees on loans	$ 10,363,044	$ 9,447,635
Interest on securities available for sale	776,534	676,097
Interest on securities held to maturity	59,010	73,871
Interest on other interest earning assets	54,133	49,419
Total interest income	11,252,721	10,247,022
Interest expense		
Deposits	459,704	510,502
FHLBank advances	13,265	6,713
Total interest expense	472,969	517,215
Net interest income	10,779,752	9,729,807
Provision for losses on loans	—	25,000
Net interest income after provision for losses on loans	10,779,752	9,704,807
Non-interest income		
Gain on loans sold	901,150	652,072
Service charges on deposits	233,740	262,053
Gain on sale of building	—	288,231
Other	658,067	547,368
Total non-interest income	1,792,957	1,749,724
Non-interest expense		
Compensation and benefits	5,740,013	4,817,646
Occupancy, equipment and data processing expense	1,542,305	1,507,684
Insurance and professional fees	311,224	404,078
Expense on non-interest earning assets	4,954	79,539
Other	509,950	566,350
Total non-interest expense	8,108,446	7,375,297
Net income before income taxes	4,464,263	4,079,234
Income tax expense	1,490,273	1,317,482
Net income	2,973,990	2,761,752
Other comprehensive income		
Unrealized gains (losses) on securities available for sale, net of deferred income taxes	(362,067)	246,085
Reclassification of unrealized losses to net income, net of deferred income taxes	(9,340)	
Total comprehensive income	$ 2,602,583	$ 3,007,837
Basic earnings per common share	$ 3.30	$ 3.09
Diluted earnings per common share	$ 3.30	$ 3.09
Weighted average common shares outstanding		
Basic	902,266	894,010
Fully diluted	902,266	894,010
Dividends paid per share	$ 2.00	$ 2.00

See notes to consolidated financial statements.

HIGH COUNTRY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	COMMON STOCK		PAID-IN	OTHER COMPRE-HENSIVE	NOTE RECEIVABLE FROM	RETAINED	
	SHARES	AMOUNT	CAPITAL	INCOME	ESOP	EARNINGS	TOTAL
BALANCES JULY 1, 2015	892,338	$ 8,923	$ 5,706,841	$ 46,438	$ (100,000)	$ 17,523,342	$ 23,185,611
Net income	—	—	—	—	—	2,761,752	2,761,752
Common stock repurchased and retired	(3,408)	(34)	(107,937)	—	—	—	(107,971)
Compensation for vesting of stock awards	—	—	76,824	—	—	—	76,824
Options exercised	6,604	66	136,967	—	—	—	137,033
Issuance of note receivable to ESOP	—	—	—	—	(125,000)	—	(125,000)
Allocation of common stock in ESOP to employees	—	—	—	—	100,000	—	100,000
Unrealized gains on available for sale securities, net of deferred income taxes	—	—	—	246,085	—	—	246,085
Dividends declared and paid	—	—	—	—	—	(1,788,482)	(1,788,482)
BALANCES JUNE 30, 2016	895,534	8,955	5,812,695	292,523	(125,000)	18,496,612	24,485,785
Net income	—	—	—	—	—	2,973,990	2,973,990
Compensation for vesting of stock awards	—	—	39,717	—	—	—	39,717
Common stock issued as compensation	27,000	270	152,269	—	—	—	152,539
Allocation of common stock in ESOP to employees	—	—	—	—	125,000	—	125,000
Unrealized losses on available for sale securities, net of deferred income taxes	—	—	—	(362,067)	—	—	(362,067)
Reclassification of unrealized losses to net income, net of deferred income taxes	—	—	—	(9,340)	—	—	(9,340)
Dividends declared and paid	—	—	—	—	—	(1,818,068)	(1,818,068)
BALANCES JUNE 30, 2017	922,534	$ 9,225	$ 6,004,681	$ (78,884)	$ —	$ 19,652,534	$ 25,587,556

See notes to consolidated financial statements.

HIGH COUNTRY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Net income	$ 2,973,990	$ 2,761,752
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization (accretion) of:		
Deferred loan origination fees	(321,116)	(164,296)
Premiums, net of discounts on investments	588,324	445,539
Gain on sale of securities, net of deferred taxes	(26,788)	—
FHLB stock dividends	(3,500)	(4,200)
Net loss on disposition of foreclosed assets	10,583	13,824
Writedown of foreclosed assets	—	32,000
Provision for losses on loans	—	25,000
Common stock issued as compensation	192,256	76,824
Deferred income taxes	(82,234)	(28,016)
Depreciation	338,552	336,619
Change in bank owned life insurance income	(127,336)	(109,221)
Gain on sale of property and equipment	—	(288,231)
Changes in operating assets and liabilities:		
Accrued interest receivable	(93,201)	(56,452)
Prepaid expenses and other assets	(162,565)	(59,283)
Accrued interest payable and other liabilities	493,935	(196,533)
Net cash provided by operating activities	3,780,900	2,785,326
INVESTING ACTIVITIES		
Net change in loans receivable	(22,608,921)	(10,714,709)
Principal repayments of securities available for sale	9,614,423	7,341,398
Proceeds from sale of securities available for sale	3,363,620	
Proceeds from sale of securities held to maturity	333,290	
Principal repayments of securities held to maturity	876,017	591,392
Purchase of securities available for sale	(8,280,225)	(17,488,108)
Proceeds from sale of property and equipment	—	697,630
Purchase of bank owned life insurance	—	(1,000,000)
Proceeds from sale of foreclosed assets	33,417	241,529
Purchases of property and equipment	(302,462)	(188,841)
Net cash used in investing activities	(16,970,841)	(20,519,709)
FINANCING ACTIVITIES		
Net change in deposits	15,390,649	15,773,194
Repurchase and retirement of common stock	—	(45,368)
Proceeds from exercised options	—	74,430
Cash dividends paid	(1,818,068)	(1,788,482)
Net ESOP loan	125,000	(25,000)
Payments on FHLBank advances	(20,000)	(20,000)
Net cash provided by financing activities	13,677,581	13,968,774
Net change in cash and cash equivalents	487,640	(3,765,609)
Cash and cash equivalents, beginning	16,094,622	19,860,231
Cash and cash equivalents, ending	$ 16,582,262	$ 16,094,622
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Taxes	$ 1,612,957	$ 1,463,526
Interest	465,688	517,195
Non-cash transactions:		
Loans closed to foreclosed assets	390,000	148,853
Stock tendered for exercise of stock options	—	62,603

See notes to consolidated financial statements.

HIGH COUNTRY BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business — High Country Bancorp, Inc. is a bank holding company which has two wholly-owned subsidiaries, High Country Bank (the Bank) and B.Ass. Co., Inc. (B.Ass). The Bank is a Colorado state chartered commercial bank with Federal Reserve Bank membership; its main office in Salida, Colorado and has branch offices in Salida, Buena Vista, and Canon City, Colorado. The Bank provides a variety of financial services to the area it serves. Its primary deposit products are noninterest-bearing and interest-bearing checking accounts, savings accounts and time deposit accounts, and its primary lending products are real estate mortgage loans, construction, consumer and commercial loans. B.Ass makes limited investments in notes receivable and real estate acquired at fair value from the Bank.

Deposit accounts of the Bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limitations. The Bank pays a premium to the FDIC for the insurance of such deposit accounts.

Principles of Consolidation — The consolidated financial statements include the accounts of High Country Bancorp, Inc., High Country Bank, and B.Ass. Co., Inc. (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses and the valuation of foreclosed real estate is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

The Company's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its customers' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Equivalents — Cash on hand, cash items in process of collection and amounts due from the Federal Reserve Bank and FHLBank of Topeka are included in cash and equivalents.

Investment Securities and Mortgage-Backed Securities — The Company accounts for its investments in accordance with their classification as available-for-sale, held-to-maturity or trading securities. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. Trading securities are carried at fair value with unrealized gains and losses reported in operations. The Company had no trading securities during the years ended June 30, 2017 and 2016.

Debt securities not classified as held-to-maturity or trading are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in non-interest income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. Any related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

FHLBank Stock — The Company, as a member of the Federal Home Loan Bank system, is required to maintain an investment in capital stock of the FHLBank of Topeka. FHLBank stock can only be sold at par value to the FHLBank or to another member institution and is therefore recorded at cost. The FHLBank declares cash and stock dividends. The stock dividends are recognized as income due to the fact they are redeemable at par value ($100 per share) from the FHLBank or another member institution.

Federal Reserve Bank Stock — At June 30, 2017 and 2016 the Company held 3,516 shares of Federal Reserve Bank stock with a cost of $175,800 (par value of $50). This investment represents 50% of the subscription amount due to the Federal Reserve to become a member bank and the stock cannot be sold, traded, or pledged as collateral for loans. Although the probability is remote, the remaining 50% or $175,800 due may be called at the Federal Reserve Bank's discretion.

Loans — Loans are stated at unpaid principal balances, less the allowance for loan losses, net of deferred loan fees and loans in process.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Accrual of interest may be discontinued when collection of principal and interest is delinquent for 90 days or more. Uncollectible interest on these loans is charged off, or an allowance is established, based on management's periodic evaluation, by a charge to interest income equal to all accrued interest deemed uncollectible. Income is subsequently recognized only to the extent that cash payments are received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans Held for Sale — Loans originated and held for sale to the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon the factors listed below. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the changes in lending policies and procedures, which includes changes in underwriting standards and collection procedures, charge-off and recovery practices not considered elsewhere in estimating credit losses, changes in economic and business conditions, the condition of various market segments, changes in the nature and volume of the portfolio and in the terms of loans, changes in the experience, ability and depth of lending management and other relevant staff, changes in the volume and severity of past due loans, the volume of nonaccrual loans, the volume and severity of adversely classified or graded loans, changes in the quality of the Company's loan review system, changes in the value of underlying collateral for collateral-dependent loans, the existence and effect of any concentrations of credit, changes in the level of such concentrations, and the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing portfolio.

Management has determined that first mortgage loans on one-to-four family properties, home equity, second mortgage loans, and all consumer loans are large groups of smaller-balance homogenous loans that are collectively evaluated.

The allowance consists of specific and general components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. Within the general component is an element to cover uncertainties that could affect management's estimate of probable losses. This component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of 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 are generally 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.

Property and Equipment — Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using primarily the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of furniture, fixtures, and equipment range from two to ten years and those assigned to buildings and improvements range from ten to forty years.

Foreclosed Assets — Assets acquired through, or in lieu of, foreclosure are held for sale and initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Revenue and expenses from operations and changes in the valuation allowance are charged to operations.

Bank Owned Life Insurance — The Bank purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified in non-interest income.

Income Taxes — The Company accounts for income taxes using the asset and liability method under which a deferred tax liability or asset (net of a valuation allowance, if necessary) is provided in the financial statements by applying the provisions of applicable tax laws to measure the deferred tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These temporary differences will result in net taxable or deductible amounts in future years as a result of events recognized in the financial statements in the current or preceding years.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time and may result in changes to the Company's subjective assumptions and judgments which can materially affect amounts recognized in the consolidated statements of financial condition and consolidated statements of income. The Company believes that it does not have any uncertain tax positions that are material to the financial statements. Tax years that remain subject to examination include 2014 through the current period.

Fair Values of Financial Instruments — The Company follows an established hierarchical framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of an input that is significant to the fair value measurement. The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and Equivalents – The carrying amounts of cash and equivalents approximate fair values and are Level 1.

Available-For-Sale and Held-To-Maturity Securities – Fair values for U.S. federal agency securities, municipal obligations and mortgage backed securities are valued by a third party based on quoted market prices for identical or similar assets in active markets. Certificates of deposit are recorded at cost which approximates fair value. These securities are Level 2. The government bond fund is valued at the quoted prices of the shares which are actively traded and is Level 1.

Loans Receivable – For variable-rate loans that re-price frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for mortgage loans, consumer loans, commercial real estate and commercial loans with a fixed rate or a variable rate that does not re-price frequently are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable. Loans receivable are Level 2.

Deposit Liabilities – The fair values disclosed for non-term deposits are, by definition, equal to the amount payable on demand at the reporting date. The carrying amounts of variable-rate, fixed-term money market accounts and time deposits approximate their fair values at the reporting date. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities on time deposits. Deposit liabilities are Level 2.

Advances From FHLBank – The fair values are estimated using a discounted cash flow calculation that applies interest rates currently being offered for an instrument of comparable risk and duration. Advances from FHLBank are Level 2.

Earnings Per Share — The Company calculates its earnings per share (EPS) in accordance with FASB Accounting Standards Codification (ASC) 260. Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share are computed using the treasury stock method and reflect the potential dilution assuming the issuance of common shares for all dilutive potential stock options outstanding during the period. As of June 30, 2016 the market price of the stock was in excess of the exercise price of outstanding options and the dilutive potential of these options is reflected in fully diluted EPS for the year then ended. There were no outstanding options as of June 30, 2017.

Subsequent Events — The Company has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. SECURITIES

Securities are classified in categories as follows:

Mortgage-Backed Securities Available For Sale — The amortized cost and estimated fair value of mortgage-backed securities available for sale at June 30 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2017:				
Mortgage-backed securities:				
GNR CMO certificates	$ 321,053		$ (3,651)	$ 317,402
FNR CMO certificates	3,699,773	$ 6,980	(46,068)	3,660,685
FNMA certificates	3,443,499	6,979	(44,185)	3,406,293
GNMA certificates	851,685	4,798	(1,942)	854,541
FHLMC certificates	3,165,944	3,989	(29,953)	3,139,980
	$ 11,481,954	$ 22,746	$ (125,799)	$ 11,378,901
2016:				
Mortgage-backed securities:				
GNR CMO certificates	$ 1,197,856	$ 13,126	$ (225)	$ 1,210,757
FNR CMO certificates	3,829,668	39,476	(8,408)	3,860,736
FNMA certificates	2,728,232	31,605	(3,533)	2,756,304
GNMA certificates	1,731,447	7,888	(12,941)	1,726,394
FHLMC certificates	3,624,823	26,854	(640)	3,651,037
	$ 13,112,026	$ 118,949	$ (25,747)	$ 13,205,228

The unrealized gains and losses on mortgage-backed securities available for sale are included in other comprehensive income. During the year ended June 30, 2017, sales proceeds from mortgage backed securities were $2,370,620. Gross realized gains and losses on those sales were $9,983 and $(24,576), respectively. Realized gains and losses are determined by specific identification of security sales. There were no sales of mortgage-backed securities available for sale during the year ended 2016.

Expected maturities on the mortgage backed securities available for sale will differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

Securities Available For Sale — The amortized cost and estimated fair value of available for sale securities as of June 30 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2017:				
Municipal bonds	$1 3,172,486	$ 159,968	$ (68,092)	$ 13,264,362
Agency notes	8,161,577	5,631	(79,323)	8,087,885
Certificates of deposit	4,278,000	—	—	4,278,000
Government bond fund	2,072,046	—	(34,968)	2,037,078
	$ 27,684,109	$ 165,599	$ (182,383)	$27,667,325
2016:				
Municipal bonds	$ 11,815,762	$ 331,486	$ (6,139)	$ 12,141,109
Agency notes	10,468,282	98,988	(74,012)	10,493,258
Certificates of deposit	7,305,000	—	—	7,305,000
Government bond fund	2,029,910	4,128	—	2,034,038
	$ 31,618,954	$ 434,602	$ (80,151)	$ 31,973,405

The unrealized gains and losses on securities available for sale are included in other comprehensive income. During the year ended June 30, 2017, sales proceeds from agency notes were $993,000. Gross realized gains on those sales were $12,474. Realized gains are determined by specific identification of security sales. There were no sales of securities available for sale during the year ended June 30, 2016.

Maturities of Mortgage Backed and Other Debt Securities Available for Sale — The amortized cost and fair value of debt securities available for sale by contractual maturity at June 30, 2017 follows:

	Amortized Cost	Fair Value
Less than 1 year	$ 3,732,825	$ 3,734,893
Over 1 year through 5 years	5,834,767	5,821,067
Over 5 years through 10 years	22,280,549	22,264,340
Over 10 years	7,317,922	7,225,926
	$ 39,166,063	$ 39,046,226

Mortgage-Backed Securities Held-to-Maturity — The amortized cost and estimated fair value of mortgage-backed securities held-to-maturity at June 30 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2017:				
Mortgage-backed securities:				
FNMA certificates	$ 169,800	$ 14,510	$ —	$ 184,310
GNMA certificates	118,845	3,872	—	122,717
FHLMC certificates	181,787	6,866	—	188,653
	$ 470,432	$ 25,248	$ —	$ 495,680
2016:				
Mortgage-backed securities:				
FNMA certificates	$ 249,902	$ 22,323	$ —	$ 272,225
GNMA certificates	470,956	19,218	—	490,174
FHLMC certificates	218,636	10,659	—	229,295
GNR CMO certificates	162,277	1,615	—	163,892
	$ 1,101,771	$ 53,815	$ —	$ 1,155,586

Expected maturities on the mortgage backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

During the year ended June 30, 2017, held-to-maturity securities with amortized costs of $326,340 were sold. Gross realized gains and losses on those sales were $7,695 and $(744), respectively. Realized gains and losses are determined by specific identification of security sales. The held-to-maturity securities that were sold during the year ended June 30, 2017 were considered to have been held to maturity as over 85% of the principal at acquisition had been received from prepayments or regular scheduled payments. There were no sales held-to-maturity securities during the year ended June 30, 2016.

Securities Held-to-Maturity — The amortized cost and estimated fair value of held-to-maturity securities at June 30 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2017:				
Municipal bonds	$ 1,007,933	$ 31,485	$ —	$ 1,039,418
2016:				
Municipal bonds	$ 1,266,088	$ 60,384	$ —	$ 1,326,472

Maturities of Mortgage Backed and Other Debt Securities Held-To-Maturity — The amortized cost and fair value of debt securities held-to-maturity by contractual maturity at June 30, 2017 follows:

	Amortized Cost	Fair Value
Less than 1 year	$ 250,015	$ 250,548
Over 1 year through 5 years	286,791	292,025
Over 5 years through 10 years	623,985	655,320
Over 10 years	317,573	337,205
	$ 1,478,365	$ 1,535,098

At June 30, 2017 and 2016, investments with a carrying value of $12,616,179 and $16,306,976, respectively, were pledged as collateral for deposits of public funds, and investments with a carrying value of $996,102 and $990,472, respectively, were pledged as discount window line of credit collateral with the Federal Reserve.

The following table sets forth by level within the fair value hierarchy, the Company's investment securities measured at fair value on a recurring basis:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017:				
Mortgage-backed securities	$ 11,378,901	$ —	$ 11,378,901	$ —
Municipal bonds	13,264,362	—	13,264,362	—
Certificates of deposit	4,278,000	—	4,278,000	—
Agency notes	8,087,885	—	8,087,885	—
Government bond fund	2,037,078	2,037,078	—	—
	$ 39,046,226	$ 2,037,078	$ 37,009,148	$ —
2016:				
Mortgage-backed securities	$ 13,205,228	$ —	$ 13,205,228	$ —
Municipal bonds	12,141,109	—	12,141,109	—
Certificates of deposit	7,305,000	—	7,305,000	—
Agency notes	10,493,258	—	10,493,258	—
Government bond fund	2,034,038	2,034,038	—	—
	$ 45,178,633	$ 2,034,038	$ 43,144,595	$ —

3. LOANS RECEIVABLE

The following disclosure reports the Company's loan portfolio segments and classes. Segments are groupings of similar loans at a level at which the Company has adopted systematic methods of documentation for determining its allowance for loan and credit losses. Classes are a disaggregation of the portfolio segments.

Loans receivable as of June 30 are summarized as follows:

	2017	2016
Loans secured by real estate:		
One-to-four family residences	$ 59,611,539	$ 53,119,947
Commercial real estate	59,289,069	53,485,514
Construction	38,271,028	19,328,679
Land	8,919,996	9,030,835
Total loans secured by real estate	166,091,632	134,964,975
Consumer loans	2,410,614	2,252,549
Loans secured by deposit accounts	717,741	928,022
Commercial loans	25,459,117	24,680,339
Total loans	194,679,104	162,825,885
Less:		
Undisbursed portion of loans in process	16,912,932	8,659,057
Deferred loan origination fees	1,014,270	820,011
Allowance for loan losses	1,220,534	1,214,784
Loans receivable, net	$ 175,531,368	$ 152,132,033

The Company's lending activity occurs primarily within Chaffee and Fremont counties, Colorado. The majority of the loan portfolio consists of loans secured by real estate and commercial loans.

The Company maintains a loan review program independent of the lending function that is designed to reduce and control risk in the lending function. The Company also has a systematic process to evaluate individual loans and pools of loans within their portfolio. The Company uses an 8 point loan grading system, with grades 1 through 4 reflecting Pass credits. Grade 5 correlates with the regulatory classification of Other Assets Especially Mentioned (Special Mention). Grade 6 correlates with the regulatory classification of Classified (Substandard). Grade 7 correlates to Doubtful and Grade 8 is a Loss.

Commercial loans are graded on their independent merits and characteristics at the time they are originated. Commercial revolving credit lines are reviewed at a minimum annually and also upon renewal of the operating lines of credit, at which time the grade is updated. All term loans above are reviewed quarterly for grading purposes. The Company's asset classification committee determines the final loan grade on loans. Consumer loans are graded based on delinquency. Current consumer loans receive a grade of pass.

The loan portfolio showing total non-classified, special mention and classified balances by loan class is summarized below as of June 30:

	Non-Classified	Special Mention	Classified	Total
2017:				
Loans secured by real estate:				
One-to-four family residences	$ 59,611,539	$ —	$ —	$ 59,611,539
Commercial real estate	59,289,069	—	—	59,289,069
Construction	38,271,028	—	—	38,271,028
Land	8,761,951	133,579	24,466	8,919,996
	165,933,587	133,579	24,466	166,091,632
Consumer loans	2,410,614	—	—	2,410,614
Loans secured by deposit accounts	717,741	—	—	717,741
Commercial loans	25,459,117	—	—	25,459,117
Total loans	194,521,059	133,579	24,466	194,679,104
Allowance for loan losses	(1,198,530)	(18,411)	(3,593)	(1,220,534)
Total loans net of allowance for loan losses	$ 193,322,529	$ 115,168	$ 20,873	$ 193,458,570
2016:				
Loans secured by real estate:				
One-to-four family residences	$ 53,016,039	$ —	$ 103,908	$ 53,119,947
Commercial real estate	53,175,314	—	310,200	53,485,514
Construction	19,328,679	—	—	19,328,679
Land	8,476,653	140,006	414,176	9,030,835
	133,996,685	140,006	828,284	134,964,975
Consumer loans	2,252,549	—	—	2,252,549
Loans secured by deposit accounts	928,022	—	—	928,022
Commercial loans	24,665,402	—	14,937	24,680,339
Total loans	161,842,658	140,006	843,221	162,825,885
Allowance for loan losses	(1,175,195)	(19,214)	(20,375)	(1,214,784)
Total loans net of allowance for loan losses	$ 160,667,463	$ 120,792	$ 822,846	$ 161,611,101

The allowance for loan losses (ALLL) is established for the purpose of recognizing estimated loan impairments before loan losses on individual loans occur, thereby resulting in a subsequent charge-off. The ALLL reflects probable but unconfirmed loan impairments in the Company's loan portfolio as of the balance sheet date.

The Company estimates its ALLL in accordance with Accounting Standards Codification (ASC) 310 for purposes of evaluating loan impairment on a loan-by-loan basis and ASC 450 for purposes of collectively evaluating loan impairment by grouping loans with common risk characteristics.

Specific Reserves — The Company continuously evaluates its reserve for loan losses to maintain an adequate level to absorb loan losses inherent in the loan portfolio. Reserves on loans identified as Classified or Special Mention are based on discounted expected cash flows using the loan's initial effective interest rate, the market value of the loan or the fair value of the collateral for certain collateral-dependent loans. Loans are considered impaired in accordance with provisions of ASC 310, when it is probable that all amounts due in accordance with the contractual terms will not be collected. Factors contributing to the determination of specific reserves include the financial condition of the borrower, changes in the value of pledged collateral and general economic conditions.

General Reserves — The Company reviews the Non-Classified portfolio of loans in their various class groupings. A combination of loss experience and external loss data is used in determining the appropriate loss factor. The estimate represents the potential unconfirmed losses within the portfolio. In evaluating the adequacy of the ALLL, management considers historical losses as well as other factors including changes in:

- Lending policies and procedures
- National, regional and local economic conditions and business developments
- Nature and volume of portfolio
- Credit concentrations
- Trends in the volume and severity of past-due, non-accrual and identified loans

In assessing the reasonableness of management's assumptions, consideration is given to industry standards and directional consistency of the ALLL. Ratio analysis highlights divergent trends in the relationship of the ALLL to total loans and historical charge-offs. This analysis is used as a supplement to assess the reasonableness of management's assumptions that are not, by themselves, sufficient basis for determining the adequacy of the ALLL. While management utilizes its best judgment and information available, the ultimate adequacy of the ALLL is dependent upon a variety of factors beyond the Company's control, including the performance of the loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications. Within the general reserve may be an unallocated component that is judgmentally determined and is maintained to recognize the imprecision in estimating and measuring loss when evaluating reserves for individual loans or pools of loans.

The changes in the allowance for loan losses were as follows for the years ended June 30, 2017 and 2016:

	Real Estate	Consumer	Secured by Deposits	Com-mercial	Unallocated	Total
Balance July 1, 2015	$ 863,906	$ 25,594	$ —	$ 142,438	$ 202,178	$1,234,116
Provision for losses	(32,109)	(2,810)	—	66,976	(7,057)	25,000
Recoveries	6,750	1,061	—	25,724	—	33,535
Losses incurred	(22,113)	(2,583)	—	(53,171)	—	(77,867)
Balance June 30, 2016	816,434	21,262	—	181,967	195,121	1,214,784
Provision for losses	136,119	1,565	—	6,744	(144,428)	—
Recoveries	4,950	800	—	—	—	5,750
Balance June 30, 2017	$ 957,503	$ 23,627	$ —	$ 188,711	$ 50,693	$1,220,534

Overdrafts in demand deposit accounts in the amount of $ 12,505 and $19,512 have been reclassified as consumer loans as of June 30, 2017 and 2016, respectively

The table below presents the allowance for loan losses on the basis of the Company's impairment method as of June 30:

	Real Estate	Consumer	Secured by Deposits	Commercial	Unallocated	Total
2017:						
Allowance for loan losses:						
Individually evaluated for provision	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for provision	957,503	23,627	—	188,711	50,693	1,220,534
	$ 957,503	$ 23,627	$ —	$ 188,711	$ 50,693	$ 1,220,534
Loans receivable:						
Individually evaluated for provision	$ 583,051	$ —	$ —	$ 182,677	$ —	$ 765,728
Collectively evaluated for provision	165,508,581	2,410,614	717,741	25,276,440	—	193,913,376
	$ 166,091,632	$ 2,410,614	$ 717,741	$ 25,459,117	$ —	$ 194,679,104
2016:						
Allowance for loan losses:						
Individually evaluated for provision	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for provision	816,434	21,262	—	181,967	195,121	1,214,784
	$ 816,434	$ 21,262	$ —	$ 181,967	$ 195,121	$ 1,214,784
Loans receivable:						
Individually evaluated for provision	$ 1,297,078	$ —	$ —	$ 188,680	$ —	$ 1,485,758
Collectively evaluated for provision	133,667,897	2,252,549	928,022	24,491,659	—	161,340,127
	$ 134,964,975	$ 2,252,549	$ 928,022	$ 24,680,339	$ —	$ 162,825,885

Information on impaired loans is reported in the following table as of June 30:

	Recorded Investment in Impaired Loans	Unpaid Principal Balance	Recorded Investment With Related Allowance	Recorded Investment With No Related Allowance	Average Recorded Investment	Related Allowance	Interest Income Recognized
2017:							
Real Estate							
One-to-four residences	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial	541,213	583,051	—	541,213	547,005	—	25,836
Construction	—	—	—	—	—	—	—
Land	—	—	—	—	—	—	—
	541,213	583,051	—	541,213	547,005	—	25,836
Consumer	—	—	—	—	—	—	—
Collateralized by deposits	—	—	—	—	—	—	—
Commercial	170,091	182,677	—	170,091	173,093	—	8,405
Total	$ 711,304	$ 765,728	$ —	$ 711,304	$ 720,098	$ —	$ 34,241

	Recorded Investment in Impaired Loans	Unpaid Principal Balance	Recorded Investment With Related Allowance	Recorded Investment With No Related Allowance	Average Recorded Investment	Related Allowance	Interest Income Recognized
2016:							
Real Estate							
One-to-four residences	$ 103,908	$ 103,908	$ —	$ 103,908	$ 103,908	$ —	$ —
Commercial	761,332	815,756	—	761,332	765,639	—	12,615
Construction	—	—	—	—	—	—	—
Land	390,000	390,000	—	390,000	390,000	—	6,582
	1,255,240	1,309,664	—	1,255,240	1,259,547	—	19,197
Consumer	—	—	—	—	—	—	—
Collateralized by deposits	—	—	—	—	—	—	—
Commercial	176,094	176,094	—	176,094	178,379	—	15,601
Total	$ 1,431,334	$ 1,485,758	$ —	$ 1,431,334	$ 1,437,926	$ —	$ 34,798

Information on non-accrual and past due loans as of June 30 are reported in the following table:

	2017	2016
Non-accrual loans	$ —	$ 702,442
Troubled debt restructuring loans	$ 711,304	$ 1,118,892
Loans 90 days or more delinquent and still accruing	$ —	$ —
Performing troubled debt restructuring	$ —	$ —

The Company's non-accrual loans by segment and class as of June 30 are reported in the following table:

	2017	2016
Real estate:		
One-to-four family residences	$ —	$ 103,908
Commercial	—	208,534
Land	—	390,000
Total loans on non-accrual status	$ —	$ 702,442

The following table summarizes the aging of the Company's loan portfolio as of June 30:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
2017:						
Real Estate						
One-to-four family residences	$ 120,214	$ 78,544	$ —	$ 198,758	$ 59,412,781	$ 59,611,539
Commercial	84,779	—	—	84,779	59,204,290	59,289,069
Construction	—	—	—	—	38,271,028	38,271,028
Land	75,697	—	—	75,697	8,844,299	8,919,996
	280,690	78,544	—	359,234	165,732,398	166,091,632
Consumer	9,824	—	—	9,824	2,400,790	2,410,614
Collateralized by deposits	—	—	—	—	717,741	717,741
Commercial	2,318,097	—	—	2,318,097	23,141,020	25,459,117
Total	$ 2,608,611	$ 78,544	$ —	$ 2,687,155	$ 191,991,949	$ 194,679,104

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
2016:						
Real Estate						
One-to-four family residences	$ —	$ —	$ 103,908	$ 103,908	$ 53,016,039	$ 53,119,947
Commercial	185,204	101,666	208,534	495,404	52,990,110	53,485,514
Construction	62,581	181,050	—	243,631	19,085,048	19,328,679
Land	78,723	—	421,455	500,178	8,530,657	9,030,835
	326,508	282,716	733,897	1,343,121	133,621,854	134,964,975
Consumer	15,943	—	—	15,943	2,236,606	2,252,549
Collateralized by deposits	—	—	—	—	928,022	928,022
Commercial	—	14,937	—	14,937	24,665,402	24,680,339
Total	$ 342,451	$ 297,653	$ 733,897	$ 1,374,001	$ 161,451,884	$ 162,825,885

Pursuant to collateral agreements with the FHLB, advances from FHLB are secured by a blanket pledge agreement which included single family and commercial real estate loans. See Note 10.

4. LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying statements of financial condition. The unpaid principal balances of these loans are summarized as follows at June 30:

	2017	2016
Mortgage loan portfolios serviced for:		
FHLMC	$ 5,302,656	$ 4,129,860

5. ACCRUED INTEREST RECEIVABLE

Interest receivable relates to the following at June 30:

	2017	2016
Loans	$ 749,916	$ 659,856
Mortgage-backed securities	34,678	40,734
Other investments	196,933	187,736
	$ 981,527	$ 888,326

6. FORECLOSED ASSETS

Foreclosed assets are presented net of an allowance for losses, if any. An analysis of foreclosed assets is as follows at June 30:

	2017	2016
Balance at beginning of year	$ 44,000	$ 182,500
Loans transferred to foreclosed assets, net	390,000	148,853
Proceeds from sale	(33,417)	(241,529)
Recorded valuation adjustment	—	(32,000)
Net gains (losses) on disposition	(10,583)	(13,824)
Balance at end of year	$ 390,000	$ 44,000

During the year ended June 30, 2016, foreclosed assets were written down by $32,000, as the fair value of such assets less estimated costs to sell was determined to be lower than the recorded amount. There were no write-downs of foreclosed assets during the year ended June 30, 2017. Fair values of real estate and consumer goods are determined through independent appraisals. Those independent appraisals are derived principally from or corroborated by observable market data and accordingly are considered Level 2 inputs as defined in Note 1.

7. PROPERTY AND EQUIPMENT

Property and equipment and the related accumulated depreciation are summarized as follows at June 30:

	2017	2016
Land and improvements	$ 1,225,958	$ 1,218,994
Buildings and improvements	5,787,470	5,616,393
Office furniture and equipment	3,085,121	3,030,709
	10,098,549	9,866,096
Less accumulated depreciation	5,050,397	4,781,854
	$ 5,048,152	$ 5,084,242

Depreciation expense for the years ended June 30, 2017 and 2016 totaled $338,552 and $336,619, respectively.

8. DEPOSIT ACCOUNTS

Deposit accounts are summarized as follows at June 30:

	2017	2016
Non-interest bearing deposits	$ 37,327,587	$ 26,256,497
Interest-bearing deposits	43,245,233	38,707,420
Money market and savings accounts	99,936,005	96,446,208
Time deposits	39,173,839	42,881,890
	$ 219,682,664	$ 204,292,015

At June 30, 2017, scheduled maturities of time deposits are summarized as follows:

2018	$ 23,886,989
2019	6,808,929
2020	2,676,798
2021	2,400,371
2022	3,400,752
	$ 39,173,839

The aggregate amount of time deposits with a minimum denomination of $250,000 at June 30, 2017 and 2016 was $3,592,629 and $3,860,071, respectively.

Interest bearing deposits in excess of $250,000 are not insured by the Federal Deposit Insurance Company (FDIC).

9. LINE OF CREDIT

The Company has a revolving line of credit agreement with a financial institution in the amount of $2,000,000.00 as of June 30, 2017, accruing interest at the average National Prime Rate as published in the Wall Street Journal plus 1.00% per annum and expiring on June 6, 2018. Interest payments are due monthly. The line of credit is secured by 3,000,000 shares of the Bank's stock. There was no outstanding balance on the line of credit at June 30, 2017.

10. ADVANCES FROM FEDERAL HOME LOAN BANK

Maturities of advances from the Federal Home Loan Bank (FHLB) at June 30, 2017 are summarized as follows:

	Interest Rate	Maturities
2018	5.36%	$ 20,000
2019	5.36%	20,000
2020	5.36%	20,000
2021	5.36%	20,000
2022	5.36%	20,000
Total		$ 100,000

Pursuant to collateral agreements with the FHLB, advances are secured by a blanket pledge agreement with the FHLB, which includes single family and commercial real estate loans.

At June 30, 2017, the Company has an approved line of credit subject to the maximum amount of credit available to the Company under the FHLB's credit policies, which expires April 6, 2018. FHLB advance availability is determined quarterly and at June 30, 2017, approximately $75.2 million was available.

11. INCOME TAXES

The provision for income taxes consists of the following:

	2017	2016
Current provision	$ 1,406,273	$ 1,345,482
Deferred provision (benefit)	(84,000)	(28,000)
Total	$ 1,490,273	$ 1,317,482

The effective tax rate on income before the provision for income taxes differs from the federal statutory income tax rate of 34% for the following reasons:

	2017	2016
Provision for income taxes at statutory rate	$ 1,517,850	$ 1,386,260
Nondeductible/nontaxable income/expenses for tax purposes	(117,723)	(190,704)
State income taxes, net of federal income tax benefit	71,444	61,105
Other, net	18,702	60,821
	$ 1,490,273	$ 1,317,482
Effective tax rates	33.7%	32.3%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The net deferred tax assets (liabilities) are as follows at June 30:

	2017	2016
Deferred income tax assets:		
Difference between tax basis and carrying basis of long term incentive plan	$ 300,000	$ 262,000
Loan loss allowance	902,000	904,000
Incentive compensation	202,000	154,000
Unrealized loss on available for sale securities	29,000	—
Tax Depreciation	2,000	—
Other	37,000	45,000
Total deferred income tax assets	1,472,000	1,365,000
Deferred income tax liabilities:		
Difference between tax basis and carrying basis of FHLB stock	(41,000)	(39,000)
Unrealized gain on available for sale securities	—	(151,000)
Tax depreciation in excess of financial statement amounts	—	(8,000)
Total deferred income tax liabilities	(41,000)	(198,000)
Net deferred tax asset	$ 1,431,000	$ 1,167,000

Included in retained earnings at June 30, 2017 and 2016 is approximately $1,169,000 in bad debt reserves for which no deferred income tax liability has been recorded. This amount represents allocations of income to bad debt deductions for tax purposes only. Reduction of these reserves for purposes other than tax bad debt losses or adjustments arising from carry back of net operating losses would create income for tax purposes, which would be subject to the then-current corporate income tax rate. The unrecorded deferred liability on this amount was approximately $420,000 at June 30, 2017 and 2016.

12. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material effect on the Company's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines 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 as outlined below. Management believes, as of June 30, 2017, the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2017 and 2016, the most recent regulatory notification categorized the Bank as well capitalized under the framework for prompt corrective action. To be well capitalized the Bank must maintain minimum common equity Tier I capital, total capital, Tier I capital and leverage ratios. There are no conditions or events since that notification that management believes have changed the Bank's categorization.

The Bank's actual regulatory capital amounts and ratios are presented below as of June 30:

	Actual		For Capital Adequacy Purposes		Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
2017:						
Total Capital Ratio:	$26,097,000	14.30%	$14,603,000	8.00%	$18,254,000	10.00%
Tier I Capital Ratio:	24,877,000	13.63%	10,952,000	6.00%	14,603,000	8.00%
Leverage Ratio:	24,877,000	10.31%	9,650,000	4.00%	12,062,000	5.00%
Common Equity Tier I Capital Ratio:	24,877,000	13.63%	8,214,000	4.50%	11,865,000	6.50%
2016:						
Total Capital Ratio:	$24,055,000	15.24%	$12,626,000	8.00%	$15,782,000	10.00%
Tier I Capital Ratio:	22,840,000	14.47%	9,469,000	6.00%	12,626,000	8.00%
Leverage Ratio:	22,840,000	9.63%	9,491,000	4.00%	11,864,000	5.00%
Common Equity Tier I Capital Ratio:	22,840,000	14.47%	7,102,000	4.5%	10,258,000	6.50%

The Company's management believes that, under the current regulations, the Bank will continue to meet its minimum capital requirements in the coming year. However, events beyond the control of the Bank, such as increased interest rates or a downturn in the economy in the Bank's operating area, could adversely affect future earnings and, consequently, the ability of the Bank to meet its future minimum capital requirements.

13. BENEFIT PLANS

The Company has adopted a Long-Term Incentive Plan covering the directors. The Company may make contributions to participant accounts providing the participant continues to be a director of the Company. Prior to distribution under the terms of the Plan, each participant's account shall be credited with a rate of return, on any amounts previously credited, equal to the highest rate of interest paid by the Company on one-year certificates of deposit, or the rate of return equal to the dividend-adjusted rate of return on the Company's common stock.

Amounts are credited to participants' accounts on the effective date and thereafter shall be fully vested. Account balances shall be paid in cash, in ten equal annual installments beginning during the first quarter of the calendar year which next follows the calendar year in which the participant ceases to be a director for any reason, with subsequent payments being made by the last day of the first quarter of each subsequent calendar year until the participant has received the entire amount of his account. Notwithstanding the foregoing a participant may elect to have his account paid in a lump sum distribution or in annual payments over a period less than ten years. Any benefits accrued under the plan will be paid from the Company's general assets. The Company has established a trust in order to hold assets with which to pay benefits. Trust assets, which are included in the consolidated statement of financial condition, will be subject to the claims of the Bank's general creditors. Contribution accruals to the plan of $60,000 were made for each of the years ended June 30, 2017 and 2016.

As part of its conversion to a federal stock savings association in 1997, the Bank established an Employee Stock Ownership Plan (ESOP) to benefit substantially all employees. The ESOP purchased 105,800 shares of common stock of the Company at the time of the conversion. Cash contributions to the ESOP are recorded as compensation expense.

The Company had a loan to the ESOP totaling $125,000 as of June 30, 2016. Proceeds from the loan were used to purchase shares of stock from participants leaving the plan. During the year ended June 30, 2017 total repayments were $125,000. During the year ended June 30, 2016 total advances were $125,000 and total repayments were $100,000. The note receivable was secured by common stock of the Company and, accordingly, the note receivable was recorded as a reduction of the Company's stockholders' equity. As the notes were repaid, shares were released from collateral and allocated to employees based on the proportion of debt service paid in the year.

The ESOP shares are as follows as of June 30:

	2017	**2016**
Allocated shares	92,828	96,103
Unallocated shares	—	4,092
Total	92,828	100,195

The Company made discretionary cash contributions to the ESOP during the years ended June 30, 2017 and 2016 of $105,800 per year. Dividends on the allocated and unallocated ESOP shares are recorded as a reduction of retained earnings. The fair value of the unallocated shares is approximately $125,000 as of June 30, 2016.

The Company also has a noncontributory 401(k) plan which employees may elect to join after 90 days of employment.

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. At June 30, 2017 the Company has commitments to fund loans of $9,445,950, with interest rates from 2.875% to 5.95%, unfunded lines of credit and construction loans in process of $31,669,843, and letters of credit of $1,443,446. The Company makes contractual commitments to extend credit, which are legally binding agreements to lend money to customers at prevailing interest rates for specified periods of time. The credit risk involved in issuing these commitments is essentially the same as that involved in extending loan facilities to customers.

As such, the Company's exposure to credit loss, in the event of non-performance by the counterparty to the financial instrument, is represented by the contractual amount of those instruments. The Company applies the same credit standards used in the lending process when extending these commitments, and periodically reassesses the customers' credit worthiness. Additional risks associated with these commitments arise when they are drawn upon, such as the demands on liquidity that the Bank could experience if a significant portion were drawn down at once. This is considered unlikely, however, as commitments may expire without having been drawn upon.

15. CONCENTRATIONS OF CREDIT RISK

Federal banking regulators have issued guidance using certain criteria to identify institutions that are potentially exposed to commercial real estate concentration risk to include reported loans for construction, land development, and other land loans that represent more than 100 percent of the institutions total risk-based capital; or total commercial real estate loans representing more than 300 percent of the institutions total risk-based capital. Although the Company has a diversified loan portfolio, as of June 30, 2017 the Company's loans secured by commercial real estate, specifically those in the category of construction, land development, and other land loans exceed 100% of the institutions total risk-based capital by 13.57%.

The Company originates loans primarily in Chaffee and Fremont Counties, Colorado. Any future deterioration in the real estate markets could adversely impact borrowers' ability to repay loans secured by real estate and the value of real estate collateral, thereby increasing the credit risk associated with the loan portfolio. Although the Company has a diversified loan portfolio, a substantial portion of its borrowers' ability to repay their loans is dependent upon economic conditions in the market.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. For additional information on how the Bank measures fair values refer to Note 1 Summary of Significant Accounting Policies.

Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets.

The approximate carrying amounts and fair values of the Company's financial instruments are as follows at June 30:

	2017		2016	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash & equivalents	$16,582,000	$ 16,582,000	$ 16,095,000	$ 16,095,000
Mortgage-backed securities - available for sale	11,379,000	11,379,000	13,205,000	13,205,000
Mortgage-backed securities - held to maturity	470,000	496,000	1,102,000	1,156,000
Securities available for sale	27,667,000	27,667,000	31,973,000	31,973,000
Securities held to maturity	1,008,000	1,039,000	1,266,000	1,326,000
Loans held for sale	259,000	259,000	1,118,000	1,118,000
Loans receivable, net	175,531,000	174,949,000	152,132,000	153,766,000
FHLBank stock	254,000	254,000	250,000	250,000
Federal Reserve Bank stock	176,000	176,000	176,000	176,000
Bank Owned Life Insurance	5,007,000	5,007,000	4,879,000	4,879,000
Financial liabilities:				
Deposits	219,683,000	207,319,000	204,292,000	198,492,000
Advances from FHLBank	100,000	112,000	120,000	149,000

17. OTHER NON-INTEREST EXPENSES

Other non-interest expenses consist of the following at June 30:

	2017	2016
Postage	$ 141,222	$ 155,976
Stationery Supplies	121,370	87,234
Dues and Subscriptions	74,856	70,301
Advertising	57,107	58,249
Community Support	75,704	91,318
Other	39,692	103,272
Total	$ 509,950	$ 566,350

18. STOCKHOLDERS' EQUITY

During the year ended June 30, 2017 the company did not repurchase any shares of common stock. During the year ended June 30, 2016, the Company purchased, at prices ranging from $28.95 to $30.55 per share, and immediately retired 1,525 shares of common stock. No stock options were exercised during the year ended June 30, 2017. Stock options on 6,604 shares were exercised during the year ended June 30, 2016 at an exercise price $20.75 per share. In lieu of receiving cash, 1,883 shares of stock with fair values at the date of exercise of $33.26 were tendered and immediately retired.

During the year ended June 30, 2017, 27,000 shares of common stock were issued under the 2014 Stock Incentive Plan. The stock grants vest over a five year period beginning in March 2018.

During each of the years ended June 30, 2017 and 2016, the Company paid cash dividends of $2 per share.

19. STOCK INCENTIVE PLANS

Incentive Equity and Deferred Compensation Plan — The Incentive Equity and Deferred Compensation Plan (the Plan) is an amendment and restatement of the 1998 Stock Option and Incentive Plan. The amended plan was effective November 2003. The Plan terminated in November 2013 and accordingly no further awards may be granted under the Plan.

The Company issued stock options under the plan in December 2005 and prior to which time accounting standards permitted the intrinsic value method of valuation. At the grant date of all outstanding stock options, the exercise price was equal to the fair value of the underlying stock and therefore no compensation cost has been recorded in the accompanying consolidated financial statements. The difference between compensation cost calculated under the intrinsic value method and the fair value method was immaterial for the year ended June 30, 2016.

2014 Stock Incentive Plan — In November 2014, Company stockholders approved the High County Bancorp, Inc. 2014 Stock Incentive Plan (2014 Plan), which provides for the grant of incentive stock options, non-statutory stock options and restricted stock. Under the 2014 Plan, 85,000 shares of common stock have been reserved for issuance to participants who receive awards.

Unless earlier terminated, the authority to make grants under the 2014 Plan will terminate in 2024 or when no shares remain available for grants and there is no further obligation with respect to any outstanding award. Employees of the Company or one of its subsidiaries or affiliates, and non-employee directors, are eligible to be granted awards under the 2014 Plan. The exercise price for shares under option, or compensation for stock awards, shall be the fair market value as of the date of the grant.

The 2014 Plan is administered by a committee consisting of the entire Board of Directors (the Committee). Subject to the terms and conditions of the 2014 Plan, the Committee is authorized to: select participants; determine the type and number of awards to be granted and the number of shares to which awards will relate; specify times at which awards will be exercisable or settled; set other terms and conditions of such awards; waive or amend any terms, conditions, restrictions or limitations on an award; prescribe forms of award agreements; and make all other determinations which may be necessary or advisable for the administration of the 2014 Plan. Unless otherwise determined by the Committee at the time an award is made, a participant's award(s) under the 2014 Plan will vest in full upon the participant's death or disability. In the event a participant's employment or service is terminated for cause, all unvested awards are forfeited and all unexercised stock options are cancelled.

Stock awards made under the Plan are subject to restriction including non-transferability and forfeiture upon termination of employment or board service. Such restrictions expire proportionately over a required service period. Restricted shares have full voting and dividend rights during the restricted period.

Stock Options — A summary of the stock options outstanding is presented below as of and for the year ended June 30, 2016. No stock options were outstanding during the year ended June 30, 2017.

	Shares	Weighted Average Grant Date Fair Value
Outstanding, July 1, 2015	7,351	$ 20.75
Exercised	(6,604)	20.75
Forfeited	(747)	20.75
Outstanding, June 30, 2016	—	
Options exercisable at end of year	—	

Stock Awards — The Company has issued shares of restricted stock to certain officers, directors, and employees which shares vest over a five year period. A summary of non-vested restricted stock outstanding and changes as of and for the years ending June 30 follows:

	2017		2016	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	8,080	$ 23.61	14,120	$ 22.86
Granted	27,000	37.11	90	30.55
Vested	(4,040)	23.50	(6,040)	21.89
Forfeited	—		(90)	23.50
Outstanding at end of year	31,040	35.48	8,080	23.61

As of June 30, 2017, there was $866,250 of total unrecognized compensation cost related to non-vested restricted share based compensation arrangements, which is expected to be recognized over a weighted average remaining period of 4.5 years. Share-based compensation expense charged to operations for the years ended June 30, 2017 and 2016 was $192,256 and $76,824, respectively while the related deferred tax benefit was approximately and $65,000 and $26,000 for each year, respectively.

20. CONTINGENCIES AND COMMITMENTS

In the normal course of business, the Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position of the Company.

Loans sold to Freddie Mac are without recourse unless the Company did not comply with the requirements or conditions of the purchase document, breached any agreements, made false warranties or representations or failed to provide Freddie Mac with information that is true, complete and accurate concerning the mortgages.

21. RELATED PARTY TRANSACTIONS

In the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, the Company has granted loans to principal officers and directors and their affiliates amounting to $2,679,338 at June 30, 2017 and $3,148,524 at June 30, 2016. During the year ended June 30, 2017, total principal additions were $719,258 and total principal payments were $1,188,444. During the year ended June 30, 2016, total principal additions were $1,396,397 and total principal payments were $728,434. The Company paid certain members of its Board of Directors for professional services rendered in the ordinary course of business during the year ending June 30, 2017 and 2016 in the amount of $9,152 and $30,663, respectively.

Deposits from principal officers and directors and their affiliates held by the Company at June 30, 2017 and 2016 amounted to $2,796,275and $5,047,824, respectively.

22. CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

The following condensed statements summarize the financial position, operating results and cash flows of High Country Bancorp, Inc.:

	2017	2016
CONDENSED BALANCE SHEET		
ASSETS		
Cash	$ 303,668	$ 909,993
Investment in subsidiaries	25,209,484	23,430,399
Other	261,170	191,156
Total assets	$ 25,774,322	$ 24,531,548
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accruals	$ 186,766	$ 45,762
Stockholders' equity	25,587,556	24,485,785
Total liabilities and stockholders' equity	$ 25,774,322	$ 24,531,548
CONDENSED STATEMENT OF INCOME		
Equity in undistributed net income of subsidiaries	$ 3,175,492	$ 2,926,805
Other, net	(201,502)	(165,053)
Net income	$ 2,973,990	$ 2,761,752

CONDENSED STATEMENT OF CASH FLOWS

Operating activities:		
Net income	$ 2,973,990	$ 2,761,752
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Equity in undistributed net income of subsidiary	(3,175,492)	(2,926,805)
Non-cash compensation, stock awards, deferred compensation	192,256	76,824
Deferred income taxes	(43,000)	(2,000)
Other	113,989	(92,876)
Net cash provided by (used in) operating activities	61,743	(183,105)
Investing activities:		
Investment in subsidiary	(25,000)	(400,000)
Dividends received	1,050,000	2,330,000
Net cash provided by investing activities	1,025,000	1,930,000
Financing activities:		
Dividends paid	(1,818,068)	(1,788,482)
Net ESOP loan	125,000	(25,000)
Stock repurchased and retired	—	(45,368)
Stock options exercised	—	74,430
Net cash used in financing activities	(1,693,068)	(1,784,420)
Net change in cash	(606,325)	(37,525)
Cash, beginning of year	909,993	947,518
Cash, ending of year	$ 303,668	$ 909,993

23. RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS

The Company is required to maintain average balances on hand or with the Federal Reserve Bank. At June 30, 2017 these required reserve balances amounted to $2,200,000.

BOARD OF DIRECTORS

Larry D. Smith
President and Chief Executive Officer of the Company and the Bank

Philip W. Harsh
Retired Insurance Broker/Agent, Investor & Director

Timothy R. Glenn
Owner and Funeral Director of Lewis and Glenn Home

Richard A. Young, CPA
Swartz & Young, P.C.

Pete Cordova
Cordova Law Firm, LLP

EXECUTIVE OFFICERS

Larry D. Smith
President and Chief Executive Officer of the Company and the Bank

Chelsea Sack
Acting Chief Financial Officer

Gail A. Granzella
Executive Vice President

GENERAL INFORMATION

Independent Public Accountants
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102 N. Cascade Avenue
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Colorado Springs, Colorado 80903

Annual Meeting
The 2017 Annual Meeting of Shareholders will be held on October 31, 2017 at
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7360 West US Highway 50
Salida, Colorado 81201

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