

2016

Q2

QUARTERLY REPORT

BOU Bancorp, Inc.

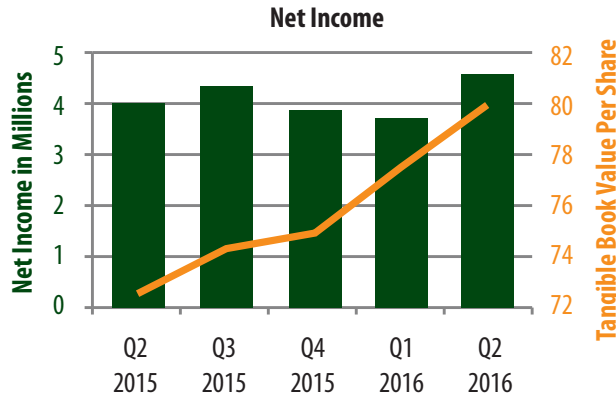
PRESIDENT'S MESSAGE

On behalf of BOU Bancorp Inc., (Company) the holding company of Bank of Utah (Bank) and Utah Risk Management, I am pleased to report a cash dividend paid in the second quarter of 2016 of \$0.55 per share as compared to \$0.40 per share in the first quarter of 2016, an increase of 37.5 percent. In addition, a cash dividend of \$0.65 per share was declared on July 19, 2016, payable July 22, 2016.

Consolidated net income for the second quarter of 2016 was \$4.5 million compared to \$3.7 million for the first quarter of 2016 and \$4.0 million for the second quarter of 2015, an increase of 22 percent and 13 percent, respectively. Consolidated net income for the six months ending June 30, 2016 was \$8.2 million compared to \$7.3 million for the comparable 2015 period, an increase of 12.5 percent.

Consistent growth from our lending department provided a strong income base, which was supplemented by continued growth in our mortgage and trust departments. These results demonstrate confidence in our core business model.

The processes and systems that have been put in place over the past few years have allowed us to continue to grow earnings, while maintaining a low-risk profile. This can be illustrated by the recent changes that have taken place in our corporate trust department. In January, a reorganization of this specialized area gave the Bank an opportunity to bring in 11 seasoned veterans that fit our culture of accountability. They hit the ground running by improving the existing processes and systems that were in place. These changes improved monitoring, collections, sales and compliance. Gross revenue for the second quarter of 2016 was \$1.77 million compared to \$1.48 million for the first quarter of 2016.



Our mortgage department is positioned to handle increased growth. Currently, we have experienced a strong increase in mortgage volume due to growth in our sales force and the addition of new, high-quality production builders. We added 15 employees to the department this year and have been able to integrate them into our system while still maintaining a customer satisfaction level of over 94 percent.

Future Growth

The third quarter of this year will mark another milestone for the Bank as we will exceed \$1 billion in assets. This consistent growth in assets and earnings will allow us to continue assisting customers in their businesses and personal lives. We will add new products and services as the banking landscape evolves.

State of the Economy

We have seen volatility in the world in recent months. Brexit has shaken the markets. Countries such as Sweden, Switzerland and Denmark have paid negative interest rates on deposits. This is not the case in Utah. Our economy is thriving, according to an exclusive study conducted by CNBC. In an article released on July 12, Utah is ranked the top state for business in the nation for 2016 and has been in the top 10 every year for the past 10 years. Utah's population has nearly tripled since 1970 and is expected to nearly double by 2050. We believe the state will continue to grow and so will your bank.

Sincerely,

Douglas L. DeFries



Douglas L. DeFries
Bank-President and CEO
Company-Vice President

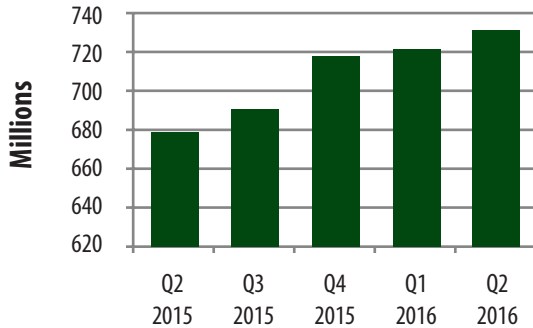


Q2 2016 BANK FINANCIAL ANALYSIS

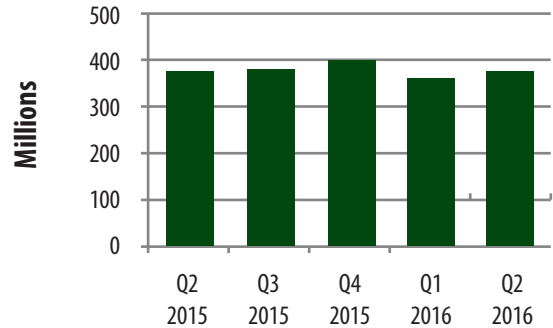
COMMERCIAL LENDING: The Bank's loan portfolio grew by 0.9 percent compared to the previous quarter, and 7.3 percent compared to the second quarter 2015. While the Bank continues to see strong demand for commercial loans, there has been higher than normal payoffs from larger construction loans that are completed. Like the past several quarters, loan quality remains exceptional as measured by the 0.13 percent Texas ratio. Non-performing assets were 0.02 percent of the loan portfolio.

WEALTH MANAGEMENT: Assets under management continues to remain steady. With the trust department headquartered in Utah, we also have the advantage of decision making at a local level. Referral sources have recognized the local expertise of the Bank and are recommending these trust services to their clients. The trust department is continuing to see demand from customers for Self-Directed IRA accounts. The Bank has added a new employee in the investments department. Private banking has grown deposits to \$44.4 million, up from \$37.4 million held in the first quarter of 2016.

Period End Loans, Net of Unearned Income



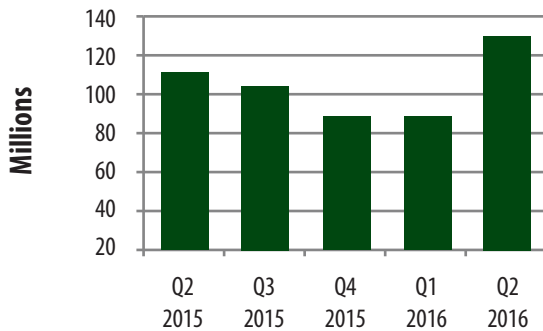
Personal Trust Assets Under Management



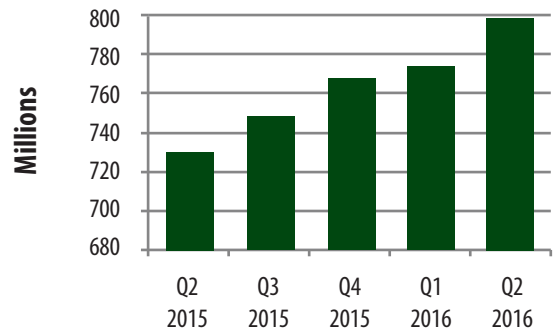
MORTGAGE LENDING: The mortgage loan department experienced an exceptional quarter of increased volume and revenue. The Bank funded \$128 million in new loans, which is a 52.6 percent increase or \$44 million over the first quarter of 2016 and a 14.9 percent increase or \$16 million from the second quarter of 2015. Two factors driving the growth are the Bank's ability to increase output while closing loans in a timely manner and the strong home buying market. The Bank is optimistic about expected results in the coming quarter.

DEPOSITS: Average deposits were \$797 million, a 2.9 percent increase from the previous quarter and a 9.3 percent increase from second quarter 2015. This steady growth has allowed the Bank to maintain a constant reliable source of funding for the loan portfolio. The Bank continues to add new products and services to meet the needs of customers. Additional digital payment options such as Samsung Pay and Android Pay are now available as convenient and safer ways to purchase products. The Bank will strive to stay current on banking technologies and will offer customers the best financial services available.

Mortgage Production



Average Deposits



Company Notable Points

Earnings per share were \$2.69 for the second quarter of 2016, compared to \$2.20 for the first quarter 2016 and \$2.38 for second quarter 2015. The retention of these earnings have been the driving force of the increase in tangible book value per share.

Return on average assets was 1.85 percent, compared to 1.55 percent for the previous quarter and 1.78 percent for second quarter 2015.

Return on average equity was 13.16 percent, compared to 11.02 percent for the previous quarter and 12.73 percent for second quarter 2015.

Non-interest income was \$5.8 million, a 22.4 percent increase from the previous quarter and an 11.2 percent increase from second quarter 2015. Non-interest expense was \$8.4 million, flat compared to the previous quarter and an 11.1 percent increase from second quarter 2015. The Bank

continues to grow non-interest income with a minimal increase in expense.

No provision expense was taken in the quarter, consistent with the previous quarter while a \$300,000 provision was taken in the second quarter 2015. This is due to the credit quality of the loan portfolio. The growth of the loan portfolio has not warranted additional provisions to the allowance for loan losses.