



BOU Bancorp, Inc.

QUARTERLY REPORT

Q2 2019

PRESIDENT'S MESSAGE

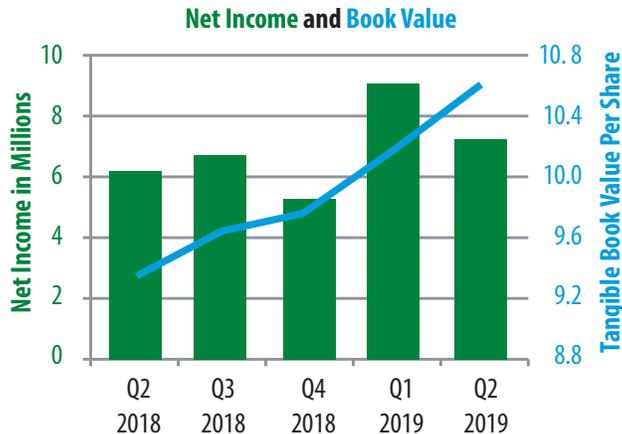
On behalf of BOU Bancorp, Inc. the holding company of Bank of Utah (Bank) and Utah Risk Management, Inc. (URM), collectively known as the Company, I am pleased to report a dividend of \$0.07 per share was paid on June 24, 2019. Dividends declared for the first quarter of 2019 totaled \$0.14. The dividend paid for the second quarter of 2018 was \$0.08 per share.

In April, the Bank moved from the branch located at 711 South State Street and relocated deposit and lending personnel to our new City Creek Banking Center in the business district of downtown Salt Lake City. They were joined by Wealth Management and Corporate Trust teams to form a full-service financial center that facilitates synergy amongst departments and allows the Bank to consolidate operations.

Net income for the second quarter of 2019 was \$7.2 million, compared to \$9.0 million for the first quarter of 2019 and \$6.0 million for the second quarter of 2018. Consolidated net income for the first quarter of 2019 included a pre-tax gain of \$1.4 million on the sale of our 711 South branch. Minus this one-time gain, and a pre-tax gain of \$156,000 on the sale of our property and casualty insurance business, adjusted net income was \$7.9 million for the first quarter. Second quarter earnings represent a 20 percent gain compared to the second quarter of 2018 and a 8.3 percent decrease from the adjusted earnings in the first quarter of 2019.

Return on Average Equity (ROAE) continues to be in the upper tier of the industry at 15.62 percent, compared to 20.50 percent (including a one-time gain) for the first quarter of 2019 and 15.01 percent for the second quarter of 2018. The Bank's multifaceted community banking approach focuses on more income streams than net interest income and results in improved ROAE.

Net interest income (fully taxable equivalent basis) for the second quarter of 2019 was \$15.4 million as compared to \$16.0 million for the first quarter of 2019 and \$13.2 million for the second quarter of 2018. The year-over-year increase was due to a 9.1 percent increase in loans outstanding. The net interest margin remained solid at 4.88 percent for the quarter as



compared to 4.93 percent in the first quarter of 2019. We expect there will be some decline in net interest income through the end of the year as loan growth slows and more pressure is put on lowering loan rates and increasing interest paid on deposits. We are now in the longest expansion period in the history of the United States and we expect the economy to soften in the next few quarters. In an effort to keep the economy stable, the Federal Reserve Board of Governors

lowered the Federal Fund target by .25 percent on July 30.

ECONOMIC OUTLOOK

This past year, Utah added over 57,000 new residences and 42,000 new jobs. These increases were mainly in metro areas along the Wasatch Front. We anticipate that Utah will continue to be one of the top states for growth through 2020. To capitalize on this growth and keep our existing customers engaged with the Bank, we will continue to ensure our products and services are competitive and meeting the demands of today and the future. We are experiencing significant interest rate competition in both our lending and deposit gathering sectors of business. This, along with a slowing economic outlook, has decelerated the pace of our consistently strong growth over the past several years.

MAKING CONNECTIONS

We believe the key to banking is to be actively involved in the communities in which we serve. Bank employees serve on over 80 community boards including chambers of commerce, charitable organizations, arts, government and banking. Additionally, we strive to get to know our customers and their businesses on a personal level. We visit them at their places of work and hold many events to inform and educate. We connect with them in person and virtually through our social media channels and the use of digital marketing. Today's technology allows us many opportunities to stay involved with our customers and we intend to use it all to build lasting and profitable relationships with our customers.



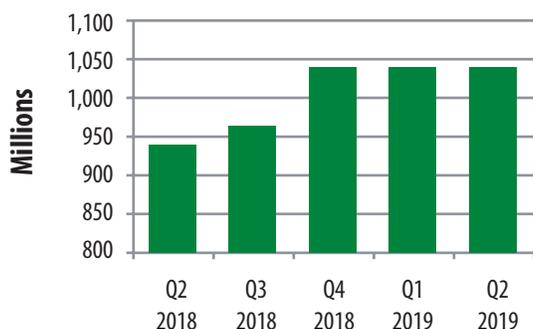
Douglas L. DeFries
Douglas L. DeFries
PRESIDENT AND CEO

Q2 2019 BANK FINANCIAL ANALYSIS

COMMERCIAL LENDING

Commercial loan balances for the second quarter 2019 remained flat in comparison to the first quarter of 2019. This was due to a number of construction and SBA loans that paid off. Year-over-year growth remains strong with loans outstanding of \$1.03 billion in the second quarter of 2019 and \$947.56 million at the end of the second quarter 2018. Loan quality declined as measured by a 3.53 percent Texas ratio. This is an increase from 0.00 percent the previous quarter. The increase is due to one loan secured by an assisted living center. Interest rate competition remains fierce and new banks and lenders continue to emerge. In spite of the increased competition, we believe the loan portfolio will continue to grow through year-end.

Period End Loans, Net of Unearned Income



RESIDENTIAL LENDING

Residential mortgage loan production was \$111.9 million for the second quarter of 2019, an increase of 43.5 percent from the previous quarter and a decrease of 5.8 percent from the second quarter of 2018. The Bank is currently ahead of projections in production and expects to exceed them by the end of the year. Due to better pricing in the secondary market, the gain on sale of loans improved over the second quarter of 2018. Interest rates on mortgages have declined over the past few months; this should help customers when buying homes, thus increasing loan volumes.

Mortgage Production



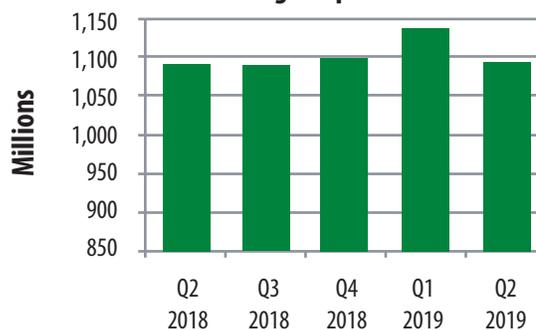
CORPORATE TRUST

Corporate trust production is in line with goals set for 2019. Growth has been organic and forecasts for industry needs have been accurate for the second quarter of 2019. Aircraft Owner Trusts and Life Settlements continue to be the base of the product offering. Production delays from some aircraft manufacturers have slowed some deliveries and are expected to recover by year-end. The customer base continues to grow and current customers are sending additional business to the Bank. As airlines update fleets, their requirements for the Bank's services as trustee continues.

DEPOSITS

Average deposits remained constant at the end of the second quarter of 2019 at \$1.1 billion; this was equal to the first quarter of 2019. Year over year growth in deposits has been flat. Account openings remain consistent and the Treasury Management department has brought in new business accounts that have broadened the customer base. The Bank is strategically working to increase balances in the next two quarters.

Average Deposits



WEALTH MANAGEMENT

Corporate and consumer customers are realizing the benefits of Wealth Management services. This quarter, Personal Trusts under management were \$486.5 million, which was comparable to \$483.3 million in the previous quarter and an 8.9 percent increase from the second quarter of 2018. Private Banking continues to bring high-net-worth customers to the Bank.

COMPANY NOTABLE POINTS

	Q2 2019	Q1 2019	Q2 2018
Return of Average Assets	2.16%	2.63%	1.84%
Return on Average Equity	15.62%	20.50%	15.01%
Net Income	\$7.2MM	\$9.0MM	\$6.0MM
Net Interest Margin (FTE)	4.88%	4.93%	4.27%
Net Interest Income (FTE)	\$15.4MM	\$16.0MM	\$13.2MM
Earnings Per Share	\$0.43	\$0.54	\$0.36
Equity	\$188.8MM	\$181.9MM	\$163.2MM
Total Assets	\$1.33B	\$1.41B	\$1.34B

At the bank level, Tier 1 leverage ratio was 12.9%, compared to 12.0% in the previous quarter.

Bank of Utah's Salt Lake City Creek Banking Center opened in April, 2019.

The Bank's ROAE ranks in the top 15% of all banks in nation.

Maintaining strong underwriting for loans will remain a high priority. There is one non-performing loan of significance in the Bank's portfolio.