

2015

Q4

# QUARTERLY REPORT

BANK of UTAH

## PRESIDENT'S MESSAGE

On behalf of BOU Bancorp Inc., the holding company of Bank of Utah (Bank) and Utah Risk Management, I am pleased to report a cash dividend for the fourth quarter of 2015 of \$0.45 per share. At book value, the dividend represents approximately 2.7 percent annualized cash return. Cash dividends for 2015 totaled \$2.10 per share or approximately a 2.8 percent cash return. This is a 13.5 percent increase over the \$1.85 per share paid in 2014.

Simply put, this is the best year that Bank of Utah has posted since its beginnings in 1952. This success is spurred by outstanding growth in commercial and mortgage loans over the past year—the majority originating in the state of Utah. We believe that a bustling local economy and a team of knowledgeable professionals has contributed to this growth.

### Strong Utah Economy

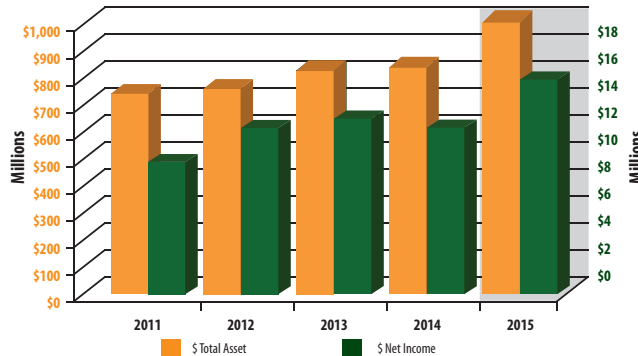
Utah leads *Forbes'* ranking of the best states for business for the second straight year and fifth time since 2010. In addition, a study conducted by *Entreprising States* rated Utah as "the most fundamentally-sound state".

### Experienced Professionals

Each of the Bank's lending segments understand the type of loan and customer that fits our profile and caters to these groups.

- The 22 commercial lenders at Bank of Utah have an average of 26 years of banking experience. This expertise has enabled our team to give practical advice to our commercial clients, enabling them to grow their businesses and, in turn, grow our loans.
- The 34 mortgage lenders at the Bank have been in lending for an average of 23 years each. We pride ourselves on being one of the state's leading mortgage lenders.
- The Bank is built upon the fundamental concept that every party associated with a transaction benefits, including the customer, the Bank and the employee. The customer benefits by obtaining sound business advice from seasoned loan officers and by obtaining a properly designed loan at a competitive rate. The Bank obtains a long-term relationship with a solid business that is profitable to the Bank. Lastly, employees work in a progressive environment and are rewarded for their efforts. This system creates a strong institution that is built to last.

Total Assets and Net Income



Commercial loan production increased **14 percent** over last year while mortgage and construction lending increased a remarkable **41 percent**. In addition, deposits increased over **8 percent** and solid performance was provided by trust operations.

The net income of the Bank grew to **\$15.7 million**, which is an increase of over **25 percent** from the previous year. This growth has not come at the

expense of loan quality. A mere .02 percent of the Bank's loans fell within the non-performing category at fiscal year end. This performance has once again ranked us #1 in our peer group, according to a recent *Banker's Caddy* report. Over the past 10 years, we are one of only a few traditional community banks that has shown profitability every quarter of every year. This proves that we perform when the market is strong and can also withstand periods of decline.

It's the goal to continue to grow the Bank at a pace that is sustainable. As we continue to grow, a renewed focus for the coming year will be an increased emphasis on deposit growth. In the coming year, a new web site and online banking system will improve our clients' ability to use mobile devices to do their banking wherever they may be. We have hired a new retail banking manager that has a vast experience in training and motivating deposit sales teams. Our bankers will continue to venture outside of the office and bring our products and services to our clients at their place of business or residence.

The Bank's continued growth has increased the ability to serve our customer base. We are now in the top 12 percent in asset size of all the banks in the nation (6,357 total banks). Our size and profitability allows us to add new products and services, continually improve our security systems, increase charitable efforts to build our communities and to give to our shareholders a proper return on their investment.

Douglas L. DeFries  
President and CEO



Thank you for investing and putting your trust in Bank of Utah.

*Douglas L. DeFries*

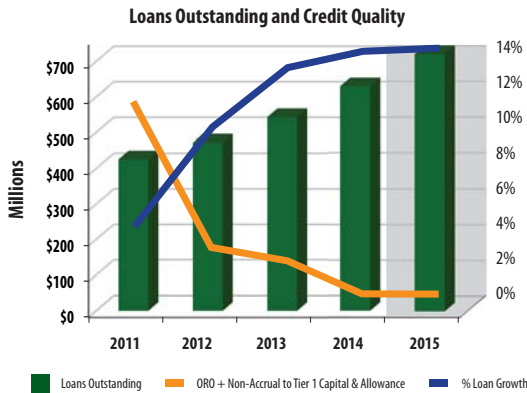


**BANK of UTAH**  
Experience. Service.

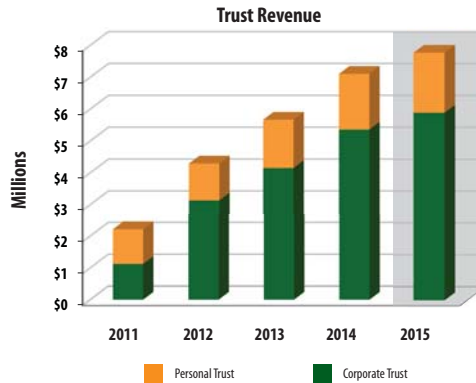


# Q4 AND YEAR END 2015 FINANCIAL ANALYSIS

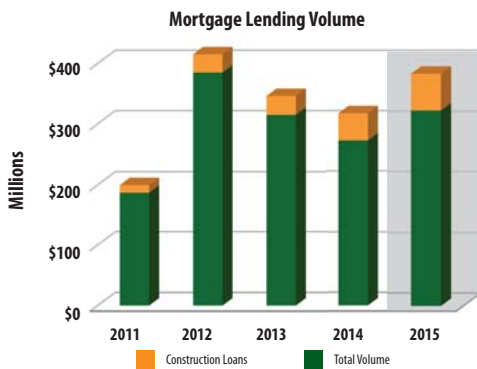
**COMMERCIAL LENDING:** The commercial loan portfolio grew 14.2 percent in 2015. Notwithstanding the growth in loans outstanding, credit quality remains exceptional as measured by the .1 percent ratio of non-accrual loans and ORE to Tier 1 Capital and Allowance. Loan delinquencies are .02 percent of the total loan portfolio.



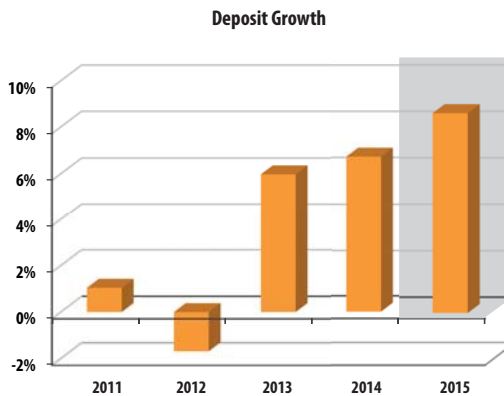
**TRUST SERVICES:** 2015 was once again a record year in the Trust department. A significant portion of this growth has come from self-directed IRA's. Referral sources, such as attorneys and investment planners, have recognized the local expertise of the Bank and are recommending these trust services to their clients.



**MORTGAGE LENDING:** The Mortgage division has continued to grow over the past year. They exceeded projections for both volume and profitability over the past two years. This has been accomplished through continued refinement of mortgage processes, of which allows for quicker turnaround times for our customers. A number of highly-productive loan officers have also been added to the team.



**DEPOSITS:** Strong deposit growth is essential to keeping low-cost funding for lending activities. A growth rate of 8.6 percent was sustained in 2015 by the Bank's ability to refer clients to a team of experts. The Treasury Management team supports deposit customers with the sophisticated tools they need to manage their money effectively and efficiently.



## Talking Points

Bank of Utah continues to be strongly capitalized compared to selected peers. Tier 1 Capital to quarterly average assets was 13.2 percent compared to its peers at 10.8 percent at year end 2015. This capital level is an increase over year end 2014 with the Bank's dividend payout being 29 percent of net income for 2015. All regulatory capital ratios exceed the "well capitalized" thresholds. The Bank has a very high-quality capital mix, comprised mostly of common stock equity and retained earnings.

Net interest income grew \$4.2 million in 2015, an approximate increase of 14 percent over 2014. This was obtained mainly through the growth of the commercial loan portfolio.

Operating income grew \$3.7 million in 2015, an increase of 22 percent over 2014. This was mostly attributed to an increase in gain on the sale of mortgage loans.

Bank of Utah added \$1.3 million to the provision for loan losses in 2015. The additional provision in 2015 was due to an increase of approximately \$90 million in the loan portfolio as credit quality remained excellent.

### BANK OF UTAH SELECTED FINANCIAL HIGHLIGHTS

	2015	2014
Net Income	\$15,704	\$12,586
Total Interest and Fee Income	\$35,896	\$31,626
Loan Loss Provision	\$1,300	(500)
Non-Interest Income	\$20,406	\$16,716
Total Assets	\$952,884	\$857,469
Total Equity	\$130,611	\$119,643
Gross Loans (ending bal.)	\$806,767	\$641,869
Total Deposits (ending bal.)	\$766,115	\$688,360
Tier 1 Capital	13.17%	13.07%
Non-Performing Asset Ratio	0.02%	0.04%
ROA	1.71%	1.49%
ROE	12.43%	10.87%
Loans to Deposits	95.91%	93.25%

(Dollars in Thousands)