



BOU Bancorp, Inc.

QUARTERLY REPORT

Q4
2018

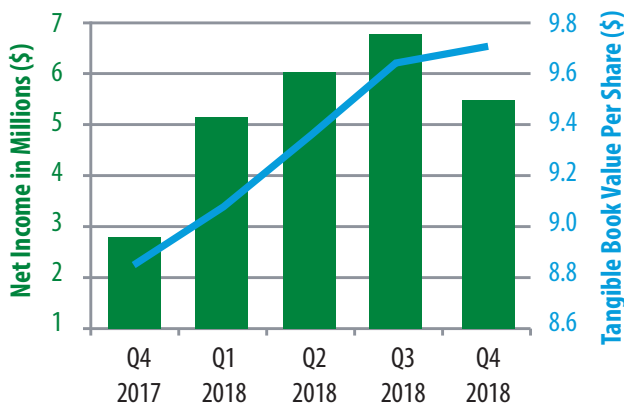
PRESIDENT'S MESSAGE

On behalf of BOU Bancorp, Inc., the holding company of Bank of Utah (Bank) and Utah Risk Management, Inc. (URM), collectively known as the Company, I am pleased to report a fourth quarter dividend of \$0.07 per share was declared on January 29, 2019, payable on February 4, 2019. The dividend paid for the third quarter of 2018 was \$0.09 per share. The dividend paid for the fourth quarter of 2017 was \$0.06 per share. Yearly dividends of \$0.30 per share were paid in 2018 compared to \$0.29 per share paid in 2017. All per share information has been adjusted to reflect the impact of a nine-for-one stock dividend that was effective May 1, 2018.

The fourth quarter of 2018 was a landmark quarter for the Company as we successfully completed the acquisition of AmBank. Our entire team worked tirelessly to facilitate a seamless transition for the former AmBank employees and customers. We believe our additional products and services will be of great benefit to our new customers and the market at large. This acquisition provides us more opportunities to do business by expanding our footprint along the southern Wasatch Front and we are excited for the future growth that will come.

Net income for the fourth quarter of 2018 was \$5.5 million compared to \$6.8 million in the third quarter of 2018 and \$2.7 million for the fourth quarter of 2017. The decline from third quarter to fourth quarter was primarily due to costs associated with the acquisition of AmBank. The fourth quarter of 2017 was impacted by a \$1.6 million write down of our deferred tax asset upon the enactment of tax reform in December 2017. Despite the acquisition-related costs, we ended 2018 with net income of \$23.4 million, compared to \$15.3 million in 2017, a 53 percent increase. The \$8.1 million growth over last year can be attributed to three main drivers. First, strong income and asset growth in each of our core

Net Income and Book Value



business sectors, represented by pre-tax income of \$29.3 million in 2018, compared to \$24.6 million in 2017. Second, a reduction of the corporate tax rate. And third, the one-time adjustment to the deferred tax asset account in 2017.

All of the major lines of business added to the Company's growth in income and assets. The loan portfolio grew \$180 million in 2018, a 20.9 percent increase over

2017. This is primarily attributed to core loan production and \$67.9 million of loans associated with the AmBank purchase. Year end Bank deposits increased by \$186.8 million in 2018, a 12.5 percent increase over the prior year, which includes \$78.1 million in deposits from AmBank. This level of liquidity allowed us to fund loan growth internally. Loan growth, increases in loan rates, and low cost funding allowed the Bank to earn \$9.9 million more in net interest income in 2018 compared to 2017. The increase in earnings were put to good use; shareholders received increased quarterly dividends, customers benefitted with new products and services, and our employees earned increases in income through our annual bonus program and competitive compensation plans. Lastly, retained earnings will be used for future opportunities and to keep us secure when we are tested by fluctuations in the economy.

Future growth and the economy

We expect the core growth of the Company to continue on a steady, upward trend. Likewise, we anticipate healthy job markets, increased job growth and low unemployment rates in the areas we serve. Though the outlook appears positive, we are mindful that we are in the second longest period of economic prosperity in the country's history. Therefore, we have positioned the Bank to succeed in all types of business environments.



Douglas L. DeFries

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PRESIDENT AND CEO

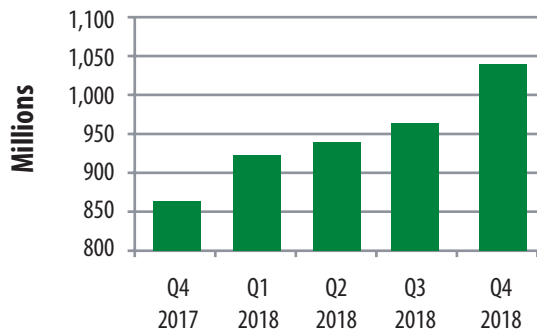


Q4 2018 BANK FINANCIAL ANALYSIS

COMMERCIAL LENDING

Commercial lending experienced strong loan growth during the fourth quarter of 2018, increasing loans outstanding by 8.9 percent from the previous quarter, of which 7.1 percent was related to the AmBank purchase. Loan growth for 2018, excluding the loans related to the AmBank purchase, was 13.3 percent. Loans from AmBank as of December 31, 2018 were \$67.9 million. Loan quality remains exceptional as measured by a 0.00 percent Texas ratio as compared to 0.01 percent from the previous quarter. Commercial real estate transactions on existing buildings, construction and municipal transactions are still driving the market. The Bank is monitoring for signs of market slowing and will take appropriate underwriting precautions.

Period End Loans, Net of Unearned Income



MORTGAGE LENDING

Mortgage loan production was \$412.2 million for 2018, compared to \$427.5 million for 2017, a 3.6 percent decrease from the previous year. Despite the decrease, the Bank has remained one of the top residential lenders in Utah. In addition, new home construction lending increased 3.6 percent from 2017 to 2018. The Bank expects home values to moderate in 2019, however, sales are expected to remain steady.

Mortgage Production



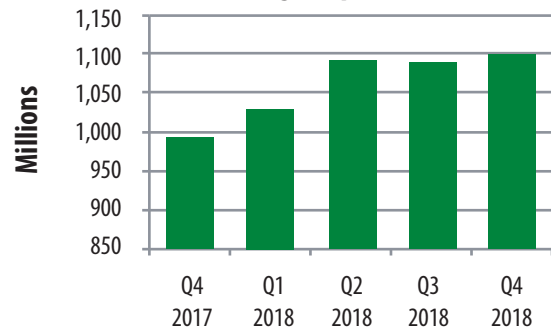
CORPORATE TRUST

Corporate trust accounts at the end of fourth quarter 2018 are up 12.9 percent from fourth quarter 2017, resulting in an 8.4 percent increase in revenue over 2017. The portfolio is primarily composed of aircraft and life settlement related accounts. The aviation industry projects steady performance and stable yearly growth in aircraft finance. Growth for the industry is expected to contract slightly, but is still projected for 5 percent growth. Corporate jet manufacturers continue to see full order books and airlines focus on updating fleets or finding leasing solutions. Life settlement investment remains strong and Bank of Utah continues to make inroads with new customers.

DEPOSITS

Average deposits grew from \$993.1 million in 2017 to \$1.1 billion in 2018, which represents a 10.7 percent increase. Deposits acquired from AmBank as of December 31, 2018 were \$78.1 million. Year-over-year growth is still strong with the number of new account openings remaining consistent with previous quarters. The Bank is very aware of interest rate sensitivity and expects to see more pressure on deposit rates in 2019.

Average Deposits



WEALTH MANAGEMENT

Personal trust assets under management continues to see solid increases with \$464.7 million at year end 2018, compared to \$418.1 million in 2017, an 11.1 percent increase. Personal trust has gained additional referral sources from trust attorneys who have seen the value of the Bank's services. In addition, the AmBank acquisition will present more opportunities for growth as those customers learn of these services.

COMPANY NOTABLE POINTS

	YE 2018	YE 2017	YE 2016
Return on Average Assets	1.79%	1.32%	1.64%
Return on Average Equity	14.28%	10.10%	11.90%
Net Income	\$23.4MM	\$15.3MM	\$16.7MM
Net Interest Margin	4.37%	4.12%	4.07%
Net Interest Income (FTE)	\$54.0MM	\$45.0MM	\$39.1MM
Earnings Per Share	\$1.39	\$0.91	\$0.99
Equity	\$174.3MM	\$155.4MM	\$145.2MM
Total Assets	\$1.43B	\$1.21B	\$1.09B

Net interest income of \$54.0 million for 2018 was a 20.1 percent increase over 2017. This was due to growth in the loan portfolio and increasing loan yield.

At the Bank level, Tier 1 leverage ratio was 11.46 percent, compared to 12.16 percent in 2017.

Return on Average Equity of 14.28 percent in 2018 represents a year-over-year increase of 41.4 percent.