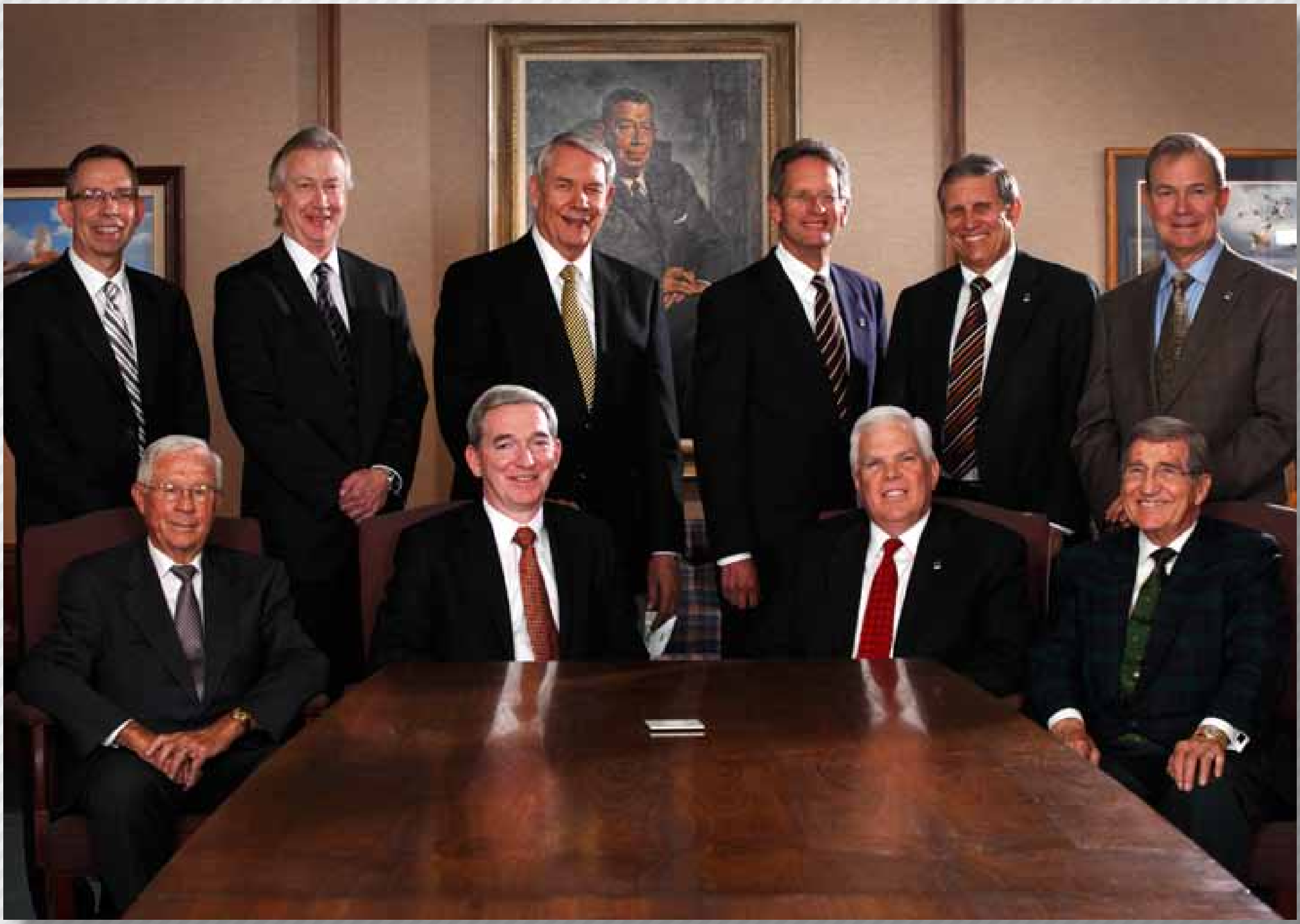
BOU BANCORP, INC.

2014 ANNUAL REPORT

BANK of UTAH
Experience. Service.



Seated (left to right): H. Dee Hutzley, Frank W. Browning, Douglas L. DeFries,Paul T. Kunz.
Standing (left to right): Jonathan W. Browning, Bruce D. Stephens, Gary R. Gibbons,
Eugene B. Jones, James C. Anderson, George E. Hall.

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LETTER TO SHAREHOLDERS

At Bank of Utah, we have learned that by keeping focused and giving our employees proper tools, that we will meet the objectives of our customers, shareholders and employees. This has been demonstrated by the financial results for 2014.

ALIGNMENT OF GOALS

During the past few years, we have spent significant time aligning the goals and objectives of the Bank. All stakeholders (employees, customers and shareholders) are now reaping the benefits of these efforts.

- Employees: We have set clear and concise corporate goals for our employees. Senior Management, along with each business line, has been actively involved in this process. Once corporate level goals are set, the individual goals for each business line are developed. The specific business line goals are reviewed monthly so adjustments can be made, if necessary. This system has fostered an environment of teamwork and loyalty amongst employees and an understanding of what is important to our customers.

- Customers: We continue to scour the marketplace for new, innovative products and services to improve our customers' banking experience.

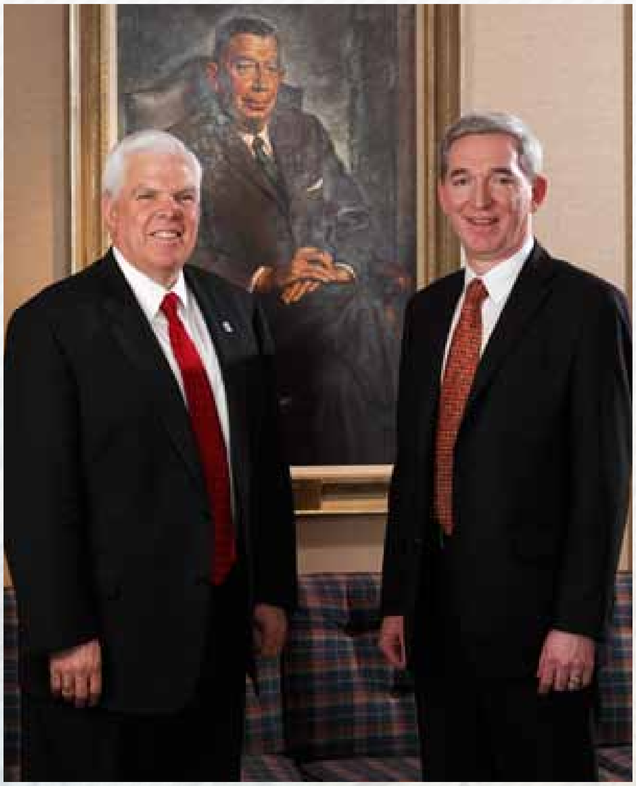
We have added mobile deposit for our tech savvy customers. Later this year, we are adding Apple Pay. Additionally, we will roll out a new and improved website.

In our trust business line, we offer self-directed IRAs, which have been very popular. We have further expanded our offerings for foundations and charitable organizations, in addition to all the regular products, for which we have been known.

The mortgage business line has introduced one-time close loans, which allow our customers to deal with loan documents once for both the construction and long-term financing of their new home. We are also offering Home Equity Conversion Mortgages (HECM), otherwise known as reverse mortgages—which provide more solutions for customers ages 62+ to more fully enjoy their retirement or to meet unforeseen needs that may sometimes arise.

In commercial lending, we have further focused and refined our expertise in certain areas such as equipment, apartments, assisted living, hospitality, retail and warehouses. We do, of course, still strive to serve the borrowing needs of the business community in general. We can do this successfully because we continue to employ some of the most experienced and dedicated commercial bankers in our markets.

■ Shareholders: Since 2009, BOU Bancorp, Inc. stock valuation has increased by 58%. In 2014 alone, it grew by 9%. This has been possible due to the fact that Utah is the second-fastest growing economy in the country. Utah was exceeded only by North Dakota with its unprecedented oil boom. The highest growth sectors in Utah are Construction, followed in order by, Leisure/Hospitality, Information, Transportation and Trade/Utilities. Utah is becoming a place where employers nationwide come when they are looking for an educated workforce that has an old-fashioned work ethic and mainstream values. This has proved to be an excellent environment for all our lines of business.



By all indications, 2015 is going to be a good year for Bank of Utah. We will continue to be disciplined in the way we conduct business as a company and as individuals—working together to serve our customers, employees and shareholders.

Sincerely,

Frank W. Browning
Chairman, BOU Bancorp, Inc.

Douglas L. DeFries
President & CEO, Bank of Utah

KEY RESULTS FOR 2014

The Bank of Utah achieved excellent success in 2014 with strong loan growth, record levels of deposits and consistent returns from its diverse mix of businesses. Double digit increases in lending of commercial and consumer loans, coupled with exceptional asset quality, highlighted an outstanding year for the Bank. Additionally, income from both trust services and mortgage lending helped drive these results.

PROFITABILITY

As with any business, profitability is a critical component of relevance in the market and to shareholders. Total net income for 2014 was $12.6 million as compared to $12.3 million in 2013. Annualized Return on Average Assets (ROA) for the current quarter was 1.49% as compared to 1.56% in 2013, with total assets growing from $835 million in 2013 to $857 million in 2014.

An increase in lending volume improved interest income for the Bank. Total interest income was up 7.5% to just under $32 million. Total revenue after interest expense grew to over $47 million. Annualized loan growth was 14%, a full 5% better than forecasted. Even with the increase in loan business, asset quality remained superior to most banks. Credit for this quality is due to our excellent customers and their support of the Bank.

For over 16 months, the Bank has no Other Real Estate, which represents foreclosed properties. Non-performing loans ended the year at just .04% of loans, which is a mere $246 thousand on a loan portfolio of over $630 million.

The Bank continues to enjoy revenue from three non-interest income lines of business. These lines of business are Corporate Trust, Personal Trust and Mortgage Lending. All three areas reported excellent results for the year.

Corporate Trust Fee Revenue Growth achieved an annualized growth rate of 29% against a target of 15%.

Personal Trust ended the year at another near record rate of 91% net income growth against the target of 15%. It was an outstanding year for both trust lines of business.

Mortgage ended 2014 reporting solid results. Total mortgage originations stood at $227 million and its profitability exceeded budget. The Bank expects more growth in 2015, especially in residential construction lending and home equity products.

ACCELERATE GROWTH

Average deposits grew 7% to $685.9 million. The Bank maintains a strong liquidity position as customers view the Bank as a safe and convenient place to hold their funds.

Increasing Treasury Management customers is a measurement of growth reflecting the Bank's ability to assist existing business customers and add new customers to the suite of treasury management products. Using these business solutions helps Bank customers become more efficient and safer in the management of their cash assets.

The Bank's effort to grow Private Banking clients is gaining traction. The goal for 2014 was to have at least 125 private clients at year end. The private banking team exceeded this goal with 168 clients and will continue to build the line of business in 2015.

CAPITAL LEVELS

Capital levels continue to be strong with tier one capital to quarterly average assets at 13.1%. The prior year ended at 12.8%. Management is continuing to consider viable capital deployment plans that will meet the goals of the Bank. Capital continues to grow, even with an attractive cash dividend. Announced at the December meeting of the Board of Directors for BOU Bancorp, Inc., a dividend in the amount of $.55 per share was declared for the 4th quarter of 2014. At book value, the dividend represents approximately a 2.6% annualized return. This dividend brings the total dividends for 2014 to $1.85 per share, almost 9% greater than 2013.

LINES OF BUSINESS

TRUST

Our trust business experienced 40% growth in assets under management in 2014. As a result, we have added a number of highly-talented professionals. We anticipate these additional professionals will add continued growth and profitability into the future.

Trust Operations and Investments consolidated into a new office location in downtown Salt Lake City. This move will enhance synergies within both departments to work together effectively.

Corporate Trust attributes improvements in credit markets and increased transaction volume as factors in growth over 2013. Corporate Trust continues to expand market share in the owner trustee aircraft industry and pursue life settlement business as an additional source of revenue.

Personal Trust continues to offer traditional trust services and products, but has added growth with increased activity in Self-Directed IRAs. Greater inroads are also being made into the administrative and investment management needs of local charitable foundations and organizations.

Bank of Utah Trust continues to expand its reputation and increase market share across all business lines. Both departments experience exceptional loyalty from customers and centers of influence providing continued growth and broadening of our base.

LINES OF BUSINESS

DEPOSITS, PRIVATE BANKING AND TREASURY MANAGEMENT

In 2014, deposits grew by approximately 7%, an increase of over $45 million. These deposits enable the Bank to reinvest these resources back into our communities in the form of loans.

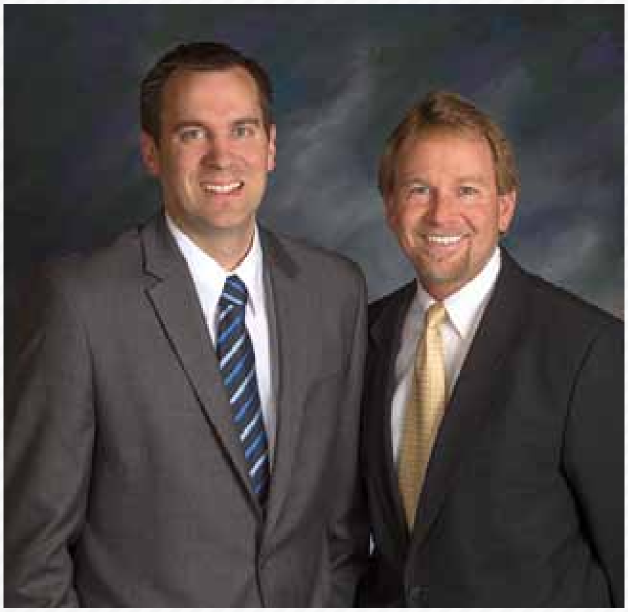
In year two of the Bank's Private Banking program, we have experienced exceptional growth in the number of customers as well as growth in deposit balances, investment services, trust services and all-around wealth management needs. Our customers prompt us to keep innovating. Through feedback and customer experiences, the Bank has created more efficient processes to improve time from application to approval and how to better accommodate our customers wherever or whenever they need assistance. The Bank has proven the key to a great Private Banking program is "Experience. Service."

We have great customers who want to build relationships with the Bank. They want their friends and associates to have the same "Experience. Service." the Bank of Utah provides. This continues to be a significant strategy for growth and success in the future.

MORTGAGE & CONSUMER LENDING

The Bank's mortgage division experienced a successful 2014 and reached $227 million in long-term mortgage loans. In addition, consumer loans grew by 7.5%.

The year began with mortgage rates at higher levels than the previous two years, which contributed to slower production than anticipated. However, by the middle of the year, 30-year fixed rates had settled to levels in-line with the previous years and production steadily increased throughout the year.



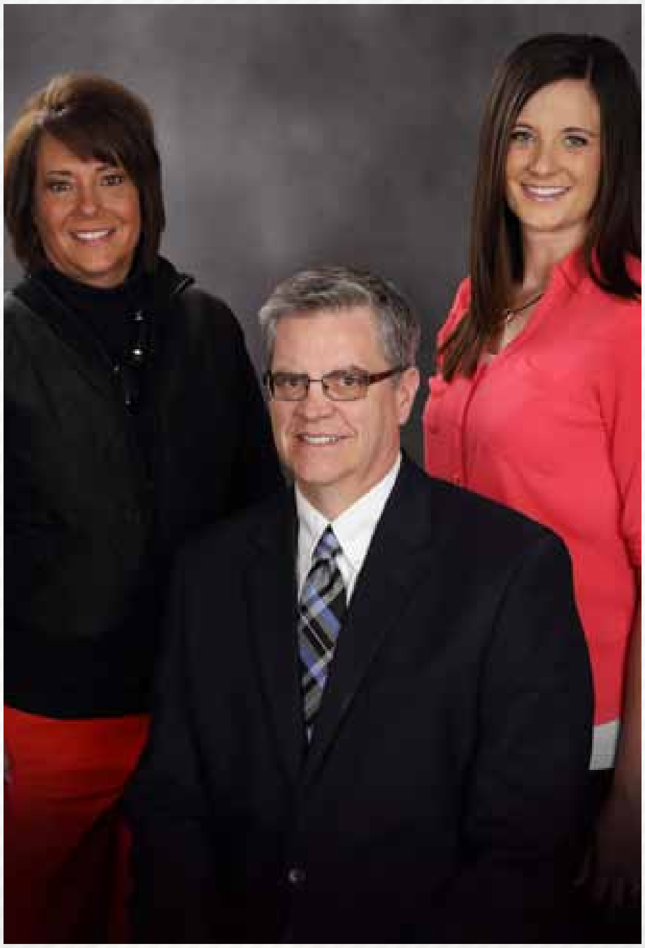
A major goal for 2014 was to improve construction lending operations and grow business. As a result of this added focus, the department closed $45 million in residential and construction loans, which is the highest mark since 2007. A one-time close construction loan was introduced to Bank customers to accompany the traditional construction and long-term product. Eleven new loan officers, including an industry expert in Home Equity Conversion Mortgages (HECM), otherwise known as reverse mortgages, were added to the mortgage team. And, once again, the $5,000 HomeStart grant proved effective to help first-time homebuyers purchase a home.

In an effort to monitor and improve satisfaction levels, a customer feedback survey was introduced. In its inaugural year, 233 responses were received and 222 customers indicated that they were either 'satisfied' or 'very satisfied' with their service—reaching a combined customer satisfaction level of 95%.

LINES OF BUSINESS

COMMERCIAL

Optimism in the economy for the past three years and demand by businesses to grow capital assets has fueled loan growth at the Bank. In addition, Utah's economy created over 51,000 jobs in 2014. The Bank has experienced double-digit loan growth for the past three years. This growth increased loans outstanding in 2014 by $77 million. Comparing the Bank to the industry, loan growth of 14% exceeded the industry average of 5.3%. Even with this loan growth, past-due loans were only .04% as compared to 1.96% for the industry as a whole. In addition, the Bank had no Other Real Estate (ORE) at year end.



The Bank continues to put priority on quality loan production and building an approval process that examines all aspects of a loan. The Bank focuses on structure and implementation in order to meet the needs of all stakeholders.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
BOU Bancorp, Inc. and subsidiary

Report on Financial Statements

We have audited the accompanying consolidated financial statements of BOU Bancorp, Inc. and its subsidiary, which comprise the consolidated statements of condition as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with 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 from material misstatement.

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

REPORT OF INDEPENDENT AUDITORS
(continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BOU Bancorp, Inc. and subsidiary as of December 31, 2014 and 2013, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating schedule - statement of condition and consolidating schedule - statement of income 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 consolidated financial statements as a whole.

Moss Adams LLP

Spokane, Washington
March 13, 2015

BOU BANCORP. INC.
CONSOLIDATED STATEMENTS OF CONDITION
December 31, 2014 and 2013

ASSETS		2014	2013
Cash and due from banks (note 2)	$	15,504,662	6,299,361
Interest-bearing deposits in banks		31,498,744	106,958,898
Federal funds sold		13,858	187,116
Investment securities (notes 3 and 9):			
Held to maturity, at cost (fair value of $24,980,210 and $27,224,400 respectively)		24,662,548	26,817,870
Available for sale, at fair value		104,218,799	96,920,936
Total investment securities		128,881,347	123,738,806
Loans held for sale		11,806,795	7,862,556
Loans (note 4)		629,120,072	551,666,182
Less allowance for loan losses (note 5)		7,280,977	8,361,389
Net loans		621,839,095	543,304,793
Accrued interest receivable		2,599,478	2,397,587
Goodwill		5,894,024	5,894,024
Bank owned life insurance		18,954,262	17,707,421
Premises and equipment, net (note 6)		12,892,446	12,944,944
Other assets		7,584,098	7,674,103
Total assets	$	857,468,809	834,969,609

LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Non interest-bearing	$	181,634,756	205,368,717
Interest-bearing (note 8)		505,114,379	475,712,117
Total deposits		686,749,135	681,080,834
Securities sold under agreements to repurchase (note 9)		42,733,043	35,568,499
Other liabilities		6,997,109	6,659,188
Total liabilities		736,479,287	723,308,521
Commitments and contingent liabilities (notes 11 and 13)			
Common stock, $1 par value, 5,000,000 shares authorized, 1,683,375 issued and outstanding at December 31, 2014 and 2013, respectively		1,683,375	1,683,375
Paid-in capital		4,333,954	4,333,954
Accumulated other comprehensive loss		(15,382)	(588,206)
Retained earnings		114,987,575	106,231,965
Total stockholders' equity		120,989,522	111,661,088
Total liabilities and stockholders' equity	$	857,468,809	834,969,609

See accompanying notes to consolidated financial statements.

BOU BANCORP. INC.
CONSOLIDATED STATEMENTS OF CONDITION
December 31, 2014 and 2013

		2014	2013
INTEREST INCOME:			
Interest and fees on loans	$	29,166,195	26,764,571
Interest on investment securities:			
Taxable		1,389,536	1,256,805
Tax-exempt		531,092	743,757
Interest on loans held for sale		348,479	454,589
Interest on federal funds sold		579	877
Interest on interest-bearing deposits in banks		189,635	206,607
Total interest income		31,625,516	29,427,206
INTEREST EXPENSE:			
Interest on deposits		1,622,577	1,574,839
Interest on securities sold under agreements to repurchase		112,503	110,789
Interest on other borrowings		419	191
Total interest expense		1,735,499	1,685,819
Net interest income		29,890,017	27,741,387
Provision for (reversal of) loan losses (note 5)		(500,000)	(1,800,000)
Net interest income after provision for (reversal of) loan losses		30,390,017	29,541,387
OPERATING INCOME:			
Service charges on deposits		1,575,282	1,625,562
Gain on sale of loans		5,997,161	8,603,814
Trust fees		7,101,032	5,662,468
Cash surrender value increase of bank owned life insurance		621,842	609,722
Other		1,421,158	1,566,846
		16,716,475	18,068,412
OPERATING EXPENSES:			
Salaries and employee benefits		19,562,221	19,189,790
Net occupancy expense		2,115,102	2,129,695
Equipment expense		2,789,504	2,532,461
Professional fees and services		1,379,104	1,211,496
Other		4,221,921	3,962,513
		30,067,852	29,025,955
Income before provision for income taxes		17,038,640	18,583,844
Provision for income taxes (note 11)		5,168,786	6,392,017
Net income	$	11,869,854	12,191,827

See accompanying notes to consolidated financial statements.

BOU BANCORP. INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2014 and 2013

	2014	2013
Net income	$ 11,869,854	12,191,827
Other comprehensive income:		
Net change in unrealized holding gain (loss) on securities available for sale, net of tax (expense) benefit of $340,770 and $546,985 as of December 31, 2014 and 2013, respectively	572,824	(1,451,653)
Realized gain on sale of securities available for sale, net of taxes	-	(14,794)
Total other comprehensive income (loss)	572,824	(1,466,447)
Comprehensive income	$ 12,442,678	10,725,380

BOU BANCORP. INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Years ended December 31, 2014 and 2013

	Common stock	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
Balances, December 31, 2012	$ 1,683,375	4,333,954	878,241	96,901,876	103,797,446
Net income	-	-	-	12,191,827	12,191,827
Other comprehensive loss	-	-	(1,466,447)	-	(1,466,447)
Dividends paid	-	-	-	(2,861,738)	(2,861,738)
Balances, December 31, 2013	$ 1,683,375	4,333,954	(588,206)	106,231,965	111,661,088
Net income	-	-	-	11,869,854	11,869,854
Other comprehensive income	-	-	572,824	-	572,824
Dividends paid	-	-	-	(3,114,244)	(3,114,244)
Balances, December 31, 2014	$ 1,683,375	4,333,954	(15,382)	114,987,575	120,989,522

See accompanying notes to consolidated financial statements.

BOU BANCORP. INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013

		2014	2013
OPERATING ACTIVITIES:			
Net income	$	11,869,854	12,191,827
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		1,535,645	1,444,534
Provision for (reversal of) loan losses		(500,000)	(1,800,000)
Provision for commitments to fund loans		200,000	-
Deferred income tax expense		114,020	1,211,357
Valuation allowance on other real estate		-	163,113
Net (gain) loss on other real estate sold		-	(327,445)
Increase in cash surrender value of bank owned life insurance		(621,841)	(609,723)
Net amortization of investment premiums and discounts		491,256	613,176
Gain on sale of available for sale securities		-	(23,595)
Gain on sale of loans		(5,997,161)	(8,603,814)
Proceeds from sales of loans held for sale		210,941,570	300,414,055
Origination of loans held for sale		(208,888,648)	(276,378,541)
(Gain) loss on sale of premises and equipment		(2,364)	5,554
Change in accrued interest receivable and other assets		(566,676)	(378,347)
Change in other liabilities		137,921	(390,107)
Net cash provided by operating activities		8,713,576	27,532,044
INVESTING ACTIVITIES:			
Proceeds from maturities of held to maturity securities		8,310,000	7,850,000
Proceeds from maturities of available for sale securities		18,634,526	15,460,915
Proceeds from sale of available for sale securities		-	375,953
Purchase of held to maturity securities		(6,408,520)	(1,291,500)
Purchase of available for sale securities		(25,256,209)	(28,121,434)
Net change in loans from loan originations and principal repayments		(78,034,302)	(70,080,971)
Net change in interest-bearing deposits in banks		75,460,154	(23,140,605)
Net change in federal funds sold		173,258	843,348
Purchase of bank owned life insurance		(625,000)	-
Proceeds from sale of premises and equipment		25,635	8,138
Proceeds from sale of other real estate		-	3,745,662
Purchase of premises and equipment		(1,506,418)	(1,288,316)
Net cash used in investing activities		(9,226,876)	(95,638,810)
FINANCING ACTIVITIES:			
Increase in demand, savings, and money market deposits		10,527,822	69,836,716
Proceeds from issuance of time deposits		6,702,939	11,005,839
Payments for maturing time deposits		(11,562,460)	(10,960,137)
Payments on other borrowings		-	(48,412)
Net change in securities sold under agreement to repurchase		7,164,544	(1,087,252)
Dividends paid to stockholders		(3,114,244)	(2,861,738)
Net cash provided by financing activities		9,718,601	65,885,016
Net change in cash and cash equivalents		9,205,301	(2,221,750)
Cash and cash equivalents, beginning of period		6,299,361	8,521,111
Cash and cash equivalents, end of period	$	15,504,662	6,299,361
<u>Supplemental Disclosure of Cash Flow Information</u>			
Cash paid for interest	$	1,740,100	1,690,361
Cash paid for income taxes		5,460,562	5,635,804
<u>Supplemental Disclosure of Investing Activities</u>			
Foreclosure of loans	$	-	843,910
Unrealized gain (loss) on securities available for sale, net of tax		572,824	(1,466,447)

See accompanying notes to consolidated financial statements.

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by BOU Bancorp, Inc. (the Corporation) in the preparation of the accompanying consolidated financial statements are as follows:

Description of Business

The Corporation is a Utah state bank holding company formed in 2000. Bank of Utah, (the Subsidiary), is a Utah state-chartered commercial bank founded in 1952. The Corporation and its wholly-owned Subsidiary are collectively referred to as the Bank. The Bank, which is centered along Utah's Wasatch Front, focuses on providing community banking services including: 1) attracting deposits from the general public; 2) originating loans including residential mortgage loans; 3) providing treasury cash management products and services; and 4) personal and corporate trust management services.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of BOU Bancorp, Inc. and Bank of Utah. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles. 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 balance sheet and revenues and expenses for the period. Actual results could significantly differ from those estimates. Certain prior year amounts have been reclassified to conform to the current financial statement presentation. Such reclassifications had no impact on net income or stockholders' equity.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and the fair value of financial assets and liabilities. Management obtains independent appraisals for significant properties as one of the factors used in the determination of the allowance for loan losses.

Management believes the allowance for loan losses and the fair value of financial assets and liabilities are adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary, based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses.

Cash Equivalents

The Bank considers cash and due from banks to be cash equivalents all with maturities of three months or less.

Interest-Bearing Deposits

Interest-bearing deposits mature within one year and are carried at cost.

Investment Securities

The Bank classifies its investment securities in two categories: Held to maturity or available for sale. The Bank had no trading securities during 2014 or 2013. Held to maturity securities are stated at cost, net of unamortized premiums and unaccreted discounts. The Bank has the intent and ability to hold such securities to maturity. Securities held for investment are classified as available for sale and recorded at fair value. Unrealized holding gains and losses on available for sale securities are reported as a component of accumulated other comprehensive income (OCI). Gains and losses on sales are recorded on the trade date and determined using the specific identification method. Realized gains and losses on available for sale securities are reported in the consolidated statements of income as other income.

Premiums and discounts are amortized or accreted over the life of the related security and recognized in interest income using the effective-interest method. Dividend and interest income are recognized when earned.

Any declines in the values of these securities that are considered to be other-than-temporary-impairment (OTTI) and credit-related OTTI is recognized in earnings. Noncredit-related OTTI on securities not expected to be sold is recognized in OCI. The review for OTTI is conducted on an ongoing basis and takes into account the severity and duration of the impairment, recent events specific to the issuer or industry, fair value in relationship to cost, extent and nature of change in fair value, creditworthiness of the issuer including external credit ratings and recent downgrades, trends and volatility of earnings, current analysts' evaluations, and other key measures. In addition, the Bank determines that it does not intend to sell the securities and it is more likely than not that it will not be required to sell the securities before recovery of their amortized cost basis. In making this determination, the Bank takes into account its balance sheet management strategy and consideration of current and future market conditions.

Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) Stock

FHLB of Seattle stock is a required investment for institutions that are members of the FHLB. The required investment in FHLB common stock is based on a predetermined formula and is carried at par value ($100 per share). The Bank may request redemption at par value of any stock in excess of the amount the Bank is required to hold. FHLB stock is restricted as to purchase, sale, and redemption. The carrying amount of FHLB stock as of December 31, 2014 and 2013, respectively, was $1,920,100 and $1,997,600 and is reported on the consolidated statements of financial condition in other assets.

The Bank also holds Federal Reserve Bank stock as stipulated in the requirements of the Federal Reserve Act. The carrying amount of FRB stock as of December 31, 2014 and 2013 was $365,700 and is reported on the consolidated statements of financial condition in other assets.

The Bank views its investment in FHLB and FRB stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value.

Loans Held for Sale

The Bank originates mortgage loans which are sold to investors in the secondary market. Loans held for sale are carried at the lower of cost or fair market value as determined by outstanding commitments from investors. The amount of the Bank's commitments to sell loans approximated the balance of loans held for sale on December 31, 2014 and 2013. Gains and losses resulting from the sale of loans are determined on the specific-identification method and reflect the extent that the sale proceeds, based on the contractual commitment entered into by the Bank and investor exceed or are less than the Bank's investment in the loans.

Loans

A substantial portion of the Bank's general overall lending territory is focused in Northern Utah in the counties where it maintains branch offices. However, the Bank also extends credit into other areas where a branch office is not maintained. The ability of the Bank's debtors to honor their loan agreements is dependent upon, among other things, the general economic conditions and the real estate values in these areas.

Loans are generally recorded at cost, net of discounts, deferred fees and related costs. Discounts and premiums on purchased loans are amortized using the interest method over the remaining contractual life, adjusted for actual prepayments.

The accrual of interest on loans is discontinued and the loan is considered impaired when, in the opinion of management, it is probable that the Bank will be unable to collect principal or interest when due according to the contractual terms of the loan agreement or when loans are contractually past due 90-days or more with respect to principal or interest. Thereafter, payments received are generally applied to principal. However, based on management's assessment of the ultimate collectability of an impaired or nonaccrual loan, interest income may be recognized on a cash basis.

Impaired and nonaccrual loans are returned to an accrual status when all delinquent principal and interest becomes current in accordance with the terms of the loan agreement and when management determines that circumstances have improved to the extent that there has been a sustained period of repayment performance, generally six months. Loans are placed on nonaccrual or charged off to the allowance for loan losses when, in the opinion of management, it is probable the Bank will be unable to collect contractual principal or interest on loans after a reasonable time for collection efforts.

In cases where a borrower experiences financial or legal difficulty and the Bank makes certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructuring (TDR). When the Bank modifies the terms of an existing loan that is not considered a TDR, the Bank accounts for the loan modification as a new loan if the terms of the new loan resulting from a loan refinancing or restructuring are at least as favorable to the Bank as the terms for comparable loans to other customers with similar risk characteristics who are not undergoing a refinancing or restructuring. The new loan is excluded from any impairment assessment.

Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

Loan origination fees and certain direct origination costs are deferred and amortized as an adjustment of the yields of the loans over their contractual lives, adjusted for prepayment of the loans, using the interest method. In the event loans are sold, the deferred net loan origination fees or costs are recognized as a component of the gains or losses on the sales of loans.

In the normal course of business, the Bank periodically sells participating interests in loans to various other banks and investors. All new participations are sold on a proportionate (pro-rata) basis with all cash flows divided proportionately among the participating interest holders in an amount subordinate to the interest of another and no party has the right to pledge or exchange the entire financial asset without the consent of all the participating interest holders. Other than standard 90-day prepayment provisions and standard representations and warranties, participating interests are sold without recourse. Certain participating interests sold by the Bank are guaranteed by government agencies such as the Small Business Administration and U.S. Department of Agriculture.

The gain or loss on sale of the participating interest in loans is the difference between the proceeds from the sale and the basis of the assets sold. The Bank did not recognize any gains from the sale of such loans in 2014 or 2013.

The Bank continues to service approximately $83,851,554 and $57,184,857 in participating interests at December 31, 2014 and 2013, respectively, that have been accounted for as transfers of assets and not included in the Bank's statements of condition. The Bank's retained portion of participated loans was $74,544,749 and $56,045,598, respectively, at December 31, 2014 and 2013. The Bank recorded approximately $174,163 and $106,307 in servicing fee income during 2014 and 2013, respectively.

A servicing asset would be recorded if the Bank purchases or retains the right to service loans and receives servicing fees that exceed the going market rate. This asset would then be amortized as a reduction in fee income over the life of the servicing income. The Bank did not have any servicing assets recorded as of December 31, 2014 or 2013.

The Bank holds purchased participating interest in loans of $16,156,914 and $8,463,369 at December 31, 2014 and 2013, respectively.

Allowance for Loan Losses

The allowance for loan losses is based on management's estimate of probable losses inherent in the loan portfolio. In the opinion of management, the allowance is adequate to absorb estimated losses in the portfolio at the balance sheet date. While management uses available information to analyze losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. In analyzing the adequacy of the allowance for loan losses, a comprehensive loan grading system to determine risk potential in loans is utilized together with the results of internal credit reviews.

To determine the adequacy of the allowance, the loan portfolio is broken into segments based on loan type. Historical loss experience factors by segment, adjusted for changes in trends and conditions, are used to determine an indicated allowance for each portfolio segment. These factors are evaluated and updated based on the composition of the specific loan segment. Other considerations include volumes and trends of delinquencies, nonaccrual loans, levels of bankruptcies, criticized and classified loan trends, expected losses on real estate secured loans, new credit products and policies, economic conditions, concentrations of credit risk, and the experience and abilities of the Bank's lending personnel. In addition to the segment evaluations, loans graded substandard or worse with a balance of $250,000 or more are individually evaluated based on facts and circumstances of the loan to determine if a specific allowance amount may be necessary. Specific allowances may also be established for loans whose outstanding balances are below the above threshold when it is determined that the risk associated with the loan differs significantly from the risk factor amounts established for its loan segment.

After a preliminary allowance has been established for loan portfolio segments, an additional review is performed on the adequacy of the allowance based on the portion of the loan portfolio collectively evaluated for impairment. This procedure helps to mitigate the imprecision inherent in most estimates of expected credit losses and also supplements the allowance. This supplemental portion of the allowance includes judgmental consideration of any additional amounts necessary for subjective factors such as the economy and loan concentration risks. The credit quality indicators supporting the supplemental portion of the allowance were evaluated at December 31, 2014.

Reserve for Unfunded Lending Commitments

The Bank also estimates a reserve for potential losses associated with off-balance sheet commitments and letters of credit. It is included in other liabilities in the Bank's consolidated balance sheet, with any related provisions to the reserve included in non-interest expense in the consolidated statements of income.

In determining the reserve for unfunded lending commitments, a process similar to the one used for the allowance for loan losses is employed. Based on historical experience, loss factors adjusted for expected fundings are applied to the Bank's off-balance sheet commitments and letters of credit to estimate the potential for losses.

Premises and Equipment

Premises and equipment are stated at net depreciated cost and are depreciated over their estimated useful lives that vary in term from one year to fifty years. Depreciation is provided on a straight-line basis. Leasehold improvements are stated at unamortized cost. Amortization is provided on the straight-line basis over the shorter of the asset life or the lease term. Costs for maintenance and repairs are expensed as incurred.

Other Real Estate

Other real estate includes properties acquired by the Bank through foreclosure or deed in lieu of foreclosure. Properties are carried at the lower of cost or estimated fair value. The value of the underlying loan is written down to the fair value of the property acquired, as determined by a recent appraisal, less reasonable selling costs by a charge to the allowance for loan losses, if necessary. Routine holding costs (net of rental income), subsequent declines in appraised value and net losses on disposal are included in non-interest expenses. Significant costs of development and improvement of ORE are capitalized.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead tested for impairment annually. Intangible assets with definite useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. At December 31, 2014 and 2013, the Bank's goodwill totaled $5,894,024. There were no changes in the carrying amount of goodwill for the years ended December 31, 2014 and 2013. As of December 31, 2014, the Bank has identified its reporting unit as the Subsidiary and has allocated goodwill accordingly. Additionally, management evaluated the carrying value of the Bank's goodwill as of December 31, 2014 and 2013, and determined that no impairment existed. The Bank has no other intangible assets.

Bank Owned Life Insurance

The carrying amount of bank owned life insurance approximates its fair value. Fair value of bank owned life insurance is estimated using the cash surrender value, net of surrender charges.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale.

Transfer of Financial Assets

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

Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and commitments under credit card arrangements. Such financial instruments are recorded in the financial statements when they are funded or when related fees are incurred or received.

Fair values of financial instruments are estimated using relevant market information and other assumptions (Note 12). 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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses are included in the accompanying financial statements as a component of other expense.

Income Taxes

Deferred income taxes are reported for temporary differences between items of income or expense reported in the financial statements and those reported for income tax purposes. Deferred taxes are estimated using the asset and liability approach. Under this method, a deferred tax asset or deferred tax liability is determined based on management's estimate of the enacted tax rates that will be in effect when the differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in the Bank's income tax returns. The deferred tax provision for the year is equal to the net change in the net deferred tax asset from the beginning of the year to the end of the year, less amounts applicable to the change in value related to investments available for sale. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, tax benefits related to positions considered uncertain are recognized only if, based on the technical merits of the issue, the Bank is more likely than not to sustain the position.

As of December 31, 2014, the Bank has no recorded unrecognized tax benefits. The Bank would recognize accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of income as income tax expense. The Bank is subject to taxation in the U.S. Federal and Utah State jurisdictions. The Bank is no longer subject to U.S. Federal and Utah State examinations by tax authorities for years before 2011.

Trust Department Assets

The Bank acts in various capacities as fiduciary for customers' assets in the Trust department. Such assets are not included in the statements of condition. Trust fees and expenses are reported in the statements of income on an accrual basis.

Employee Stock Ownership Plan with 401(k) Provisions

The Bank has an employee stock ownership plan with 401(k) provisions (KSOP) for virtually all full-time Bank employees. Eligible employees may contribute up to five percent of compensation upon which the Bank makes a 100 percent matching contribution. The Bank's contributions are fully vested after six years and are used to purchase Corporation stock. Bank contributions were approximately $759,293 and $788,831 for the years ended December 31, 2014 and 2013, respectively. An independent valuation of the BOU Bancorp, Inc.'s stock held by the KSOP is obtained annually and resulted in a valuation of $95.00 per share at December 31, 2014. The KSOP owns 113,044 shares (6.72%) of BOU Bancorp, Inc. stock, all of which are allocated, at December 31, 2014.

Subsequent Events

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

Subsequent events have been evaluated through March 13, 2015, the date these financial statements were available to be issued.

Recent Accounting Pronouncements

In January 2014, the FASB issued ASU 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure*. The ASU clarifies when an entity is considered to have obtained physical possession of a residential real estate property collateralizing a mortgage loan. Upon physical possession of such real estate property, an entity is required to reclassify the nonperforming mortgage loan to OREO. The guidance in this ASU is effective for interim and annual periods beginning after December 15, 2014. ASU 2014-04 is not expected to have a material impact on the Bank's financial condition or results of operations.

In August 2014, the FASB issued ASU 2014-14, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*. The ASU required creditors to reclassify mortgage loans as an other receivable that is separate from loans and to measure the receivable at the amount expected to be received under the government guarantee if the mortgage loan meets certain conditions upon foreclosure. The guidance in this ASU is effective for reporting periods beginning after December 15, 2014. Management does not expect the ASU to have a material impact on the Bank's financial condition or results of operations.

(2) CASH AND DUE FROM BANKS

The Bank is required to maintain certain daily reserve balances on hand in accordance with Federal Reserve Board requirements. The reserve balance maintained in accordance with such requirements was approximately $558,000 and $963,000 at December 31, 2014 and 2013, respectively.

(3) INVESTMENT SECURITIES

Investment securities as of December 31, 2014 are summarized as follows:

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
Corporate bonds	$ 2,500,000	135	-	2,500,135
States and political subdivisions	22,162,548	394,731	77,204	22,480,075
	$ 24,662,548	394,866	77,204	24,980,210

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 73,427,144	141,705	520,282	73,048,567
U.S. government agency mortgage backed securities	25,602,952	497,558	-	26,100,510
Mutual fund	5,213,236	-	143,514	5,069,722
	$ 104,243,332	639,263	663,796	104,218,799

Investment securities as of December 31, 2013 are summarized as follows:

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. Treasury	$ 1,000,678	17,760	-	1,018,438
Corporate bonds	5,073,470	7,753	9,835	5,071,388
States and political subdivisions	20,743,722	628,336	237,484	21,134,574
	$ 26,817,870	653,849	247,319	27,224,400

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 73,445,231	181,552	1,026,462	72,600,321
U.S. government agency mortgage backed securities	19,308,335	279,802	108,953	19,479,184
Mutual fund	5,105,497	-	264,066	4,841,431
	$ 97,859,063	461,354	1,399,481	96,920,936

During the year ended December 31, 2013, U.S. government agency mortgage backed securities classified as available for sale, were sold. Total proceeds received from the sale of securities was $375,953 with a realized gain of $23,595. Realized gains on available for sale securities are reported in the consolidated statements of income as other income. There were no securities sold during the year ended December 31, 2014.

A summary of investment securities with unrealized losses as of December 31, 2014, by the amount of unrealized losses and fair value by length of time that the securities have been in an unrealized loss position, follows:

	Held to Maturity					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
States and political subdivisions	$ 34,346	6,980,631	42,858	2,449,053	77,204	9,429,684

	Available for Sale					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
U.S. government agency	$ 14,620	10,116,756	505,662	27,670,704	520,282	37,787,460
Mutual fund	-	-	143,514	5,069,722	143,514	5,069,722
	$ 14,620	10,116,756	649,176	32,740,426	663,796	42,857,182

A summary of investment securities with unrealized losses as of December 31, 2013, by the amount of unrealized losses and the fair value by length of time that the securities have been in an unrealized loss position, follows:

	Held to Maturity					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
Corporate bonds	$ 9,835	2,490,165	-	-	9,835	2,490,165
States and political subdivisions	174,963	3,743,775	62,521	1,179,321	237,484	4,923,096
	$ 184,798	6,233,940	62,521	1,179,321	247,319	7,413,261

	Available for Sale					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
U.S. government agency	$ 1,026,462	37,197,006	-	-	1,026,462	37,197,006
U.S. government agency mortgage backed securities	108,953	8,628,239	-	-	108,953	8,628,239
Mutual fund	264,066	4,841,431	-	-	264,066	4,841,431
	$ 1,399,481	50,666,676	-	-	1,399,481	50,666,676

Unrealized losses on investment securities result from the current market yield on securities being higher than the book yield on the securities. Based on past experience with these types of investments and the Bank's financial performance, the Bank does not intend to sell the securities and it is not more likely than not that the Bank will be required to sell the securities before recovery of their amortized cost basis. The Bank reviews these investment securities on an ongoing basis according to the policy described in Note 1. While such a review did not result in an other than temporary impairment adjustment as of December 31, 2014, and 2013, the Bank will continue to review these investment securities for possible adjustment in the future. The number of investment securities in an unrealized loss position for securities held to maturity at December 31, 2014 and 2013, respectively, was 26 and 17. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2014, and 2013, respectively, was 9 and 11.

A summary of the amortized cost and fair value of investment securities as of December 31, 2014, by contractual maturity, follows:

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 7,709,877	7,755,475
Due after one year through five years	12,008,878	12,314,485
Due after five years through ten years	4,943,793	4,910,250
	$ 24,662,548	24,980,210

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 9,998,559	10,028,656
Due after one year through five years	63,428,585	63,019,911
Due after five years through ten years	-	-
Mortgage backed securities	25,602,952	26,100,510
Mutual fund	5,213,236	5,069,722
	$ 104,243,332	104,218,799

U.S. government agency securities with a book value of $50,094,897 and $45,227,080 at December 31, 2014 and 2013, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $49,972,741 and $45,158,960 at December 31, 2014 and 2013, respectively. (See notes 9 and 10.)

(4) LOANS

The following table summarizes the composition of the loan portfolio, excluding loans held for sale, as of December 31:

	2014	2013
Construction & development	$ 100,091,359	63,383,241
1-4 family real estate	54,006,485	51,933,540
Nonfarm nonresidential real estate	318,404,321	311,927,653
Commercial & industrial	60,230,109	55,629,326
States & political subdivisions	79,277,000	53,258,000
Other	18,053,152	16,341,122
	630,062,426	552,472,882
Less unearned fees, net	942,354	806,700
	$ 629,120,072	551,666,182

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit, and involve, to varying degrees, elements of credit risk. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Loans are made in the normal course of business to directors, executive officers and principal shareholders of the Bank. The terms of these loans, including interest rates and collateral, are similar to those prevailing for comparable transactions and do not involve more than a normal risk of collectability. A summary of the activity of such loans follows:

	2014	2013
Balance, beginning of year	$ 309,734	397,147
New loans and advances	287,650	553,342
Payments	(318,260)	(640,755)
Balance, end of year	$ 279,124	309,734

(5) ALLOWANCE FOR LOAN LOSSES, UNFUNDED LENDING COMMITMENTS AND IMPAIRED LOANS

Allowance for loan losses activity is summarized as of December 31 as follows:

	2014	2013
Balance, beginning of year	$ 8,361,389	9,875,755
Provision for (reversal of) loan losses	(500,000)	(1,800,000)
Loans charged off	(977,481)	(369,676)
Recoveries on loans previously charged off	397,069	655,310
Balance, end of year	$ 7,280,977	8,361,389

The following tables summarize the changes in the allowance for loan losses.

As of December 31, 2014: Allowance for loan losses:	Balance, beginning of year	Provision for (reversal of) loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Construction & development	$ 1,862,868	614,718	(1,245)	128	2,476,469
1-4 family real estate	759,347	(360,232)	-	34,130	433,245
Nonfarm nonresidential real estate	4,174,376	182,147	(853,255)	-	3,503,268
Commercial & industrial	599,118	(512,304)	(99,145)	359,329	346,998
States & political subdivisions	408,937	(9,551)	-	-	399,386
Other	556,743	(414,778)	(23,836)	3,482	121,611
	$ 8,361,389	(500,000)	(977,481)	397,069	7,280,977

As of December 31, 2013: Allowance for loan losses:	Balance, beginning of year	Provision for (reversal of) loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Construction & development	$ 2,598,649	(749,923)	(5,520)	19,662	1,862,868
1-4 family real estate	988,978	(158,733)	(86,340)	15,442	759,347
Nonfarm nonresidential real estate	4,698,750	(785,737)	(111,487)	372,850	4,174,376
Commercial & industrial	773,548	(262,654)	(150,069)	238,293	599,118
States & political subdivisions	359,128	49,809	-	-	408,937
Other	456,702	107,238	(16,260)	9,063	556,743
	$ 9,875,755	(1,800,000	(369,676)	655,310	8,361,389

The following tables summarize the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment.

As of December 31, 2014: Allowance for loan losses:		Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$	-	2,476,469	2,476,469
1-4 family real estate		1,092	432,153	433,245
Nonfarm nonresidential real estate		96,272	3,406,996	3,503,268
Commercial & industrial		218	346,780	346,998
States & political subdivisions		-	399,386	399,386
Other		-	121,611	121,611
	$	97,582	7,183,395	7,280,977

As of December 31, 2014: Outstanding loan balances:		Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$	-	100,091,359	100,091,359
1-4 family real estate		905,282	53,101,203	54,006,485
Nonfarm nonresidential real estate		5,739,515	312,664,806	318,404,321
Commercial & industrial		355,897	59,874,212	60,230,109
States & political subdivisions		-	79,277,000	79,277,000
Other		-	18,053,152	18,053,152
	$	7,000,694	623,061,732	630,062,426

The following tables summarize the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment.

As of December 31, 2013: Allowance for loan losses:		Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$	47,544	1,815,324	1,862,868
1-4 family real estate		-	759,347	759,347
Nonfarm nonresidential real estate		21,133	4,153,243	4,174,376
Commercial & industrial		-	599,118	599,118
States & political subdivisions		-	408,937	408,937
Other		-	556,743	556,743
	$	68,677	8,292,712	8,361,389

As of December 31, 2013: Outstanding loan balances:		Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$	1,224,843	62,158,398	63,383,241
1-4 family real estate		167,290	51,766,250	51,933,540
Nonfarm nonresidential real estate		7,759,826	304,167,827	311,927,653
Commercial & industrial		401,392	55,227,934	55,629,326
States & political subdivisions		-	53,258,000	53,258,000
Other		-	16,341,122	16,341,122
	$	9,553,351	542,919,531	552,472,882

According to ASC 310, loans are considered to be impaired when it is determined that collection of all contractually owed amounts, including principal and interest, is unlikely. For nonaccrual loans with a balance greater than $250,000 or otherwise determined to be a Troubled Debt Restructure (TDR), the Bank considers the loan to be impaired and performs an impairment evaluation to determine the need for a specific reserve under the provisions of ASC 310-40. The specific reserve is equal to the portion of the loan found to be impaired based on the present value of discounted cash flows, the observable market price of the loan, or the fair value of the loan's underlying collateral less cost to sell. Payments received on impaired loans that are accruing are recognized in interest income, according to the loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding.

The following presents a summary of impaired loans as of December 31, 2014:

		Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total Allowance
1-4 family real estate	$	905,282	768,000	137,282	905,282	1,092
Nonfarm nonresidential real estate		5,739,515	1,251,459	4,488,056	5,739,515	96,272
Commercial & industrial		355,897	286,544	69,353	355,897	218
	$	7,000,694	2,306,004	4,694,690	7,000,694	97,582

The following presents a summary of impaired loans as of December 31, 2013:

		Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total Allowance
Construction & development	$	1,224,843	-	1,224,843	1,224,843	47,544
1-4 family real estate		167,290	167,290	-	167,290	-
Nonfarm nonresidential real estate		7,759,826	5,017,350	2,742,476	7,759,826	21,133
Commercial & industrial		472,567	401,392	-	401,392	-
	$	9,624,526	5,586,032	3,967,319	9,553,351	68,677

The average recorded investment in impaired loans and the related interest income recognized for cash payments received as of December 31 were as follows:

		2014		2013	
		Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Construction & development	$	330,890	37,720	656,590	2,933
1-4 family real estate		539,259	31,820	665,174	10,339
Nonfarm nonresidential real estate		6,123,056	473,658	5,090,012	215,291
Commercial & industrial		216,834	27,702	1,642,980	45,295
Other		-	-	2,572	184
	$	7,210,039	570,900	8,057,328	274,042

Included in certain loan categories of impaired loans are TDRs on which the Bank has granted certain material concessions to the borrower as a result of the borrower experiencing financial difficulties. As of December 31, 2014, none of the Bank's loans were modified in TDRs and identified as nonaccrual loans. As of December 31, 2013, $1,962,832 of the Bank's loans were modified in TDRs and identified as nonaccrual loans. As of December 31, 2014, $2,412 was committed to lend as additional funds to borrowers whose loans have been modified in a troubled debt restructuring. As of December 31, 2013, $227,490 was committed to lend as additional funds to borrowers whose loans have been modified in a troubled debt restructuring. The concessions granted by the Bank may include, but are not limited to: (1) a modification in which the maturity date, timing of payments or frequency of payments is modified, (2) an interest rate lower than the current market rate for new loans with similar risk, or (3) a combination of the first two factors.

If a borrower on a restructured accruing loan has demonstrated performance under the previous terms, is not experiencing financial difficulty and shows the capacity to continue to perform under the restructured terms, the loan will remain on accrual status. Otherwise, the loan will be placed on nonaccrual status until the borrower demonstrates a sustained period of performance, which generally requires six consecutive months of payments. Loans identified as TDRs are evaluated for impairment using the present value of the expected cash flows or the estimated fair value of the collateral if the loan is collateral dependent. The fair value is determined, when possible, by an appraisal of the property less estimated costs related to liquidation of the collateral. The appraisal amount may also be adjusted for current market conditions. Adjustments to reflect the present value of the expected cash flows or the estimated fair value of collateral dependent loans are a component in determining an appropriate allowance for loan losses, and as such, may result in increases or decreases to the provision for loan losses in current and future earnings.

The following presents a summary of loans identified as TDRs for the year ended December 31, 2014:

	Number of loans		Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
1-4 family real estate	2	$	768,367	768,367
Nonfarm nonresidential real estate	1		726,786	726,786
Commercial & industrial	1		50,776	50,776
	4	$	1,545,929	1,545,929

The following presents a summary of loans identified as TDRs for the year ended December 31, 2013:

	Number of loans		Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Construction & development	1	$	528,141	513,812
Nonfarm nonresidential real estate	2	$	2,983,427	2,912,993
	3		3,511,568	3,426,805

Loans modified as TDRs within the previous 12 months and for which there was a payment default, defined as being 30 days or more past due, during the period are summarized for the year ended December 31 as follows:

	2014			2013		
	Number of loans		Recorded investment	Number of loans		Recorded investment
Construction & development	-	$	-	1	$	1,224,843
Nonfarm nonresidential real estate	4		3,897,964	-		-
Commercial & industrial	1		69,353	-		-
	5	$	3,967,317	1	$	1,224,843

Loans are generally placed on nonaccrual status when they are past due for over 90 days unless they are adequately collateralized and are in the process of collection. No interest is accounted for as income on nonaccrual loans unless received in cash or until such time as the borrower demonstrates an ability to resume payments of principal and interest. Generally, interest previously accrued but not collected is reversed and charged against income when a loan is placed on nonaccrual.

Nonaccrual loans as of December 31 are summarized as follows:

		2014	2013
1-4 family real estate	$	-	77,232
Nonfarm nonresidential real estate		-	2,613,907
Commercial & industrial		245,744	299,031
	$	245,744	2,990,170

The following tables present an aging analysis of loans as of December 31, 2014 and 2013, respectively. Nonaccrual loans that are current represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected. As of December 31, 2014 there were $245,744 in nonaccrual loans considered current, no nonaccrual loans 30-89 days past due and no nonaccrual loans 90 days or more past due. There are no loans past due more than 90 days still accruing interest as of December 31, 2014 or 2013. As of December 31, 2013 there were $376,263 in nonaccrual loans considered current, $1,962,832 in nonaccrual loans 30-89 days past due and $651,075 in nonaccrual loans 90 days or more past due.

As of December 31, 2014:		Accruing loans 30-59 days past due	Accruing loans 60-89 days past due	Total nonaccrual loans	Total past due and nonaccrual loans	Current	Total loans
Construction & development	$	281,173	-	-	281,173	99,810,186	100,091,359
1-4 family real estate		-	-	-	-	54,006,485	54,006,485
Nonfarm nonresidential real estate		105,616	-	-	105,616	318,298,705	318,404,321
Commercial & industrial		-	-	245,744	245,744	59,984,365	60,230,109
States & political subdivisions		-	-	-	-	79,277,000	79,277,000
Other		1,210	-	-	1,210	18,051,942	18,053,152
	$	387,999	-	245,744	633,743	629,428,683	630,062,426

As of December 31, 2013:		Accruing loans 30-59 days past due	Accruing loans 60-89 days past due	Total nonaccrual loans	Total past due and nonaccrual loans	Current	Total loans
Construction & development	$	-	-	-	-	63,383,241	63,383,241
1-4 family real estate		-	-	77,232	77,232	51,856,308	51,933,540
Nonfarm nonresidential real estate		112,192	655,516	2,613,907	3,381,615	308,546,038	311,927,653
Commercial & industrial		1,300	116,829	299,031	417,160	55,212,166	55,629,326
States & political subdivisions		-	-	-	-	53,258,000	53,258,000
Other		-	-	-	-	16,341,122	16,341,122
	$	113,492	772,345	2,990,170	3,876,007	548,596,875	552,472,882

In addition to the past due and nonaccrual criteria, the Bank also evaluates loans according to its internal risk grading system. Loans are segregated between pass grade, special mention, substandard accruing, and substandard non-accruing categories. The definitions of those categories are as follows:

Pass: Loans that do not fit either of the other two categories listed below and for which likelihood of loss is considered to be remote.

Special mention: Loans with potential for deteriorating into a substandard classification without close supervision and monitoring. Loans remain in this category on a temporary basis and should be reclassified up or down, depending on improvement or continued deterioration.

Substandard accruing: Loans not adequately protected by sound current net worth or adequate repayment capacity of the borrower and/or of the collateral pledged. Substandard loans have well defined weaknesses that jeopardize the liquidation of the classified debt. A potential for loss exists if the deficiencies or weaknesses are not recognized and corrected.

Substandard non-accruing: Loans where an element of loss is present and collection is considered questionable. These loans will require vigorous attention to salvage.

Outstanding loan balances categorized by internal risk grades as of December 31, 2014 are summarized as follows:

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 98,297,743	-	1,793,616	-	100,091,359
1-4 family real estate	53,241,471	-	765,014	-	54,006,485
Nonfarm nonresidential real estate	305,820,747	-	12,583,574	-	318,404,321
Commercial & industrial	59,186,294	-	798,071	245,744	60,230,109
State & political subdivisions	79,277,000	-	-	-	79,277,000
Other	17,662,165	-	390,987	-	18,053,152
	$ 613,485,420	-	16,331,262	245,744	630,062,426

Outstanding loan balances categorized by internal risk grades as of December 31, 2013 are summarized as follows:

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 57,033,831	5,073,008	1,276,402	-	63,383,241
1-4 family real estate	50,452,288	-	1,404,020	77,232	51,933,540
Nonfarm nonresidential real estate	298,211,684	-	11,102,062	2,613,907	311,927,653
Commercial & industrial	54,835,494	-	494,801	299,031	55,629,326
State & political subdivisions	53,258,000	-	-	-	53,258,000
Other	16,281,662	-	59,460	-	16,341,122
	$ 530,072,959	5,073,008	14,336,745	2,990,170	552,472,882

(6) PREMISES AND EQUIPMENT

Premises and equipment as of December 31, is summarized as follows:

	2014	2013
Land	$ 3,597,102	3,485,878
Buildings and leasehold improvements	15,978,964	15,527,446
Furniture and equipment	10,495,549	10,234,490
	30,071,615	29,247,814
Less accumulated depreciation and amortization	17,179,169	16,302,870
	$ 12,892,446	12,944,944

(7) OTHER REAL ESTATE

Other real estate activity is summarized as follows:

	2014	2013
Balance, beginning of year	$ -	2,737,420
Properties acquired	-	843,910
Properties sold	-	(3,745,662)
Net gain (loss) on properties sold	-	327,445
Changes in valuation	-	(163,113)
Balance, end of year	$ -	-

Expenses (net) incurred in the ownership of other real estate were $(1,356) and $81,417 for the year ended December 31, 2014 and 2013, respectively and are recorded in other operating expense.

(8) INTEREST-BEARING DEPOSITS

Interest-bearing deposits as of December 31, are summarized as follows:

	2014	2013
Interest-bearing checking	$ 155,487,941	144,675,022
Insured money market	196,301,244	171,459,968
Savings accounts	87,916,803	88,714,884
Certificates of deposit greater than $100,000	40,142,700	42,206,211
Other certificates of deposit	25,265,691	28,656,032
	$ 505,114,379	475,712,117

The aggregate amount of time deposits with balances of $250,000 or more was $23,531,165 and $23,183,074 as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, respectively, overdraft deposits totaling $35,201 and $21,805 were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2014 follows:

	2014
Year ended December 31:	
2015	$ 44,488,072
2016	11,453,315
2017	2,503,542
2018	5,516,486
2019	1,433,371
2020	13,605
Total	$ 65,408,391

The Bank accepts deposits from its executive officers, directors, and affiliated companies on substantially the same terms for comparable transactions with unrelated parties. The aggregate dollar amounts of these deposits were $9,138,599 and $7,700,046 at December 31, 2014 and 2013, respectively.

(9) SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase consists of sweep repurchase agreements that mature in less than 30-days with a weighted average interest rate of 0.34 percent at December 31, 2014 and 2013, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2014 did not significantly fluctuate from year-end balances.

The U.S. government securities transferred under agreements to repurchase are book entry securities delivered on behalf of depositors into the Bank's pledged safekeeping account maintained at a correspondent bank. The book value of the underlying securities that have been sold under agreements to repurchase were $50,094,897 and $45,227,080 at December 31, 2014 and 2013, respectively. The fair value of such securities was $49,972,741 and $45,158,960 at December 31, 2014 and 2013, respectively.

(10) OTHER BORROWINGS

There were no other borrowings outstanding as of December 31, 2014 or December 31, 2013.

(11) INCOME TAXES

The provision for income tax expense for the year ended December 31 is summarized as follows:

	2014	2013
Current:		
Federal	$ 4,366,211	4,418,395
State	688,555	762,265
Deferred:		
Federal	95,313	1,048,977
State	18,707	162,380
Income tax expense	$ 5,168,786	6,392,017

A reconciliation of expected tax expense based on the federal rate of 34 percent to actual income tax expense for the years ended December 31 is summarized as follows:

	2014	2013
Expected federal tax expense	$ 5,793,138	6,318,507
Increases (decreases) in taxes resulting from:		
Tax-exempt interest income	(792,212)	(687,138)
State taxes, net of federal benefit	471,472	529,756
Bank owned life insurance	(211,427)	(207,305)
Other	(92,185)	438,197
Income tax expense	$ 5,168,786	6,392,017

Temporary differences between the amounts reported in the financial statements and the tax bases of liabilities and assets result in deferred taxes. Deferred tax assets and deferred tax liabilities at December 31 are as follows:

	2014	2013
Deferred tax liabilities		
Premises and equipment	$ 162,947	329,647
Deferred loan costs	901,136	814,732
Deferred income on FHLB stock	352,055	359,967
Other	243,200	173,831
	1,659,338	1,678,177
Deferred tax assets		
Net unrealized loss on investment securities available for sale	9,151	349,921
Allowance for loan losses	2,939,605	3,267,998
Deferred compensation	1,460,803	1,337,346
Other	180,536	108,459
	4,590,095	5,063,724
Net deferred tax asset	$ 2,930,757	3,385,547

Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. The net deferred tax asset is included on the consolidated statements of condition as a component of other assets.

(12) FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in the underlying methodologies and assumptions used could significantly affect the estimates. Further, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements. Therefore, the fair value amounts shown in the table do not, by themselves, represent the underlying value of the Bank as a whole.

This summary excludes financial assets and liabilities for which carrying value approximates fair value. For financial assets, these include cash and due from banks, interest-bearing deposits in banks, federal funds sold, FHLB stock, bank owned life insurance, available for sale securities, accrued interest receivable and loans held for sale. For financial liabilities, these include non-interest bearing deposits, securities sold under agreements to repurchase and accrued interest payable. The estimated fair value of non-interest bearing deposits is the amount payable on demand at the reporting date. FASB ASC 820 requires the use of carrying value because the accounts have no stated maturity and the customer has the ability to withdraw funds immediately. Also excluded from the summary are financial instruments recorded at fair value on a recurring basis, as previously described.

The carrying amounts and estimated fair values of the Bank's financial instruments as of December 31 are as follows:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Investment securities, held to maturity	$ 24,662,548	24,980,210	26,817,870	27,224,400
Loans, net	621,839,095	616,747,293	543,304,793	545,635,656
Financial liabilities:				
Interest-bearing deposits	505,114,379	513,773,826	475,712,117	474,864,846

The following methods and assumptions were used to estimate the fair values disclosed in the above table:

Investment securities, held to maturity – Fair values are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs for the determination of fair value in accordance with FASB ASC 820. Third party pricing services normally derive the security prices through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information.

Loans – The fair value is estimated by discounting future cash flows of certain groups of homogeneous loans using the current market rates. These future cash flows are then reduced by the estimated 'life-of-the-loan' aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are highly judgmental because the Bank does not have a validated model to estimate lifetime losses on large portions of its loan portfolio. Loans, other than those held for sale, are not normally purchased and sold by the Bank, and there are no active trading markets for most of this portfolio.

Interest-bearing deposits and securities sold under agreements to repurchase - The fair value is estimated by discounting future cash flows using rates currently available to the Bank for debt with similar terms.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an 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. To measure fair value, a hierarchy has been established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to valuation methodology:

Investment securities, available for sale – Where quoted prices are available in an active market, securities are classified within level 1 of the hierarchy. Level 1 includes securities that have quoted prices in an active market for identical assets. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Bank has categorized its investment securities, available for sale as Level 2.

Impaired loans – Fair value applies to loans measured for impairment using the practical expedients permitted by FASB ASC 310, including impaired loans measured at an observable market price (if available) or at the fair value of the loan's collateral (if collateral dependent). Fair value of the loan's collateral is determined by appraisals or independent valuation which is then adjusted for the cost related to liquidation of the collateral. The Bank has categorized its impaired loans as Level 3.

Financial assets measured at fair value as of December 31 are summarized as follows:

		2014		
Description of Financial Instrument	Fair Value	Level 1	Level 2	Level 3
Recurring:				
Investment securities, available for sale				
U.S. government agency	$ 73,048,567	-	73,048,567	-
U.S. government agency mortgage backed securities	26,100,510	-	26,100,510	-
Mutual fund	5,069,722	-	5,069,722	-
Nonrecurring:				
Impaired loans with a specific valuation allowance	4,597,108	-	-	4,597,108

		2013		
Description of Financial Instrument	Fair Value	Level 1	Level 2	Level 3
Recurring:				
Investment securities, available for sale				
U.S. government agency	$ 72,600,321	-	72,600,321	-
U.S. government agency mortgage backed securities	19,479,184	-	19,479,184	-
Mutual fund	4,841,431	-	4,841,431	-
Nonrecurring:				
Impaired loans with a specific valuation allowance	3,898,642	-	-	3,898,642

The following tables present information about significant unobservable inputs related to the Bank's categories of Level 3 financial assets measured on a nonrecurring basis:

As of December 31, 2014:	Fair value	Valuation technique	Unobservable inputs	Range of inputs	Weighted average discount
Impaired loans with a specific valuation allowance:					
1-4 family real estate	$ 136,190	Income approach	Discounted cash flow analysis	.75%	.75%
Nonfarm nonresidential real estate	4,391,783	Income approach	Discounted cash flow analysis	.87% to 3.87%	2.07%
Commercial & industrial	69,135	Income approach	Discounted cash flow analysis	.21%	.21%

As of December 31, 2013:	Fair value	Valuation technique	Unobservable inputs	Range of inputs	Weighted average discount
Impaired loans with a specific valuation allowance:					
Construction & development	$ 1,177,299	Income approach	Discounted cash flow analysis	2.71%	2.71%
Nonfarm nonresidential real estate	2,721,343	Income approach	Discounted cash flow analysis	.60% to 2.69%	.74%

(13) COMMITMENTS AND CONTINGENT LIABILITIES

The Bank is obligated under certain operating lease agreements for the rental of buildings that vary in terms from one to ten years. As of December 31, 2014, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

Year ended December 31:

2015	$	348,549
2016		354,058
2017		337,628
2018		328,374
2019		201,140
Thereafter		563,616
	$	2,133,365

The Bank recorded lease expense (net of sublease income of approximately $33,000 for the year ending December 31, 2014 and 2013, respectively) under these agreements of approximately $444,000 and $504,000 in 2014 and 2013, respectively. Of these amounts, $14,400 was paid in both 2014 and 2013, to related parties.

Combined allowances for loan losses and reserve for unfunded lending commitments is summarized as follows:

		2014	2013
Allowance for loan losses	$	7,280,977	8,361,389
Reserve for unfunded lending commitments		600,000	400,000
	$	7,880,977	8,761,389

In the normal course of business, the Bank enters into commitments and contingent liabilities to extend credit under various lending agreements. Off balance-sheet loan commitments and letters of credit upon which the reserve for unfunded lending commitments was calculated, was $203,028,951 and $158,966,702 as of December 31, 2014 and 2013, respectively. Commitments on letters of credit totaled $4,168,105 and $4,082,543 as of December 31, 2014 and 2013, respectively, and $198,860,846 and $154,884,160, respectively, on all other variable rate loan commitments.

The Bank has lines of credit established with the Federal Home Loan Bank of Seattle (FHLB) for $171,493,762 (20 percent of total assets), Zions First National Bank for $15,000,000, and JP Morgan Chase for $10,000,000. The FHLB credit line is limited to the amount of pledged collateral which was $161,950,294 as of December 31, 2014. The lines of credit are reviewed on an annual basis and market interest rates are set at the time funds are borrowed. The Bank did not have outstanding borrowings from Federal Home Loan Bank of Seattle, Zions First National Bank, or JP Morgan Chase at December 31, 2014 or 2013, except as disclosed in note 10.

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

(14) REGULATORY CAPITAL REQUIREMENTS

The Corporation is subject to various regulatory capital requirements administered by the 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 Corporation’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s 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 Corporation and the Bank to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average quarterly assets (as defined). Management believes, as of December 31, 2014, that the Bank meets all minimum capital adequacy requirements to which it is subject.

As of December 31, 2014, the most recent notification from the Federal Deposit Insurance Corporation categorized the Corporation as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain certain Total and Tier 1 capital to risk-weighted assets and Tier 1 capital to quarterly average asset ratios. There are no conditions or events since that notification that management believes have changed the Bank’s category.

Dividends declared by the Corporation in any calendar year may not, without the approval of the federal regulatory agencies, exceed net income for that year combined with net income less dividends paid for the preceding two years. At December 31, 2014, the Bank had approximately $27,429,379 available for payment of dividends under the foregoing restrictions.

Capital amounts and ratios as of December 31, 2014 are summarized as follows:

		Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital							
(to risk weighted assets)							
Consolidated	$	122,848,343	19.64%	50,033,227	8.0%	N/A	N/A
Bank of Utah		121,501,482	19.43%	500,33,227	8.0%	62,541,534	10.0%
Tier 1 Capital							
(to risk weighted assets)							
Consolidated		114,967,366	18.38%	25,016,614	4.0%	N/A	N/A
Bank of Utah		113,620,505	18.17%	25,016,614	4.0%	37,524,920	6.0%
Tier 1 Capital							
(to quarterly average assets)							
Consolidated		114,967,366	13.22%	34,780,528	4.0%	N/A	N/A
Bank of Utah		113,620,505	13.07%	34,780,528	4.0%	43,475,660	5.0%

Capital amounts and ratios as of December 31, 2013 are summarized as follows:

		Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital							
(to risk weighted assets)							
Consolidated	$	113,946,319	18.16%	50,200,231	8.0%	N/A	N/A
Bank of Utah		112,699,145	17.96%	50,200,231	8.0%	62,750,289	10.0%
Tier 1 Capital							
(to risk weighted assets)							
Consolidated		106,091,204	16.91%	25,100,116	4.0%	N/A	N/A
Bank of Utah		104,844,030	16.71%	25,100,116	4.0%	37,650,173	6.0%
Tier 1 Capital							
(to quarterly average assets)							
Consolidated		106,091,204	12.99%	32,674,888	4.0%	N/A	N/A
Bank of Utah		104,844,030	12.83%	32,674,888	4.0%	40,843,610	5.0%

Schedule 1

BOU BANCORP. INC.

CONSOLIDATING SCHEDULE - STATEMENT OF CONDITION

December 31, 2014

	BOU Bancorp, Inc.	Bank of Utah	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ 1,610,861	15,504,662	(1,610,861)	15,504,662
Interest-bearing deposits in banks	-	31,498,744	-	31,498,744
Federal funds sold	-	13,858	-	13,858
Investment securities:				
Held to maturity	-	24,662,548	-	24,662,548
Available for sale	-	104,218,799	-	104,218,799
Total investment securities	-	128,881,347	-	128,881,347
Loans held for sale	-	11,806,795	-	11,806,795
Loans	-	629,120,072	-	629,120,072
Less allowance for loan losses	-	7,280,977	-	7,280,977
Net loans	-	621,839,095	-	621,839,095
Investment in Bank of Utah	119,642,661	-	(119,642,661)	-
Accrued interest receivable	-	2,599,478	-	2,599,478
Goodwill	-	5,894,024	-	5,894,024
Bank owned life insurance	-	18,954,262	-	18,954,262
Premises and equipment, net	-	12,892,446	-	12,892,446
Other assets	-	7,584,098	-	7,584,098
Total assets	$ 121,253,522	857,468,809	(121,253,522)	857,468,809
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Non interest-bearing	$ -	181,634,756	-	181,634,756
Interest-bearing	-	506,725,240	(1,610,861)	505,114,379
Total deposits	-	688,359,996	(1,610,861)	686,749,135
Securities sold under agreements to repurchase	-	42,733,043	-	42,733,043
Other liabilities	264,000	6,733,109	-	6,997,109
Total liabilities	264,000	737,826,148	(1,610,861)	736,479,287
Common stock	1,683,375	3,655,580	(3,655,580)	1,683,375
Paid-in capital	4,333,954	8,534,211	(8,534,211)	4,333,954
Accumulated other comprehensive income (loss)	(15,382)	(15,382)	15,382	(15,382)
Retained earnings	114,987,575	107,468,252	(107,468,252)	114,987,575
Total stockholders' equity	120,989,522	119,642,661	(119,642,661)	120,989,522
	$ 121,253,522	857,468,809	(121,253,522)	857,468,809

See accompanying report of independent auditors.

BOU BANCORP. INC.

Schedule 1

CONSOLIDATING SCHEDULE - STATEMENT OF CONDITION

December 31, 2013

	BOU Bancorp, Inc.	Bank of Utah	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ 1,247,174	6,299,361	(1,247,174)	6,299,361
Interest-bearing deposits in banks	-	106,958,898	-	106,958,898
Federal funds sold	-	187,116	-	187,116
Investment securities:				
Held to maturity	-	26,817,870	-	26,817,870
Available for sale	-	96,920,936	-	96,920,936
Total investment securities	-	123,738,806	-	123,738,806
Loans held for sale	-	7,862,556	-	7,862,556
Loans	-	551,666,182	-	551,666,182
Less allowance for loan losses	-	8,361,389	-	8,361,389
Net loans	-	543,304,793	-	543,304,793
Investment in Bank of Utah	110,413,914	-	(110,413,914)	-
Accrued interest receivable	-	2,397,587	-	2,397,587
Goodwill	-	5,894,024	-	5,894,024
Bank owned life insurance	-	17,707,421	-	17,707,421
Premises and equipment, net	-	12,944,944	-	12,944,944
Other assets	-	7,674,103	-	7,674,103
Total assets	$ 111,661,088	834,969,609	(111,661,088)	834,969,609
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Non interest-bearing	$ -	205,368,717	-	205,368,717
Interest-bearing	-	476,959,291	(1,247,174)	475,712,117
Total deposits	-	682,328,008	(1,247,174)	681,080,834
Securities sold under agreements to repurchase	-	35,568,499	-	35,568,499
Other liabilities	-	6,659,188	-	6,659,188
Total liabilities	-	724,555,695	(1,247,174)	723,308,521
Common stock	1,683,375	3,655,580	(3,655,580)	1,683,375
Paid-in capital	4,333,954	8,534,211	(8,534,211)	4,333,954
Accumulated other comprehensive income (loss)	(588,206)	(588,206)	588,206	(588,206)
Retained earnings	106,231,965	98,812,329	(98,812,329)	106,231,965
Total stockholders' equity	111,661,088	110,413,914	(110,413,914)	111,661,088
	$ 111,661,088	834,969,609	(111,661,088)	834,969,609

See accompanying report of independent auditors

Schedule 2

BOU BANCORP. INC.

CONSOLIDATING SCHEDULE - STATEMENT OF INCOME

Year ended December 31, 2014

	BOU Bancorp, Inc.	Bank of Utah	Eliminations	Consolidated
INTEREST INCOME:				
Interest and fees on loans	$ -	29,166,195	-	29,166,195
Interest on investment securities:			-	
Taxable	-	1,389,536	-	1,389,536
Tax-exempt	-	531,092	-	531,092
Interest on loans held for sale	-	348,479	-	348,479
Interest on federal funds sold	-	579	-	579
Interest on interest-bearing deposits in banks	3,010	189,635	(3,010)	189,635
Total interest income	3,010	31,625,516	(3,010)	31,625,516
INTEREST EXPENSE:				
Interest on deposits	-	1,625,587	(3,010)	1,622,577
Interest on securities sold under agreement to repurchase	-	112,503	-	112,503
Interest on other borrowings	-	419	-	419
	-	1,738,509	(3,010)	1,735,499
Net interest income	3,010	29,887,007	-	29,890,017
Provision for (reversal of) loan losses	-	(500,000)	-	(500,000)
Net interest income after provision for (reversal of) loan losses	3,010	30,387,007	-	30,390,017
OPERATING INCOME:				
Dividend from Bank of Utah	3,929,748	-	(3,929,748)	-
Equity in undistributed income of Bank of Utah	8,655,924	-	(8,655,924)	-
Service charges on deposits	-	1,575,282	-	1,575,282
Gain on sale of loans	-	5,997,161	-	5,997,161
Trust fees	-	7,101,032	-	7,101,032
Cash surrender value increase of life insurance	-	621,842	-	621,842
Other	-	1,421,158	-	1,421,158
	12,585,672	16,716,475	(12,585,672)	16,716,475
OPERATING EXPENSES:				
Salaries and employee benefits	607,856	18,954,365	-	19,562,221
Net occupancy expense	-	2,115,102	-	2,115,102
Equipment expense	-	2,789,504	-	2,789,504
Professional fees and services	20,751	1,358,353	-	1,379,104
Other	90,221	4,131,700	-	4,221,921
	718,828	29,349,024	-	30,067,852
Income before provision for income taxes	11,869,854	17,754,458	(12,585,672)	17,038,640
Provision for income taxes	-	5,168,786	-	5,168,786
Net income	$ 11,869,854	12,585,672	(12,585,672)	11,869,854

See accompanying report of independent auditors.

BOU BANCORP. INC.

Schedule 2

CONSOLIDATING SCHEDULE - STATEMENT OF INCOME

Year ended December 31, 2013

		BOU Bancorp, Inc.	Bank of Utah	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$	-	26,764,571	-	26,764,571
Interest on investment securities:					
Taxable		-	1,256,805	-	1,256,805
Tax-exempt		-	743,757	-	743,757
Interest on loans held for sale		-	454,589	-	454,589
Interest on federal funds sold		-	877	-	877
Interest on interest-bearing deposits in banks		1,844	206,607	(1,844)	206,607
Total interest income		1,844	29,427,206	(1,844)	29,427,206
INTEREST EXPENSE:					
Interest on deposits		-	1,576,683	(1,844)	1,574,839
Interest on securities sold under agreement to repurchase		-	110,789	-	110,789
Interest on other borrowings		-	191	-	191
		-	1,687,663	(1,844)	1,685,819
Net interest income		1,844	27,739,543	-	27,741,387
Provision for (reversal of) loan losses		-	(1,800,000)	-	(1,800,000)
Net interest income after provision for (reversal of) loan losses		1,844	29,539,543	-	29,541,387
OPERATING INCOME:					
Dividend from Bank of Utah		3,746,969	-	(3,746,969)	-
Equity in undistributed income of Bank of Utah		8,589,861	-	(8,589,861)	-
Service charges on deposits		-	1,625,562	-	1,625,562
Gain on sale of loans		-	8,603,814	-	8,603,814
Trust fees		-	5,662,468	-	5,662,468
Cash surrender value increase of life insurance		-	609,722	-	609,722
Other		-	1,566,846	-	1,566,846
		12,336,830	18,068,412	(12,336,830)	18,068,412
OPERATING EXPENSES:					
Salaries and employee benefits		-	19,189,790	-	19,189,790
Net occupancy expense		-	2,129,695	-	2,129,695
Equipment expense		-	2,532,461	-	2,532,461
Professional fees and sercices		12,954	1,198,542	-	1,211,496
Other		133,893	3,828,620	-	3,962,513
		146,847	28,879,108	-	29,025,955
Income before provision for income taxes		12,191,827	18,728,847	(12,336,830)	18,583,844
Provision for income taxes		-	6,392,017	-	6,392,017
Net income	$	12,191,827	12,336,830	(12,336,830)	12,191,827

See accompanying report of independent auditors.

BOU BANCORP. INC.

BOARD OF DIRECTORS

Frank W. Browning
Chairman of the Board
President

Douglas L. DeFries
Vice President

Jonathan W. Browning
Secretary to the Board
Vice President

George E. Hall
General Partner
Elliott-Hall Company

H. Dee Hutzley
Grocer

Paul T. Kunz
Attorney

OFFICERS

Frank W. Browning
Chairman of the Board
President

Douglas L. DeFries
Vice President

Jonathan W. Browning
Secretary to the Board
Vice President

Menah C. Strong
Treasurer

BANK OF UTAH

BOARD OF DIRECTORS

Frank W. Browning
Chairman of the Board

Douglas L. DeFries
President and Chief Executive Officer

Jonathan W. Browning
Secretary to the Board

Dr. Gary R. Gibbons
Physician

George E. Hall
General Partner
Elliott-Hall Company

H. Dee Hutzley
Grocer

Eugene B. Jones
Certified Public Accountant

Paul T. Kunz
Attorney

Bruce D. Stephens
Land Development
Southtown Properties

James C. Anderson
Banking

OFFICERS

Executive Officers:	
Douglas L. DeFries	President and Chief Executive Officer
Branden P. Hansen	Executive Vice President, Chief Financial Officer
Taft G. Meyer	Executive Vice President, Chief Lending Officer
Roger G. Shumway	Executive Vice President, Chief Credit Officer
K. Darrel May	Senior Vice President, Human Resources
Scott H. Parkinson	Senior Vice President, Marketing and Communications
T. Craig Roper	Senior Vice President, Chief Deposit Officer
Menah C. Strong	Senior Vice President, Chief Administrative Officer
Lending:	
Jared M. Anderson	Senior Vice President, Team Leader, Ogden
Roger L. Christensen	Senior Vice President, Regional Team Leader, South
Norman G. Fukui	Senior Vice President, Team Leader, North
Cari G. Fullerton	Senior Vice President, Team Leader, CRE, North
Krista L. Lewis	Senior Vice President, Team Leader, Logan
Russell W. Miller	Senior Vice President, Regional Credit Administrator
David K. Snow	Senior Vice President, Team Leader, Redwood C&I and CRE
John W. Walton	Senior Vice President, Team Leader, 7th South
Eric S. Blanchard	Vice President, Relationship Manager
Gregory J. Brown	Vice President, Team Leader, Orem
Kelly D. Crane-Hale	Vice President, Relationship Manager
Steven P. Diamond	Vice President, Relationship Manager, CRE
M. Brady Fosmark	Vice President, Relationship Manager
Larry R. Hintze	Vice President, Relationship Manager
David E. Mumm	Vice President, Relationship Manager
Karl S. Robertson	Vice President, Relationship Manager
Benjamin F. Browning	Assistant Vice President, Lending Administrator
Tiffany S. Hernandez	Assistant Vice President, Portfolio Manager
Jeffrey L. Norton	Assistant Vice President, Relationship Manager
Blake W. Ostler	Assistant Vice President, Relationship Manager
Beckie K. Reynosa	Assistant Vice President, Portfolio Manager
Spencer R. Richins	Assistant Vice President, Relationship Manager
Branch Management:	
Ryan J. Granquist	Vice President, Branch Administrator
Ashley F. Massey	Vice President, Relationship Manager, Treasury Management
Wendy B. Parker	Vice President, Banking Operations
Sandi E. Jardine	Assistant Vice President, Branch Administrator, Northern Region
Connie L. Lynch	Assistant Vice President, Branch Manager, South Ogden
Mary M. Ryan	Assistant Vice President, Branch Administrator, Southern Region
Lending Administration:	
Daniel S. Boren	Vice President, Collections/Special Assets
Dillon George	Vice President, Portfolio Manager, CRM
Bruce G. Holbrook	Vice President, CRM Administrator
Colleen Schulthies	Vice President, Legal Counsel
Christina L. Thurnwald	Vice President, Loan Documentation Manager

BANK OF UTAH
OFFICERS

Corporate Administration:

Eddie J. Cameron	Senior Vice President, Information Technology Manager
Jo C. Brown	Vice President, Bank Secrecy Act/CRA/Deposit Compliance Officer
Colby J. Dustin	Vice President, Enterprise Risk Manager
D. Scott Heninger	Vice President, Loan Review
Brian S. Stevens	Vice President, Controller
Elizabeth N. Warner	Vice President, Lending Compliance Officer
Susana K. Feightner	Assistant Vice President, Assistant Controller
Shelly J. Hill	Assistant Vice President, Lending Compliance Officer
Jamie B. Lucky	Assistant Vice President, Internal Audit Manager
Christopher N. McIntyre	Assistant Vice President, IT Data Center Manager
Leon B. Trappett	Assistant Vice President, Information Technology Security Officer
Jay D. Weaver	Assistant Vice President, Network Manager

Mortgage & Residential Construction:

Bret J. Wall	Senior Vice President, Residential Lending
Eric D. DeFries	Vice President, Mortgage and Consumer Finance
Kathy L. Robles	Vice President, Mortgage Operations Supervisor
Amber Wykstra	Vice President, Residential Construction
Eric J. Allsop	Assistant Vice President, Mortgage Lending/Relationship Manager, St. George
Katherine L. Davis	Assistant Vice President, Relationship Manager, Consumer
Jennifer H. Dee	Assistant Vice President, Mortgage Operations Support
W. Dan Farnsworth	Assistant Vice President, Mortgage Loan Office Manager, Logan
Michael R. Medsker	Assistant Vice President, Mortgage Loan Office Manager, Ogden
Russell G. Piggott	Assistant Vice President, Mortgage Loan Office Manager, Logan City Center
Linda C. Rose	Assistant Vice President, Mortgage Loan Office Manager, South Ogden

Trust & Investments:

David B. Guzy	Senior Vice President, Senior Trust Officer
Paul R. Buchanan	Vice President, Trust Assistant Manager
Michael D. Hoggan	Vice President, Corporate Trust Counsel
Brett R. King	Vice President, Senior Corporate Trust Counsel
Lisa K. Mariano	Vice President, Trust Officer
C. Scott Nielsen	Vice President, Corporate Trust Marketing Officer
Craig A. Standing	Vice President, Trust Officer
Michael R. Bruschke	Assistant Vice President, Trust Operations Officer
Arge Feotis	Assistant Vice President, Corporate Trust Administrative Officer
Jodie K. LeBlanc	Assistant Vice President, Trust Officer

BANK OF UTAH

OFFICES

Ogden (Main)
2605 Washington Blvd.
Ogden UT 84401
801-409-5000

Ben Lomond
115 Washington Blvd.
Ogden, UT 84404
801-399-4425

Brigham City
80 East 800 South
Brigham City, UT 84302
435-723-9313

Layton
717 West Antelope Dr.
Layton, UT 84041
801-773-2221

Logan
5 East 1400 North
Logan, UT 84341
435-752-7102

Logan City Center
45 East 200 North, Ste. 102
Logan, Utah 84321
435-792-4600

Orem
1000 West 800 North
Orem, UT 84057
801-765-4401

Price
475 East Main, Ste. B
Price, UT 84501
435-637-3305

Providence
121 North Gateway Dr.
Providence, UT 84332
435-752-7198

Redwood
2309 South Redwood Rd.
Salt Lake City, UT 84119
801-973-2798

Roy
5741 South 1900 West
Roy, UT 84067
801-825-1647

Salt Lake City
200 East South Temple
Ste. 210
Salt Lake City, 84111
801-924-3690

Sandy
9320 South State
Sandy, UT 84070
801-562-5375

Seventh South
711 South State
Salt Lake City, UT 84111
801-532-7111

South Ogden
4605 Harrison Blvd. Ste100
Ogden UT 84403
801-394-6611

South Towne
230 West Towne Ridge
Parkway, Ste. 520
Sandy, UT 84070
801-285-5000

St. George
243 E. St. George Blvd. Ste. 110
St. George, UT 84790
435-986-7221

Tremonton
25 North Tremont St.
Tremonton, UT 84337
435-257-3613

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