BOU BANCORP, INC.

2019 ANNUAL REPORT

BANK OF UTAH

CONTENTS

A LETTER TO SHAREHOLDERS

On behalf of BOU Bancorp, Inc., the holding company of Bank of Utah and Utah Risk Management, Inc., we are pleased to report another consecutive year of record earnings. The Bank continues to perform at a high level in comparison to our peers and the industry. Net income for 2019 was $31.2 million as compared to $23.4 million in 2018. This represents a 33.1 percent increase, an ROAA of 2.23 percent and a dollar growth of $7.8 million year over year.

The Bank continues, in many ways, to lead in the communities we serve. The deposits entrusted to the Bank have been used judiciously. We funded approximately $1 billion in advances on loans in 2019. These funds enabled business customers to purchase equipment, merchandise, raw materials, buy and construct buildings for apartments, retirement homes, office buildings and warehouses. Our consumer banking customers also used these funds to buy or refinance homes or to purchase consumer goods such as cars, RVs and boats.

Our employees are actively involved in their local communities, with nearly one hundred Bank representatives serving on local boards that directly assist low-to-moderate income families or help improve business and quality of life within our communities.

The Bank has continued to increase dividends to our stockholders. In 2019, the Bank paid $0.35 per share compared to $0.30 per share in 2018, an increase of 16.7 percent. In addition, stockholders' equity grew by $27.3 million, surpassing the $200 million mark. The Bank's asset growth took a pause from its double-digit growth from the last four years with an asset size similar to 2018; however, average assets grew 7 percent. This enabled the Bank to properly assimilate the purchase of American Bank of Commerce, which was finalized at the end of 2018. The Bank has a number of initiatives started in 2019 that will come to fruition in 2020 that are aimed at enhancing technology to allow customers to access to their accounts whenever and wherever they choose.

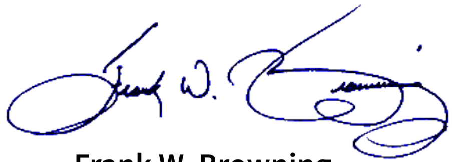
The Utah economy continues to be one of the most robust in the nation. Utah's nonagricultural employment increased an estimated 3.1 percent or 47,900 jobs, between December 2018 and December 2019. Nationally, employment increased by 1.4 percent during the same time period, according to The Kem Gardner Institute at the University of Utah. This increase in jobs continues to spur a need for employees and an increase in wages. Utah's personal income reached $156.1 billion, a 6 percent increase from the previous year, placing Utah third in the nation in this category. The state's population also grew by over 52,000, with most of this population living along the Wasatch Front.

Utah's quality of life and employment opportunities have been discovered by the world. People are attracted to our state because of what it has to offer: jobs, recreation, quality family life and other amenities. As a respected financial institution, we share a common outlook to preserve these assets that define our state. Bank of Utah is rooted in our communities. Our experts are here, helping Utahns. We will continue to look forward and use our resources to wisely build this area, community by community, person by person, so that in 20, 30 or 50 years, we can be proud of our efforts.

> "We are pleased to report another consecutive year of record earnings for the Bank."

In closing, the strength, stability and resiliency of Bank of Utah were proven through the Great Recession and, as of this writing, we are now facing a new test in the coronavirus pandemic. This new challenge will certainly impact the Bank and our world in the coming year. However, as we have in the past, we face this test with the capital, liquidity, diversity of business lines, staff and risk management culture that will enable us to endure. These strengths also allow the Bank to continue to support our customers and our communities. Taking care of our customers, guiding our company and helping the communities in which we operate are what matters most.

Douglas L. DeFries
President & CEO



Frank W. Browning
Chairman of the Board

OUR ACCOMPLISHMENTS AND PROFITABILITY

BOU Bancorp, Inc. generated $31.2 million in net earnings for 2019. This was a $7.8 million increase year over year. The base of the increased earnings was generated from a rise in net interest margin on a fully taxable equivalent basis from 4.37 percent in 2018 to 4.70 percent in 2019, thus, raising interest and fees on loans from $50.7 million in 2018 to $60.1 million in 2019. In addition, all other revenue-generating departments increased their income for the year.

1

RECORD EARNINGS OF $31.2 MILLION

Consolidated net income for year end 2019 was $31.2 million compared to $23.4 million in 2018, an increase of 33.1 percent. Bank of Utah ranks in the top 10 percent of earnings of all banks in the nation.

2

WELL UNDERWRITTEN, PERFORMING LOAN PORTFOLIO

The Bank saw a 10 percent increase in loan production in 2019. Loan quality remained excellent as measured by a 0.45 percent non-performing asset ratio.

3

OPENING OF THE NEW CITY CREEK BANKING CENTER

In April, Bank of Utah opened the City Creek Banking Center in the business district of downtown Salt Lake City. This is a full-service financial center that facilitates synergy amongst all departments.

4

RETURN ON AVERAGE ASSETS AND RETURN ON AVERAGE EQUITY AMONG NATIONS BEST

Return on Average Equity continues to be in the upper tier of the industry at 16.44 percent in 2019, compared to 14.28 percent for 2018. Return on Average Assets was 2.23 percent in 2019, up from 1.79 percent in 2018.

5

COMMUNITY SUPPORT

In addition to the many work hours supplied by our employees to community endeavors, the Bank donated over $200,000 to help low-to-moderate income families and other community endeavors.

OUR VISION AND VALUES

REWARDING OUR SHAREHOLDERS

A top priority for the Bank's management team and our Board of Directors is to reinvest in our banking business, as well as return capital to shareholders in the form of dividends. Our strong earnings, coupled with strong capital levels, gave us the ability to pay dividends throughout the year. Dividends paid to shareholders in 2019 totaled $0.35 per share, or $5.9 million, which is approximately a 3.1 percent cash return to shareholders based on the Bank's tangible book value.

BUILDING RELATIONSHIPS

Our customers are the driving force behind our success. That is why we spend time and resources to develop and nurture relationships with our customers and community partners. Events, such as our Economic Forecast and Fall Author lunches, have become highly-anticipated annual gatherings for our customers and communities.

SUPPORTING OUR COMMUNITIES

We believe in the "community banking" concept of giving back to our communities. This includes making meaningful contributions, monetarily and through employee participation. In 2019, the Bank contributed over $200,000 and our employees donated over 1,000 hours of community service.

2019 KEY RESULTS

OUR **KEY RESULTS** ADDRESS WHAT WE CONSIDER TO BE THE MOST IMPORTANT PERFORMANCE ASPECTS OF THE BANK – PROFITABILITY, GROWTH AND CUSTOMER LOYALTY.

THE STRATEGY IS TO DEVELOP GOALS THAT REPRESENT OUR CORE BELIEFS. THESE ARE **CULTURAL BELIEFS** THAT THE ENTIRE BANK TEAM CAN VISUALIZE AND RELATE TO.

IMPROVE PROFITABILITY
33%
INCREASE
IN NET INCOME

ACCELERATE GROWTH
7%
INCREASE
IN AVERAGE ASSETS

IMPROVE CUSTOMER LOYALTY
7%
INCREASE
IN BOOKED REFERRALS

OUR MISSION

We are a community bank, dedicated to providing quality financial services through friendly, professional employees. We will be responsive to our present and prospective customers and become a major banking force in the Utah markets we serve. Our products and services will meet the needs of our customers in a rapidly changing environment. Key elements and controlling factors in our planning, service and product design will be safety, efficiency and profitability. The honor, respect and integrity of our employees, customers and stockholders are of the highest priority to the Bank. We will be the best community bank in Utah!

About Us

Bank of Utah has 17 full-service branches in Logan, Providence, Tremonton, Brigham City, Ogden, South Ogden, Roy, Layton, Bountiful, Salt Lake City, Sandy, Heber, Lindon, Orem and Provo; mortgage offices in Logan, Price and St. George, and trust offices in Ogden and Salt Lake City. Bank of Utah offers personal and business banking, mortgage and commercial lending and trust and investment services.

OUR MAIN SERVICES

Commercial Lending

On average, our commercial lenders have over 25 years of experience helping Utah businesses both large and small. We pride ourselves on our unrivaled personal service, flexible financing options and local decision-making that we as a community bank can offer.

Deposits & Treasury Management

Bank of Utah offers a full range of personal and business banking products such as: checking accounts, savings and money market accounts. We also offer business credit tools, including a line of credit and corporate credit cards, online banking and cash management tools. At Bank of Utah, we are ready to meet all your personal and business banking needs.

Personal Trust

Bank of Utah is one of the few banks headquartered in Utah that has a personal trust division. This allows our customers to work with local experts to protect and administer their assets. Whether you are looking for trust services, estate planning, investments, or a self-directed IRA, our experienced account administrators are here to help.

Foreign Exchange

Bank of Utah now offers currency exchange services to domestic companies requiring international treasury management and wire services to send payments internationally. Additionally, Bank of Utah customers can exchange over 80 different types of currency at their local branch.

Residential Mortgage & Residential Construction Lending

The Bank continues to be one the leaders in the industry in terms of residential mortgage and construction loans. Whether you're looking to purchase your first home, refinance your current home or finally get into your dream home, we have the right loan for every need.

Consumer Lending

The Bank's consumer lending provides our customers with quick access to funds through loan products such as home equity, auto, recreation and unsecured loans.

Corporate Trust & Life Settlements

Bank of Utah provides a spectrum of corporate trust services, including owner trusts, security trusts, indenture trusts, paying agent, collateral agent and escrow services. Bank of Utah now holds the most aircraft in trust on the FAA registry.

Private Banking

This service provides an extra layer of service and personal attention to those who choose to maintain larger deposits with the Bank.

Investments

The Bank offers financial advisory services and investments through a partnership with Cetera Financial services. They offer a full array of investments such as 401(K) plans, annuities, mutual funds and securities.

Our employees continually answer the call to help our communities in need. In this year's Warm Bodies, Warm Souls winter clothing drive, our mortgage operations and processing teams gathered 146 coats and jackets, 39 blankets, 33 pairs of gloves, 19 hats, 10 scarves 73 pairs of socks and 488 pairs of underwear! In all, the Bank was able to donate over 230 bags and barrels full of warm clothing to ten charities in Utah.

EXTENSION OF OUR COMMUNITIES

Bank of Utah has been meeting the needs of our local communities since 1952. We work to ensure our community is a great place to work, live and raise a family. Each year, Bank of Utah donates thousands of dollars to our community and our employees provide many hours of volunteerism each year to local organizations.

DEPARTMENT HIGHLIGHTS

2019 was a record-breaking year. Not only did Bank of Utah achieve unprecedented net income levels, we also delivered positive returns to shareholders, employees and customers and invested in infrastructure to ensure we have capacity for continued growth.

COMMERCIAL LENDING

The Bank's loan portfolio ending balance for 2019 was $1,051 billion compared to $1,042 billion for 2018, a 1 percent increase. However, average outstanding balances grew by almost 8 percent.

DEPOSITS

In 2019, average deposits grew by 5.9 percent, an increase of $63.6 million. Average deposits were $1.1 billion in 2019.

WEALTH MANAGEMENT

Personal Trust assets under management grew to $525.9 million in 2019 from $464.7 million in 2018, a 13.2 percent increase. This growth in assets spurred fee income, which grew to $3.1 million in 2019 from $2.7 million in 2018.

CONSUMER AND MORTGAGE LENDING

Bank of Utah exceeded income and production goals in residential lending. Construction loan production was $110.5 million in 2019. Loans for existing homes increased 9.0 percent from $301 million in 2018 to $329 million in 2019.

CORPORATE TRUST

The corporate trust division is now the largest owner of aircraft registered with the FAA, ending 2019 with over 2,100 aircraft on the FAA registry. This department processed hundreds of trustee transactions in 2019 for US and non-US citizens and corporations.

FINANCIAL ANALYSIS

YEARLY COMPARISONS

	Year End 2019	Year End 2018
Return on Average Assets	2.23%	1.79%
Return on Average Equity	16.44%	14.28%
Net Income	$31.2MM	$23.4MM
Net Interest Margin (FTE)	4.70%	4.37%
Net Interest Income (FTE)	$61.9MM	$54.0MM
Earnings Per Share	$1.84	$1.39
Equity	$201.6MM	$174.3MM
Total Assets	$1.43B	$1.43B

TIER 1 LEVERAGE RATIO

At the Bank level, Tier 1 leverage ratio was 12.7 percent, compared to 11.5 percent in the previous quarter.

EFFICIENCY RATIO

The Bank's efficiency ratio for 2019 was 52.7 percent, compared to 59.1 percent in 2018.

RETURN ON AVERAGE ASSETS

Bank of Utah ranks in the top 2 percent of all banks in the nation based on Return on Average Assets.

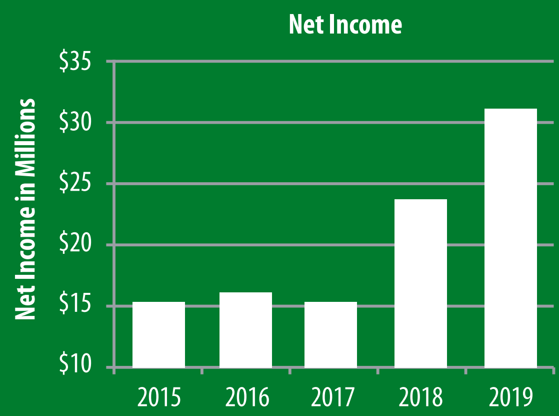
TOTAL NON-INTEREST INCOME

Total Non-Interest Income in 2019 was $25.1 million compared to $20.8 million in 2018.

CAPITAL LEVELS

At the company level, Tier 1 capital to quarterly average assets was 13.13 percent for year-end 2019. The prior year ended at 11.87 percent. Total consolidated Tier 1 capital grew from $165.7 million in 2018 to $191.1 million in 2018, an increase of $25.4 million. Capital levels are well in excess of the regulatory capital minimums. This planned strategy allows us to take advantage of opportunities that may present themselves in the market. The economic environment was strong in 2019; however, economic downturns can happen quickly as seen in the 2008 great recession. The Bank will continue to maintain thoughtful and strict underwriting standards for loans and be conservative on capital levels. In 2019, the company paid $5.9 million in dividends, which represented $0.35 per share. In comparison, a total of $5.1 million in dividends was paid in 2018, which represented $0.30 per share.

$5.9MM
IN DIVIDENDS PAID



RECORD NET INCOME

Consolidated net income for year end 2019 was $31.2 million compared to $23.4 million for the comparable 2018 period, an increase of 33.1 percent. The 2019 results include one-time gains on the sales of our insurance portfolio and also a branch to facilitate our new City Creek Banking Center location.

PRIMARY CHANGES TO NET INCOME

PRE-TAX GAINS

The Bank sold the building at 711 S. State Street in Salt Lake City for a pretax gain of $1.4 million. The Bank sold the property and casualty insurance business for a $156,000 pre tax gain.

NET INTEREST INCOME

Net interest income increased to $60.4 million in 2019 from $52.7 million in 2018. This is an increase of $7.7 million or 14.7 percent. This is primarily due to the net interest margin that increased in 2019 from 2018.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits expense grew by $2.8 million. Staffing decreased in 2019 from 365 employees to 362. This is due to increased efficiencies through technology

INTEREST ON DEPOSITS

Interest on deposits increased from $3.6 million to $5.2 million, which resulted in an increase in expense of $1.6 million.

GAIN ON SALE OF MORTGAGE LOANS

Gain on sale of mortgage loans experienced a notable increase from $7.2 million in 2018 to $8.7 million in 2019, an increase of $1.5 million.

PROFESSIONAL FEES

Professional fees decreased by $869 thousand. This is primarily due to acquisition related expense in 2018.

FUTURE INITIATIVES

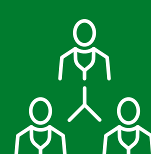
Stable growth and adding a new product line will be the focus for 2020. The company will continue to improve the ability to use technology to enhance customer service, as well as protect their accounts.

ONLINE ACCOUNT OPENING

The Bank is expected to launch a new platform in the coming year to allow customers another option to bank how, when and where they desire.

INVESTING IN SECURITY

Continued emphasis on information security will insure the employees are educated and the latest measures are in place to keep information safe.



STRATEGIC HIRING

Recruit and retain quality employees to keep all Bank departments operating at optimum levels.

NEW INCOME STREAMS

New opportunities will be evaluated as they arise and can be managed soundly within the parameters set by the company.

MOSSADAMS

Report of Independent Auditors

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

Report on Financial Statements

We have audited the accompanying consolidated financial statements of BOU Bancorp, Inc. and subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2019 and 2018, 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 consolidated the 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. 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.

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

REPORT OF INDEPENDENT AUDITORS

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 subsidiaries, as of December 31, 2019 and 2018, 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.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Bank of Utah's internal control over financial reporting as of December 31, 2019, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 16, 2020, expressed an unmodified opinion.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated 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

Portland, Oregon
March 16, 2020

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
Years ended December 31, 2019 and 2018

(in thousands, except share data)

ASSETS		2019	2018
Cash and due from banks (note 2)	$	21,386	23,678
Interest-bearing deposits in banks		145,212	160,474
Federal funds sold		643	1,676
Investment securities (notes 3 and 13):			
Equity securities, at fair value		7,172	6,802
Debt securities available for sale, at fair value		123,026	112,052
Debt securities held to maturity, at cost (fair value of $6,299 and $8,011 respectively)		6,222	8,038
Total investment securities		136,420	126,892
Loans held for sale		12,426	11,797
Loans (note 4)		1,050,683	1,041,794
Less allowance for loan losses (note 5)		12,561	11,600
Net loans		1,038,122	1,030,194
Accrued interest receivable		4,504	4,744
Goodwill (note 7)		8,903	8,903
Bank owned life insurance, net		30,198	29,358
Premises and equipment (note 8)		17,266	17,924
Deferred tax asset, net (note 12)		1,916	3,048
Other assets		9,231	6,335
Total assets	$	1,426,227	1,425,023

LIABILITIES AND STOCKHOLDERS' EQUITY		2019	2018
Deposits:			
Noninterest-bearing	$	458,752	470,975
Interest-bearing (note 9)		689,989	697,212
Total deposits		1,148,741	1,168,187
Securities sold under agreements to repurchase (note 10)		63,834	69,813
Other liabilities		12,073	12,723
Total liabilities		1,224,648	1,250,723
Commitments and contingent liabilities (note 14)			
Common stock, $1 par value, 50,000,000 shares authorized, 16,899,750 shares issued and outstanding at December 31, 2019 and 2018		16,900	16,900
Paid-in capital		5,271	5,271
Accumulated other comprehensive income/(loss), net of tax		729	(1,290)
Retained earnings		178,679	153,419
Total stockholders' equity		201,579	174,300
Total liabilities and stockholders' equity	$	1,426,227	1,425,023

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2019 and 2018

(in thousands, except per share data)

		2019	2018
INTEREST INCOME:			
Interest and fees on loans	$	60,143	50,701
Interest on investment securities:			
Taxable		2,546	2,339
Tax-exempt		143	187
Interest on loans held for sale		434	453
Interest on cash and cash equivalents		2,548	2,809
Total interest income		65,814	56,486
INTEREST EXPENSE:			
Interest on deposits		5,201	3,601
Interest on securities sold under agreements to repurchase and other borrowings		198	204
Total interest expense		5,399	3,805
Net interest income		60,415	52,681
Provision for loan losses (note 5)		900	700
Net interest income after provision for loan losses		59,515	51,981
NONINTEREST INCOME:			
Service charges on deposits		1,203	1,174
Gain on sale of loans		8,696	7,200
Trust fees		10,711	10,089
Increase in cash surrender value of bank owned life insurance		839	751
Other		3,610	1,568
		25,059	20,782
NONINTEREST EXPENSES:			
Salaries and employee benefits		30,050	27,278
Net occupancy expense		2,739	2,432
Equipment expense		4,572	4,946
Professional fees and services		2,500	3,369
Advertising expense		1,280	1,262
Office expense		1,229	1,108
Other		2,712	3,049
		45,082	43,444
Income before provision for income taxes		39,492	29,319
Provision for income taxes (note 12)		8,318	5,896
Net income	$	31,174	23,423
Basic and diluted earnings per common share	$	1.84	1.39

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2019 and 2018

(in thousands)

		2019	2018
Net income	$	31,174	23,423
Other comprehensive loss:			
Net change in unrealized holding loss on securities available for sale, net of tax (expense)/benefit of ($669) and $160 as of December 31, 2019 and 2018, respectively		2,019	(482)
Comprehensive income	$	33,193	22,941

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2019 and 2018

(dollars in thousands)

	Common Stock	Amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
Balances, December 31, 2017	16,833,750	$ 16,834	4,334	(1,080)	135,318	155,406
Cumulative effect of reclassification due to adoption of ASU 2016-01	-	-	-	272	(272)	-
Adjusted balances, January 1, 2018	16,833,750	16,834	4,334	(808)	135,046	155,406
Net income	-	-	-	-	23,423	23,423
Other comprehensive loss, net of tax	-	-	-	(482)	-	(482)
Dividends paid	-	-	-	-	(5,050)	(5,050)
Issuance of common shares	66,000	66	937	-	-	1,003
Balances, December 31, 2018	16,899,750	$ 16,900	5,271	(1,290)	153,419	174,300
Net income	-	-	-	-	31,174	31,174
Other comprehensive income, net of tax	-	-	-	2,019	-	2,019
Dividends paid	-	-	-	-	(5,914)	(5,914)
Balances, December 31, 2019	16,899,750	$ 16,900	5,271	729	178,679	201,579

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018

(in thousands)

		2019	2018
OPERATING ACTIVITIES:			
Net income	$	31,174	23,423
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense		1,950	1,747
Provision for loan losses		900	700
(Reversal of) / provision for commitments to fund loans		(400)	500
Deferred income tax expense/(benefit)		462	(488)
Change in unrealized loss on equity investments		(206)	148
Gain on other real estate sold		(78)	-
Increase in cash surrender value of bank owned life insurance		(839)	(751)
Net amortization of investment premiums and discounts		240	416
Gain on sale of loans		(8,696)	(7,200)
Proceeds from sales of loans held for sale		306,903	275,600
Origination of loans held for sale		(298,836)	(266,411)
Gain on sale or disposal of premises and equipment		(1,659)	(4)
Change in accrued interest receivable and other assets		(2,658)	(59)
Change in other liabilities		(248)	2,181
Net cash provided by operating activities		28,009	29,802
INVESTING ACTIVITIES:			
Net cash used for acquisition		-	1,417
Proceeds from maturities of held to maturity securities		1,735	2,990
Proceeds from maturities of available for sale securities		22,900	28,076
Purchase of available for sale securities		(31,345)	(19,782)
Purchase of equity securities		(164)	(155)
Net change in loans from loan originations and principal repayments		(8,751)	(111,831)
Proceeds from sale of premises and equipment		2,425	5
Purchase of premises and equipment		(2,058)	(1,741)
Net cash used in investing activities		(15,258)	(101,021)
FINANCING ACTIVITIES:			
Net change in deposits		(19,446)	107,141
Net change in securities sold under agreement to repurchase		(5,979)	4,155
Issuance of common stock		-	1,003
Dividends paid to stockholders		(5,914)	(5,050)
Net cash (used in)/provided by financing activities		(31,339)	107,249
Net change in cash and cash equivalents		(18,588)	36,031
Cash and cash equivalents, beginning of period		185,829	149,798
Cash and cash equivalents, end of period	$	167,241	185,829
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$	5,402	3,738
Cash paid for income taxes		7,458	5,896
Supplemental Disclosure of Investing Activities			
Transfers from loans to real estate owned		6,499	-
Loans provided for sales of real estate owned		6,132	-
Supplemental Disclosure of Non-Cash Transactions			
Acquisition:			
Assets acquired, at fair value		-	96,182
Liabilities assumed, at fair value		-	80,917
Impact of change in accounting principle		-	272

(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 financial holding company formed in 2000. Bank of Utah (the Bank) is a Utah state-chartered commercial bank founded in 1952, which is wholly owned by the Corporation. Utah Real Estate Management Corp. (UREM) is a Utah corporation founded in 2019 to hold certain other real estate foreclosed on by the Bank and is wholly owned by the Bank. Utah Risk Management, Inc. (URM) is a Nevada captive insurance company founded in 2015, which is wholly owned by the Corporation. The Corporation and its wholly-owned subsidiaries are collectively referred to as the Company. The Company, which is primarily centered along Utah's Wasatch Front, focuses on providing community banking services including: 1) deposits accounts for the general public; 2) loan origination, including residential mortgage loans; 3) treasury cash management products and services; 4) personal and corporate trust management services; and 5) wealth management and advisory services.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of BOU Bancorp, Inc., Bank of Utah, Utah Real Estate Management Corp., and Utah Risk Management, Inc. 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.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, income taxes and the fair value of financial assets. Management believes the allowance for loan losses, deferred income taxes, and the fair value of financial assets are properly stated. 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 Company's allowance for loan losses.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting which requires that assets acquired and liabilities assumed are recorded at estimated fair value at the date of the acquisition. Any difference in purchase consideration over the fair value of assets acquired and liabilities assumed results in recognition of goodwill if purchase consideration exceed net estimated fair values, or a bargain purchase gain if estimated fair values exceed purchase consideration. Expenses incurred in connection with a business combination are expensed as incurred. Changes in deferred tax asset valuation allowances and acquired tax uncertainties after the measurement period are recognized in net income.

Subsequent Events

Subsequent events are events or transactions that occur after the date of the consolidated statement of condition but before the financial statements are issued. The Company 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 statements of financial condition, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial condition but arose after the date of the consolidated statements of financial condition and before the consolidated financial statements are available to be issued. Subsequent events have been evaluated through March 16, 2020, the date these financial statements were available to be issued.

Cash and Cash Equivalents

Cash and cash equivalents include cash, due from banks, interest bearing deposits in banks, and fed funds sold with maturities of three months or less, some of which may be in excess of federally insured amounts.

Interest-Bearing Deposits

Interest-bearing deposits include amounts due from the Federal Reserve Bank and other depository institutions and are carried at cost.

Investment Securities

The Company classifies its investment in debt securities in two categories: held to maturity or available for sale. The Company had no trading securities during 2019 or 2018. Premiums and discounts are amortized or accreted over the expected life of the related security and recognized in interest income using the effective-interest method. Dividend and interest income are recognized when earned. Held to maturity securities are stated at cost, net of unamortized premiums and unaccreted discounts. The Company has the intent and ability to hold such securities to maturity. Investment securities classified as available for sale are recorded at fair value. Unrealized holding gains and losses on available for sale securities are reported as a component of 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 noninterest income.

Any declines in the values of these securities that are considered to be other-than-temporary-impairment (OTTI) due to declines in credit quality are 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 Company 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 Company takes into account its balance sheet management strategy and consideration of current and future market conditions.

Equity securities are recorded at fair value with unrealized holding gains and losses reported in net income as a component of other noninterest income. Realized gains and losses on sales are recorded on the trade date and determined using the specific identification method and are reported in the consolidated statements of income as other noninterest income.

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

FHLB of Des Moines stock is a required investment for institutions that are members of the FHLB of Des Moines. The required investment in FHLB common stock is based on a predetermined formula and is carried at par value ($100 per share). The Company may request redemption at par value of any stock in excess of the amount the Company is required to hold. FHLB stock is restricted as to purchase, sale, and redemption. The carrying amount of FHLB stock as of December 31, 2019 and 2018 was $3.6 million and $1.6 million, respectively, and is reported on the consolidated statements of financial condition as a component of other assets.

The Company also holds FRB stock as stipulated in the requirements of the Federal Reserve Act. The carrying amount of FRB stock as of December 31, 2019 and 2018 was $914,000 and $366,000, respectively, at cost, and is reported on the consolidated statements of financial condition as a component of 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 Company originates mortgage loans, which are sold to investors in the secondary market, generally with servicing released. Loans held for sale are carried at the lower of cost or fair market value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to net income. The amount of the Company's commitments to sell loans approximated the balance of loans held for sale on December 31, 2019 and 2018. 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 Company and investor, exceed or are less than the Company's investment in the loans.

Mortgage Servicing Rights

When mortgage loans are sold with servicing retained, servicing rights are initially recorded in gain on sale of loans at fair value based on the present value of estimated future net servicing income and the asset is tested annually for impairment. This asset is subsequently amortized as a reduction in noninterest income over the estimated life of the servicing income. The servicing asset was $44,000 and $98,000 as of December 31, 2019 and 2018 and is included in the accompanying consolidated statements of financial condition as a component of other assets.

Loans

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

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.

Impaired Loans

The accrual of interest on loans is discontinued and the loan is considered impaired when (1) in the opinion of management, it is probable that the Company will be unable to collect principal or interest when due according to the contractual terms of the loan agreement, or (2) when loans are contractually past due 90-days or more with respect to principal or interest, unless they are adequately collateralized and are in the process of collection. Generally, interest previously accrued but not collected is reversed and charged against income when a loan is placed on nonaccrual. 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.

In cases where a borrower experiences financial or legal difficulty and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructuring (TDR) and reported as impaired. The concessions granted by the Company 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. When the Company modifies the terms of an existing loan and the terms of the restructured loan are at least as favorable to the Company as the terms for comparable loans to other customers with similar risk characteristics who are not undergoing a refinancing or restructuring, the loan is accounted for as a new loan and is not considered a TDR. The new loan is generally not considered impaired and is excluded from any impairment assessment at the restructuring date.

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. 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 Participations

In the normal course of business, the Company 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 representations and warranties, participating interests are sold without recourse. Certain participating interests sold by the Company 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 Company did not recognize any gains or losses from the sale of such loans in 2019 or 2018.

The Company continues to service approximately $271.1 million and $318.4 million in participating interests at December 31, 2019 and 2018, respectively, that have been accounted for as transfers of assets and not included in the Company's consolidated statements of financial condition. The Company's retained portion of participated loans was $210.7 million and $209.7 million, respectively, at December 31, 2019 and 2018. The Company recorded approximately $586,000 and $598,000 in servicing fee income during 2019 and 2018, respectively.

The Company holds purchased participating interest in loans of $31.3 million and $38.7 million at December 31, 2019 and 2018, respectively.

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 transferor surrenders control over those financial assets, are accounted for as sales. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Concentration of Credit Risk

A substantial portion of the Company's general overall lending territory is focused in the counties where it maintains branch offices. However, the Company also extends credit into other areas where a branch office is not maintained. The ability of the Company'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.

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 for loan losses 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 for loan losses 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 for loan losses, 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 Company's lending personnel. These credit quality indicators and their impact on the adequacy of the allowance were evaluated as of

December 31, 2019. In addition to the segment evaluations, impaired loans 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. 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.

Reserve for Unfunded Lending Commitments

The Company 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 Company's consolidated statements of financial condition, 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 funding, are applied to the Company's off-balance sheet commitments and letters of credit to estimate probable losses.

Premises and Equipment

Land is carried at cost. Other 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 forty 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 (ORE) includes properties acquired by the Company 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. 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. The Company did not hold any ORE as of December 31, 2019 or 2018.

Goodwill and Other Intangible Assets

Goodwill has an indefinite useful life and is not amortized, but tested for impairment annually. The Company's goodwill totaled $8.9 million at December 31, 2019 and 2018. As of December 31, 2019, the Company has identified its reporting unit as the Bank and has allocated goodwill accordingly. Additionally, management evaluated the carrying value of the Company's goodwill as of December 31, 2019 and 2018, and determined that no impairment existed. As part of the AmBancorp acquisition in 2018, the Company also recorded a core deposit intangible of $1.3 million. The core deposit intangible is amortized over the estimated life of the acquired deposits using an accelerated amortization method. The Company's net core deposit intangible totaled $871,000 and $1.3 million at December 31, 2019 and 2018, respectively and is recorded on the balance sheet as a component of other assets.

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain employees. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract, which is 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, net of taxes.

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit. 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 include marketing and business development costs and are expensed as incurred.

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 Company'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 of such change in tax rates. In addition, tax benefits related to positions considered uncertain are recognized only if, based on the technical merits of the issue, the Company is more likely than not to sustain the position.

As of December 31, 2019, the Company has no recorded unrecognized tax benefits. The Company would recognize accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of income as income tax expense. The Company is subject to taxation in the U.S. Federal and Utah State jurisdictions.

Earnings per Share

Basic and diluted earnings per common share are calculated by dividing net income by the average number of common shares outstanding during the year. During the years ended December 31, 2019 and 2018, respectively, there were no preferred shares outstanding and no potential common shares issued, such as stock options or restricted share rights. The calculation of earnings per common share is as follows:

(dollars in thousands, except share and per share data)

		2019	2018
Numerator			
Net income	$	31,174	23,423
Denominator			
Weighted average number of common shares outstanding		16,899,750	16,834,654
Basic and diluted earnings per common share	$	1.84	1.39

Operating Segments

Operating segments are determined by the products and services offered and the information provided to the chief operating decision maker. Senior management generally reviews segments based on direct income and expense allocations. As such, certain overhead and income tax expenses are not allocated. Segment results are determined based on the Company's management accounting process, for which there is no comprehensive or authoritative guidance equivalent to GAAP. Changes in management structure and allocation estimates may impact operating segment results.

Trust Department Assets

The Bank acts in various capacities as a trustee for customers' assets in the Trust department. Such assets are not included in the consolidated statements of financial condition. Trust fees and expenses are reported in the consolidated statements of income when earned in accordance with applicable guidance.

Employee Stock Ownership Plan with 401(k) Provisions

The Company has an employee stock ownership plan with 401(k) provisions (KSOP) for eligible full-time Company employees. Eligible employees may make contributions per the IRS limits and the Company generally makes a 100 percent matching contribution up to five percent of the employee's compensation. The Company's contributions to the employee are fully vested after six years of employment and are used to purchase Company stock. KSOP participants have the right, after termination, retirement or disability, to require the Company to repurchase shares that are distributed to them by the KSOP. The participant may make a repurchase request only during a specified period each year. Such repurchase obligation payments can be made over a 5-year period, if the distribution is a total distribution of the participant's account under the KSOP. As of December 31, 2019 and 2018, respectively, the Company had fulfilled all repurchase requests as required under the terms of the KSOP. Company contributions were approximately $1.1 million and $1.0 million for the years ended December 31, 2019 and 2018, respectively, and were used, in addition to other cash held in the KSOP, to purchase Company stock from former employees as they requested or were required to take distributions. An independent valuation of the BOU Bancorp, Inc.'s stock held by the KSOP is obtained annually. The KSOP owns 1,196,440 shares (7.08%) of BOU Bancorp, Inc. stock, all of which are allocated at December 31, 2019. Additionally, at December 31, 2019, the KSOP held $1.5 million in cash and equivalents.

Recent Accounting Pronouncements

On January 1, 2019, the Company adopted ASU 2014-09 and all subsequent amendments to the ASU, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes a new control-based revenue recognition model for revenue from contracts with customers. This ASU (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as OREO. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The majority of the Company's revenues come from interest income derived from loans and securities that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within Noninterest Income and are recognized as revenue as the Company satisfies its obligation to the customer. The primary revenue streams within the scope of ASC 606 include trust fees and service charges on deposits. Refer to Note 11 Revenue from Contracts with Customers for further discussion on the Company's accounting policies for revenue sources within the scope of ASC 606. The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU requires lessees recognize a lease liability and a right-of use asset for all leases, excluding short-term leases, at the commencement date. The guidance in the ASU is effective for reporting periods beginning after December 15, 2020. Additionally, a modified retrospective transition approach is required for a leases existing at the earliest comparative period presented. This ASU is not expected to have a material impact on the Company's financial condition, results of operations, or capital position, but will impact the presentation on the consolidated statements of financial condition of the Company's current operating leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU requires the replacement of the current incurred loss model with an expected loss model, referred to as the current expected credit loss (CECL) model. The guidance in the ASU is effective for reporting periods beginning after December 15, 2022 with a cumulative-effect adjustment to retained earnings required for the first reporting period. Management is still assessing the impact of this ASU; however, it is expected that it will have some impact on the Company's financial condition and results of operations as this modifies calculation of the allowance for loan losses by accelerating the recognition of losses.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU amends existing guidance to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The guidance in the ASU is effective for reporting periods beginning after December 15, 2020 with prospective application. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.* This ASU shortens the amortization period for certain callable debt securities held at a premium by requiring that the premium to be amortized to the earliest call date. This ASU more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. The guidance in the ASU is effective for reporting periods beginning after December 15, 2019. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments in this ASU modify the disclosure requirements on fair value measurements. The guidance in the ASU is effective for reporting periods beginning after December 15, 2019. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

(2) CASH AND DUE FROM BANKS & INTEREST-BEARING DEPOSITS IN BANKS

The Company 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 $2.3 million and $51.7 million at December 31, 2019 and 2018, respectively.

(3) INVESTMENT SECURITIES

Equity securities consist entirely of an investment in a Community Reinvestment Act (CRA) qualified mutual fund. The fair value of equity securities at December 31, 2019 and 2018 was $7.2 million and $6.8 million, respectively. During the year ended December 31, 2019, the Company recognized gross unrealized holding gains on equity securities of approximately $206,000. During the year ended December 31, 2018, the Company recognized gross unrealized holding losses on equity securities of approximately $148,000.

Effective January 1, 2018, upon adoption of ASU 2016-01, equity securities included in the Company's available for sale portfolio of $6.8 million were reclassified to equity securities. The reclassification of equity securities resulted in recording a cumulative effect adjustment of $272,000 from accumulated other comprehensive loss to retained earnings.

Debt securities as of December 31, 2019 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
States and political subdivisions	$ 6,222	77	-	6,299

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 102,117	988	(197)	102,908
U.S. government agency mortgage backed securities	19,939	179	-	20,118
	$ 122,056	1,167	(197)	123,026

Debt securities as of December 31, 2018 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
States and political subdivisions	$ 8,038	3	(30)	8,011

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 88,925	84	(1,228)	87,781
U.S. government agency mortgage backed securities	24,845	18	(592)	24,271
	$ 113,770	102	(1,820)	112,052

There were no securities sold during the years ended December 31, 2019 or 2018.

A summary of investment securities with unrealized losses as of December 31, 2019, by the amount of unrealized losses and fair value by length of time that the securities have been in an unrealized loss position, follows:

	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	$ (144)	10,806	(53)	29,935	(197)	40,741

A summary of investment securities with unrealized losses as of December 31, 2018, 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:

(in thousands)

	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	$ (8)	3,176	(22)	3,952	(30)	7,128

	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	$ (20)	9,868	(1,208)	67,908	(1,228)	77,776
U.S. government agency mortgage backed securities	(6)	1,550	(586)	22,039	(592)	23,589
	$ (26)	11,418	(1,794)	89,947	(1,820)	101,365

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 Company's financial performance, the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell the securities before recovery of its amortized cost basis. The Company 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 OTTI adjustment as of December 31, 2019 or 2018, the Company 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, 2019 and 2018 was 0 and 22, respectively. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2019, and 2018 was 8 and 28, respectively.

A summary of the amortized cost and fair value of investment securities as of December 31, 2019, by contractual maturity, follows:

(in thousands)

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 1,683	1,689
Due after one year through five years	4,539	4,610
	$ 6,222	6,299

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 31,022	31,049
Due after one year through five years	54,782	55,671
Due in greater than five years	16,312	16,189
U.S. government agency mortgage backed securities	19,940	20,117
	$ 122,056	123,026

U.S. government agency securities with a book value of $75.8 million and $78.9 million at December 31, 2019 and 2018, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $76.7 million and $77.9 million at December 31, 2019 and 2018, respectively. (See note 9.)

(4) LOANS

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

(in thousands)

	2019	2018
Construction & development	$ 211,147	235,315
1-4 family real estate	62,661	70,193
Commercial real estate	520,407	501,480
Commercial & industrial	82,110	70,946
States & political subdivisions	140,951	133,108
Other	34,973	32,440
	1,052,249	1,043,482
Less unearned fees, net	1,566	1,688
	$ 1,050,683	1,041,794

The following is a summary of each of the Company's loan classes:

Construction & development: Loans for the construction of, and secured by, commercial real estate, residential real estate, and tracts of land for development.
1-4 family real estate: Loans secured by mortgages on one-to-four-family residences, including home equity lines of credit.
Commercial real estate: Loans secured by commercial real estate, including both owner occupied and non-owner occupied properties.
Commercial & industrial: Loans to local small- and medium-sized businesses that are secured primarily by accounts receivable, inventory, or personal property, plant and equipment.
States & political subdivisions: Loans made to municipalities within the State of Utah.
Other: Loan classes individually insignificant for disclosure, including multifamily, agriculture, and loans to individuals.

The Company acquired certain non-impaired loans as part of the AmBancorp acquisition on November 30, 2018. The unpaid principal balance and book value of these loans at December 31, 2019 and 2018 are summarized as follows:

(in thousands)

	2019		2018	
	Unpaid principal balance	Book Value	Unpaid principal balance	Book Value
Construction & development	$ 4,395	4,395	16,634	16,500
1-4 family real estate	3,007	3,059	4,969	5,032
Commercial real estate	37,383	37,211	44,450	44,223
Commercial & industrial	1,344	1,321	1,912	1,861
Other	834	835	1,174	1,173
	$ 46,963	46,821	69,139	68,789

Loans are made by the Bank in the normal course of business to directors, executive officers and principal shareholders of the Company. 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:

(in thousands)

	2019	2018
Balance, beginning of year	$ 224	616
New loans and advances	688	299
Payments	(636)	(691)
Balance, end of year	$ 276	224

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

Allowance for loan losses activity is summarized as follows:

(in thousands)

As of December 31, 2019:	Balance, beginning of year	Provision for (reversal of) loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Allowance for loan losses:					
Construction & development	$ 4,152	(296)	-	-	3,856
1-4 family real estate	581	6	-	8	595
Commercial real estate	5,319	877	-	-	6,196
Commercial & industrial	419	36	-	95	550
States & political subdivisions	623	177	-	-	800
Other	506	100	(49)	7	564
	$ 11,600	900	(49)	110	12,561

As of December 31, 2018:	Balance, beginning of year	Provision for loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Allowance for loan losses:					
Construction & development	$ 3,584	568	-	-	4,152
1-4 family real estate	639	(71)	-	13	581
Commercial real estate	5,085	234	-	-	5,319
Commercial & industrial	418	(4)	(17)	22	419
States & political subdivisions	615	8	-	-	623
Other	573	(35)	(42)	10	506
	$ 10,914	700	(59)	45	11,600

The following table summarizes the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment as of December 31, 2019:

(in thousands)

	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Allowance for loan losses:			
Construction & development	$ -	3,856	3,856
1-4 family real estate	-	595	595
Commercial real estate	15	6,181	6,196
Commercial & industrial	-	550	550
States & political subdivisions	-	800	800
Other	-	564	564
	$ 15	12,546	12,561
Outstanding loan balances:			
Construction & development	$ -	211,147	211,147
1-4 family real estate	-	62,661	62,661
Commercial real estate	1,307	519,100	520,407
Commercial & industrial	-	82,110	82,110
States & political subdivisions	-	140,951	140,951
Other	-	34,973	34,973
	$ 1,307	1,050,942	1,052,249

The following table summarizes the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment as of December 31, 2018:

(in thousands)

	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Allowance for loan losses:			
Construction & development	$ -	4,152	4,152
1-4 family real estate	-	581	581
Commercial real estate	16	5,303	5,319
Commercial & industrial	-	419	419
States & political subdivisions	-	623	623
Other	-	506	506
	$ 16	11,584	11,600
Outstanding loan balances:			
Construction & development	$ -	235,315	235,315
1-4 family real estate	-	70,193	70,193
Commercial real estate	6,964	494,516	501,480
Commercial & industrial	-	70,946	70,946
States & political subdivisions	-	133,108	133,108
Other	-	32,440	32,440
	$ 6,964	1,036,518	1,043,482

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 TDR, the Company considers the loan to be impaired and performs an impairment evaluation to determine the need for a specific reserve. 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, 2019:

(in thousands)

		Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total allowance
Commercial real estate	$	1,307	877	430	1,307	15

The following presents a summary of impaired loans as of December 31, 2018:

(in thousands)

		Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total allowance
Commercial real estate	$	6,964	-	6,964	6,964	16

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

(in thousands)

		2019		2018	
		Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial real estate	$	4,347	83	3,232	191
Commercial & industrial		-	-	103	13
	$	4,347	83	3,335	204

As of December 31, 2019 and 2018 there were no loans modified in TDRs on nonaccrual. As of December 31, 2019 and 2018 there were no additional funds committed to lend to borrowers whose loans have been modified in a TDR. There were no new loans identified as a TDR during the year ended December 31, 2019 and one new loan identified as a TDR during the year ended December 31, 2018. There were no 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 years ended December 31, 2019 and 2018.

As of December 31, 2019 nonaccrual loans totaled $877,000 all of which were commercial real estate loans. As of December 31, 2018 there were no nonaccrual loans.

The following tables present an aging analysis of loans as of December 31, 2019 and 2018, respectively. There are no loans past due more than 90 days still accruing interest as of December 31, 2019 or 2018. As of December 31, 2019 there were no nonaccrual loans considered current, no nonaccrual loans 30-89 days past due and $877,000 in nonaccrual loans 90 days or more past due.

(in thousands)

As of December 31, 2019:	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	$ -	-	-	-	211,147	211,147
1-4 family real estate	-	142	-	142	62,519	62,661
Commercial real estate	-	-	877	877	519,530	520,407
Commercial & industrial	-	-	-	-	82,110	82,110
States & political subdivisions	-	-	-	-	140,951	140,951
Other	-	-	-	-	34,973	34,973
	$ -	142	877	1,019	1,051,230	1,052,249

As of December 31, 2018:	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	$ -	-	-	-	235,315	235,315
1-4 family real estate	-	-	-	-	70,193	70,193
Commercial real estate	-	-	-	-	501,480	501,480
Commercial & industrial	299	-	-	299	70,647	70,946
States & political subdivisions	-	-	-	-	133,108	133,108
Other	7	-	-	7	32,433	32,440
	$ 306	-	-	306	1,043,176	1,043,482

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

Pass: Loans that do not fit any of the other 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, 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.
Loss: Loans that are considered uncollectible and of such little value that their continuance as an active bank-owned asset in not warranted. These loans are immediately charged off.

Outstanding loan balances categorized by internal risk grades as of December 31, 2019 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 210,712	435	-	-	211,147
1-4 family real estate	62,345	-	316	-	62,661
Commercial real estate	507,856	5,156	6,518	877	520,407
Commercial & industrial	81,820	-	290	-	82,110
State & political subdivisions	140,951	-	-	-	140,951
Other	34,970	-	3	-	34,973
	$ 1,038,654	5,591	7,127	877	1,052,249

Outstanding loan balances categorized by internal risk grades as of December 31, 2018 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 235,315	-	-	-	235,315
1-4 family real estate	70,193	-	-	-	70,193
Commercial real estate	484,241	369	16,870	-	501,480
Commercial & industrial	69,392	-	1,554	-	70,946
State & political subdivisions	133,108	-	-	-	133,108
Other	32,434	-	6	-	32,440
	$ 1,024,683	369	18,430	-	1,043,482

(6) OTHER REAL ESTATE OWNED

The Company did not hold any ORE as of December 31, 2019 or 2018.

During the year ended December 31, 2019, loans transferred to ORE totaled $6.5 million and the book value of ORE sold was $6.5 million. During the year ended December 31, 2019, loans provided for sale of ORE totaled $6.3 million and the net gain on the sale of ORE totaled approximately $78,000. Operating expenses net of rental income was approximately $99,000 for the year ended December 31, 2019.

There were no loans transferred to ORE or sales of ORE during the year ended December 31, 2018.

(7) GOODWILL AND INTANGIBLES

The following table summarizes the changes in the Company's goodwill and intangible assets as of December 31:

(in thousands)

	2019		2018	
	Goodwill	Core deposit intangible	Goodwill	Core deposit intangible
Balance, beginning of year	$ 8,903	1,257	5,894	-
Acquired	-	-	3,009	1,292
Amortization	-	386	-	35
Balance, end of year	$ 8,903	871	8,903	1,257

As of December 31, 2019, the forecasted amortization expense on intangible assets are as follows:

(in thousands)

Year ended December 31:		
2020	$	306
2021		240
2022		171
2023		108
2024		45
Thereafter		1
	$	871

(8) PREMISES AND EQUIPMENT

The following table summarizes premises and equipment as of December 31:

(in thousands)

		2019	2018
Land	$	4,724	4,980
Buildings and leasehold improvements		19,825	20,745
Furniture and equipment		14,921	14,522
		39,470	40,247
Accumulated depreciation and amortization		(22,204)	(22,323)
	$	17,266	17,924

(9) INTEREST-BEARING DEPOSITS

The following table summarizes interest-bearing deposits as of December 31:

(in thousands)

		2019	2018
Interest-bearing checking	$	208,468	197,622
Insured money market		276,874	276,441
Savings accounts		121,155	132,936
Certificates of deposit		83,492	90,213
	$	689,989	697,212

The aggregate amount of time deposits with balances of $250,000 or more was $45.3 million and $54.1 million as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, respectively, overdraft deposits totaling $43,000 and $35,000 were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2019 follows:

(in thousands)

Year ended December 31:		
2020	$	44,662
2021		26,100
2022		9,195
2023		2,643
2024 and thereafter		892
Total	$	83,492

The Company 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 $14.7 million and $16.2 million at December 31, 2019 and 2018, respectively.

(10) 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 0.31 percent and 0.33 percent at December 31, 2019 and 2018, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2019 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 Company's pledged safekeeping account maintained at a correspondent bank. The carrying value of securities that have been sold under agreements to repurchase were $63.8 million and $69.8 million at December 31, 2019 and 2018, respectively. The fair value of the underlying pledged securities was $76.7 million and $77.9 million at December 31, 2019 and 2018, respectively.

(11) REVENUE FROM CONTRACTS WITH CUSTOMERS

As noted in Note 1, the Company adopted the provisions of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), on January 1, 2019 and all subsequent ASUs that modified Topic 606. Results for reporting periods beginning after December 31, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with Topic 605. All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized in noninterest income.

The following table presents the Company's sources of noninterest income for the years-ended December 31:

(in thousands)

		2019	2018
Sources not within the scope of ASC 606:			
Gain on sale of loans	$	8,696	7,200
Increase in cash surrender value of bank owned life insurance		839	751
Net gain on sale or disposal of premises and equipment		1,659	4
Sources within the scope of ASC 606:			
Service charges on deposits		1,203	1,174
Trust fees		10,711	10,089
Interchange income		1,020	1,210
Investment commissions		269	188
Gain on sale of other real estate owned		78	-
Other		584	166
Total noninterest income	$	25,059	20,782

Service charges on deposits: The Company earns fees from its deposit customers for account maintenance, transaction-based activity and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposit accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The fees are recognized at the time each specific service is provided to the customer.

Trust fees: The Company earns fees from its contracts with trust customers to manage the assets in their accounts. These fees are primarily earned over time as the Company provides the contracted services. For certain trust customers, the contracted services also include additional transactional obligations for which an allocated portion of the fees are recognized upon the Company's performance of the obligation. Additional transaction-based fees are charged to trust customers for specific services, such as trade execution, and are recognized at the completion of those services.

Interchange income: The Company earns interchange fees from debit and credit cardholder transactions conducted through the Visa payment network. Interchange fees represent a percentage of the underlying transaction value and are recognized concurrent with the transaction processing services provided to the cardholder. Interchange income is presented net of cardholder rewards.

Investment commissions: The Company earns commissions on the sale of non-deposit investment products. These commissions are recognized at the time the transaction is finalized.

Gain on sale of other real estate owned: Gains/losses on the sale of other real estate owned are generally recognized at delivery of control over the property to the buyer at time of closing.

Other noninterest income: Items that are not within the scope of ASC 606 and included in other noninterest income are of loan servicing fees and unrealized gains and losses on equity securities. Items that are within the scope of ASC 606 and included in other noninterest income are merchant fees, ATM user fees not included in deposit service charges, and other miscellaneous fees. Generally, income is recognized concurrent with the service provided or as the transaction is finalized.

(12) INCOME TAXES

The following table summarizes the provision for income tax expense/(benefit) for the years ended December 31:

(in thousands)

		2019	2018
Current:			
Federal	$	6,094	4,887
State		1,762	1,497
Deferred:			
Federal		460	(345)
State		2	(143)
Provision for income taxes	$	8,318	5,896

The following table presents a reconciliation of expected tax expense to actual income tax expense, based on the federal rate of 21 percent for the years ended December 31, 2019 and 2018:

(in thousands)

		2019	2018
Expected federal tax expense	$	8,293	6,157
Increases (decreases) in taxes resulting from:			
Tax-exempt interest income		(915)	(860)
State taxes, net of federal benefit		1,461	1,084
Captive insurance		(246)	(212)
Bank owned life insurance		(176)	(156)
Other		(99)	(117)
Provision for income taxes	$	8,318	5,896

Temporary differences between the amounts reported in the financial statements and the tax bases of liabilities and assets result in deferred taxes. The following table summarizes deferred tax assets and deferred tax liabilities at December 31:

(in thousands)

		2019	2018
Deferred tax liabilities			
Premises and equipment	$	981	575
Deferred loan costs		971	904
Deferred income on FHLB stock		139	139
Intangible assets		182	226
Net unrealized gain on investment securities available for sale		242	-
Other		449	393
		2,964	2,237
Deferred tax assets			
Allowance for loan losses		3,323	3,213
Deferred compensation		1,324	1,457
Net unrealized loss on investment securities available for sale		-	428
Other		233	187
		4,880	5,285
Net deferred tax asset	$	1,916	3,048

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 asset. The net deferred tax asset is included on the consolidated statements of financial condition as a component of other assets.

(13) FAIR VALUE

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: The Company evaluates the fair value of investment securities, available for sale on a monthly basis. 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 Company has categorized its investment securities, available for sale as Level 2.

Equity securities: The Company evaluates the fair value of equity securities on a monthly basis. Where quoted prices are available in an active market, equity securities are classified within level 1 of the hierarchy. Level 1 includes equity 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 Company has categorized its equity securities as Level 2.

There were no transfers between Level 2 and Level 3 during 2019 or 2018.

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31:

(in thousands)

Description of Financial Instrument		Fair Value	Level 1 (2019)	Level 2 (2019)	Level 3 (2019)
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	102,908	-	102,908	-
U.S. government agency mortgage backed securities		20,118	-	20,118	-
Equity securities		7,172	-	7,172	-

Description of Financial Instrument		Fair Value	Level 1 (2018)	Level 2 (2018)	Level 3 (2018)
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	87,781	-	87,781	-
U.S. government agency mortgage backed securities		24,270	-	24,270	-
Equity securities		6,802	-	6,802	-

At December 31, 2019 impaired commercial real estate loans with a fair value of $877,000 were measured at fair value on a nonrecurring basis. The loans were collateral dependent and a collateral method, adjusted for estimated selling costs, was used to determine fair value. At December 31, 2018 there were no assets measured at fair value on a nonrecurring basis.

(14) COMMITMENTS AND CONTINGENT LIABILITIES

The Company 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, 2019, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

(in thousands)

Year ended December 31:		
2020	$	991
2021		899
2022		832
2023		724
2024		685
Thereafter		3,830
	$	7,961

The Company recorded lease expense (net of sublease income of approximately $42,000 and $14,000 for the years ending December 31, 2019 and 2018, respectively) under these agreements of approximately $930,000 and $732,000 in 2019 and 2018, respectively. Of these amounts, $126,000 and $23,000 was paid in 2019 and 2018, respectively, to related parties.

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

(in thousands)

	2019	2018
Allowance for loan losses	$ 12,561	11,600
Reserve for unfunded lending commitments	900	1,300
	$ 13,461	12,900

The Company 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 Company'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 Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

In the normal course of business, the Company 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 is calculated, was $313.5 million and $373.7 million as of December 31, 2019 and 2018, respectively. Commitments on letters of credit totaled $6.0 million and $8.3 million as of December 31, 2019 and 2018, respectively, and $307.5 million and $369.7 million respectively, on all other loan commitments.

The Company has lines of credit established with the FHLB of Des Moines for $648.0 million (45 percent of total bank assets), Zions First National Bank for $15.0 million, JP Morgan Chase for $10.0 million, and Pacific Coast Bankers' Bank for $10.0 million. The FHLB credit line is limited to the amount of pledged collateral, which was $191.8 million as of December 31, 2019. The lines of credit are reviewed on an annual basis and market interest rates are set at the time funds are borrowed. At December 31, 2019, the Company's credit enhancement obligation as part of our participation in the FHLB Mortgage Partnership Finance program was approximately $852,000, which reduces the available line of credit with the FHLB by that amount. The Company did not have any outstanding borrowings from FHLB, Zions First National Bank, JP Morgan Chase or Pacific Coast Bankers' Bank at December 31, 2019 or 2018.

In the normal course of its business, the Company 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 Company's financial position or results of operations.

(15) SEGMENT INFORMATION

The Company has identified three reportable segments, Community Banking, Mortgage Banking and Corporate Trust. These segments are determined by the products and services offered and are distinguished in the information provided to the chief operating decision maker who uses such information to review segment performance. Loans, investments, deposits, and personal trust products provide the revenues in the Community Banking segment, Loan sales and origination fees drive income in the Mortgage Banking segment, and Corporate Trust revenues are earned from fees collected by providing various corporate trust services, such as aircraft owner trusts. Certain unallocated income and expense items are excluded from the review of reportable segments and included in the 'Other' category.

Segment results as are summarized as follows:

(in thousands)

Year ended December 31, 2019:	Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$ 58,394	1,749	(706)	78	59,515
Noninterest income	6,937	8,696	7,798	1,628	25,059
Noninterest expense	(30,852)	(5,706)	(3,561)	(4,963)	(45,082)
Segment income before provision for income taxes	$ 34,479	4,739	3,531	(3,257)	39,492
Average gross loans	$ 1,048,356	8	-	-	1,048,364
Average deposits	933,360	103	199,817	-	1,133,280

Year ended December 31, 2018:	Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$ 50,562	1,702	(325)	42	51,981
Noninterest income	6,192	7,200	7,503	(113)	20,782
Noninterest expense	(27,117)	(6,181)	(3,402)	(6,744)	(43,444)
Segment income before provision for income taxes	$ 29,637	2,721	3,776	(6,815)	29,319
Average gross loans	$ 936,228	12	-	-	936,240
Average deposits	848,096	83	221,549	-	1,069,728

(16) REGULATORY CAPITAL REQUIREMENTS

The Company 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 Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company'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 provide for capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Total, Tier 1, and Common Equity Tier 1 (CET1) capital (as defined in the regulations) to risk-weighted assets (as defined in the regulations), and of Tier 1 capital (as defined in the regulations) to average quarterly assets (as defined in the regulations). The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company and the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. One of the phased requirements is for the Bank to establish a "conservation buffer" consisting of CET1 capital equal to 2.5% and 1.875% of risk-weighted assets in 2019 and 2018, respectively. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including the payment of dividends, stock repurchases, and discretionary bonuses to executive officers. As part of the Basel III rules implementation, in March 2015 the Company exercised a one-time irrevocable option to exclude the investment components of accumulated other comprehensive income in the capital calculation. Capital amounts and ratios for December 31, 2019 and 2018 are calculated using the Basel III rules. Management believes, as of December 31, 2019, that the Company meets all minimum capital adequacy requirements to which it is subject.

The Company has elected to not adopt the Community Bank Leverage Ratio (CBLR) framework provided for by the Economic Growth, Regulatory Relief, and Consumer Protection Act or S.2155, which was passed by Congress in 2018 and implemented by banking regulators in 2019. Under CBLR, banks with less than $10 billion in total consolidated assets that meet certain conditions and maintain a tier one leverage ratio greater than 9 percent are considered to be compliant with the capital requirements of Basel III and well capitalized under PCA; however adequately capitalized under CBLR requires a leverage ratio of 7.5%.

As of December 31, 2019, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain certain Total, Tier 1, and CET1 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 Company's category.

Dividends declared by the Company 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, 2019, the Company had approximately $60.0 million available for payment of dividends under the aforementioned restrictions.

Capital amounts and ratios as of December 31, 2019 are summarized as follows:

(in thousands)

	Actual		Minimum capital requirement including CET1 capital conservation buffer		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital						
(to risk weighted assets)						
Consolidated	$ 204,537	17.57%	122,232	10.50%	N/A	N/A
Bank of Utah	196,185	16.85%	122,259	10.50%	116,437	10.00%
Tier 1 Capital						
(to risk weighted assets)						
Consolidated	191,076	16.41%	98,950	8.50%	N/A	N/A
Bank of Utah	182,724	15.69%	98,972	8.50%	93,150	8.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Consolidated	191,076	16.41%	81,488	7.00%	N/A	N/A
Bank of Utah	182,724	15.69%	81,506	7.00%	75,684	6.50%
Tier 1 Capital						
(to quarterly average assets)						
Consolidated	191,076	13.13%	94,579	6.50%	N/A	N/A
Bank of Utah	182,724	12.59%	94,372	6.50%	72,594	5.00%

Capital amounts and ratios as of December 31, 2018 are summarized as follows:

(in thousands)

	Actual		Minimum capital requirement including CET1 capital conservation buffer		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)						
Consolidated	$ 178,647	15.61%	112,984	9.875%	N/A	N/A
Bank of Utah	172,670	15.07%	113,144	9.875%	114,576	10.00%
Tier 1 Capital (to risk weighted assets)						
Consolidated	165,747	14.49%	90,101	7.875%	N/A	N/A
Bank of Utah	159,770	13.49%	90,229	7.875%	91,661	8.00%
Common Equity Tier 1 Capital (to risk weighted assets)						
Consolidated	165,747	14.49%	72,939	6.375%	N/A	N/A
Bank of Utah	159,770	13.49%	73,042	6.375%	74,475	6.50%
Tier 1 Capital (to quarterly average assets)						
Consolidated	165,747	11.87%	55,857	4.00%	N/A	N/A
Bank of Utah	159,770	11.46%	55,759	4.00%	69,699	5.00%

(17) ACQUISITION

The Company did not complete any acquisitions during the year ended December 31, 2019.

The Company completed the acquisition of AmBancorp, the holding company of AmBank, on November 30, 2018 and successfully completed the conversion of the AmBank branches onto its core banking platform. The acquired assets and assumed liabilities were recorded at fair value at the date of the acquisition, including $3.0 million of goodwill and $1.3 million of core deposit intangible. AmBank's previously established allowance for loan losses was not carried over and the fair value mark on loans was a discount of $346,000. The acquisition was a tax-free exchange, therefore the purchase accounting adjustments, including goodwill are considered non-taxable and/or nondeductible.

The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed and recognized at the acquisition date:

(in thousands)

Purchase Price				
Cash			$	18,275
Recorded amounts of assets acquired and liabilities assumed				
Assets				
Cash and investments	$	19,792		
Loans, net of discounts		68,216		
Premises and equipment		3,131		
Core deposit intangible		1,292		
Bank owned life insurance		2,655		
Other assets		1,097		
Total assets		96,183		
Liabilities				
Deposits		79,617		
Other liabilities		1,300		
Total liabilities		80,917		
Net assets from acquisition				15,266
Goodwill			$	3,009

Schedule 1

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL CONDITION
December 31, 2019

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	21,386	-	-	21,386
Interest-bearing deposits in banks	6,512	141,788	3,424	(6,512)	145,212
Federal funds sold	-	643	-	-	643
Investment securities:					
Equity securities, at fair value	-	7,172	-	-	7,172
Available for sale, at fair value	-	123,026	-	-	123,026
Held to maturity, at amortized cost	-	6,222	-	-	6,222
Total investment securities	-	136,420	-	-	136,420
Loans held for sale	-	12,426	-	-	12,426
Loans	-	1,050,683	-	-	1,050,683
Less allowance for loan losses	-	12,561	-	-	12,561
Net loans	-	1,038,122	-	-	1,038,122
Investment in Bank of Utah	193,264	-	-	(193,264)	-
Investment in Utah Risk Management, Inc.	2,106	-	-	(2,106)	-
Accrued interest receivable	-	4,486	18	-	4,504
Goodwill	-	8,903	-	-	8,903
Bank owned life insurance	-	30,198	-	-	30,198
Premises and equipment, net	-	17,266	-	-	17,266
Deferred tax asset	-	1,916	-	-	1,916
Other assets	93	9,597	666	(1,125)	9,231
Total assets	$ 201,975	1,423,151	4,108	(203,007)	1,426,227
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Noninterest-bearing	$ -	458,752	-	-	458,752
Interest-bearing	-	696,501	-	(6,512)	689,989
Total deposits	-	1,155,253	-	(6,512)	1,148,741
Securities sold under agreements to repurchase	-	63,834	-	-	63,834
Other liabilities	396	10,836	2,002	(1,161)	12,073
Total liabilities	396	1,229,923	2,002	(7,673)	1,224,648
Common stock	16,900	3,656	2	(3,658)	16,900
Paid-in capital	5,271	26,809	248	(27,057)	5,271
Accumulated other comprehensive loss	729	729	-	(729)	729
Retained earnings	178,679	162,034	1,856	(163,890)	178,679
Total stockholders' equity	201,579	193,228	2,106	(195,334)	201,579
	$ 201,975	1,423,151	4,108	(203,007)	1,426,227

Schedule 1

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL CONDITION
December 31, 2018

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	23,678	-	-	23,678
Interest-bearing deposits in banks	4,506	157,660	2,814	(4,506)	160,474
Federal funds sold	-	1,676	-	-	1,676
Investment securities:					
Equity securities, at fair value	-	6,802	-	-	6,802
Available for sale, at fair value	-	112,052	-	-	112,052
Held to maturity, at amortized cost	-	8,038	-	-	8,038
Total investment securities	-	126,892	-	-	126,892
Loans held for sale	-	11,797	-	-	11,797
Loans	-	1,041,794	-	-	1,041,794
Less allowance for loan losses	-	11,600	-	-	11,600
Net loans	-	1,030,194	-	-	1,030,194
Investment in Bank of Utah	168,418	-	-	(168,418)	-
Investment in Utah Risk Management, Inc.	1,819	-	-	(1,819)	-
Accrued interest receivable	-	4,731	13	-	4,744
Goodwill	-	8,903	-	-	8,903
Bank owned life insurance	-	29,358	-	-	29,358
Premises and equipment, net	-	17,924	-	-	17,924
Deferred tax asset	-	3,048	-	-	3,048
Other assets	19	6,785	590	(1,059)	6,335
Total assets	$ 174,762	1,422,646	3,417	(175,802)	1,425,023
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Noninterest-bearing	$ -	470,975	-	-	470,975
Interest-bearing	-	701,718	-	(4,506)	697,212
Total deposits	-	1,172,693	-	(4,506)	1,168,187
Securities sold under agreements to repurchase	-	69,813	-	-	69,813
Other liabilities	462	11,818	1,598	(1,155)	12,723
Total liabilities	462	1,254,324	1,598	(5,661)	1,250,723
Common stock	16,900	3,656	2	(3,658)	16,900
Paid-in capital	5,271	26,809	248	(27,057)	5,271
Accumulated other comprehensive loss	(1,290)	(1,290)	-	1,290	(1,290)
Retained earnings	153,419	139,147	1,569	(140,716)	153,419
Total stockholders' equity	174,300	168,322	1,819	(170,141)	174,300
	$ 174,762	1,422,646	3,417	(175,802)	1,425,023

Schedule 2

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF INCOME
Year ended December 31, 2019

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	60,143	-	-	60,143
Interest on investment securities:					
Taxable	-	2,546	-	-	2,546
Tax-exempt	-	143	-	-	143
Interest on loans held for sale	-	434	-	-	434
Interest on cash and cash equivalents	10	2,480	68	(10)	2,548
Total interest income	10	65,746	68	(10)	65,814
INTEREST EXPENSE:					
Interest on deposits	-	5,211	-	(10)	5,201
Interest on securities sold under agreement to repurchase and other borrowings	-	198	-	-	198
Total interest expense	-	5,409	-	(10)	5,399
Net interest income	10	60,337	68	-	60,415
Provision for loan losses	-	900	-	-	900
Net interest income after provision for loan losses	10	59,437	68	-	59,515
NONINTEREST INCOME:					
Dividend from Bank of Utah	7,905	-	-	(7,905)	-
Equity in undistributed income of Bank of Utah	22,886	-	-	(22,886)	-
Dividend from Utah Risk Management, Inc.	930	-	-	(930)	-
Equity in undistributed income of Utah Risk Management, Inc.	288	-	-	(288)	-
Service charges on deposits	-	1,203	-	-	1,203
Gain on sale of loans	-	8,696	-	-	8,696
Trust fees	-	10,711	-	-	10,711
Cash surrender value increase of bank owned life insurance	-	839	-	-	839
Other	-	3,610	1,535	(1,535)	3,610
	32,009	25,059	1,535	(33,544)	25,059
NONINTEREST EXPENSES:					
Salaries and employee benefits	895	29,155	-	-	30,050
Net occupancy expense	-	2,739	-	-	2,739
Equipment expense	-	4,572	-	-	4,572
Professional fees and services	71	2,341	88	-	2,500
Advertising expense	-	1,280	-	-	1,280
Office expense	-	1,229	-	-	1,229
Other	268	3,695	284	(1,535)	2,712
	1,234	45,011	372	(1,535)	45,082
Income before provision for income taxes	30,785	39,485	1,231	(32,009)	39,492
Provision for income taxes	(389)	8,694	13	-	8,318
Net income	$ 31,174	30,791	1,218	(32,009)	31,174

Schedule 2

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF INCOME
Year ended December 31, 2018

(in thousands)	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	50,701	-	-	50,701
Interest on investment securities:					
Taxable	-	2,339	-	-	2,339
Tax-exempt	-	187	-	-	187
Interest on loans held for sale	-	453	-	-	453
Interest on cash and cash equivalents	6	2,769	37	(6)	2,806
Total interest income	6	56,449	37	(6)	56,486
INTEREST EXPENSE:					
Interest on deposits	-	3,607	-	(6)	3,601
Interest on securities sold under agreement to repurchase and other borrowings	-	204	-	-	204
Total interest expense	-	3,811	-	(6)	3,805
Net interest income	6	52,638	37	-	52,681
Provision for loan losses	-	700	-	-	700
Net interest income after provision for loan losses	6	51,938	37	-	51,981
NONINTEREST INCOME:					
Dividend from Bank of Utah	24,946	-	-	(24,946)	-
Equity in undistributed income of Bank of Utah	(1,134)	-	-	1,134	-
Dividend from Utah Risk Management, Inc.	600	-	-	(600)	-
Equity in undistributed income of Utah Risk Management, Inc.	435	-	-	(435)	-
Service charges on deposits	-	1,174	-	-	1,174
Gain on sale of loans	-	7,200	-	-	7,200
Trust fees	-	10,089	-	-	10,089
Cash surrender value increase of bank owned life insurance	-	751	-	-	751
Other	-	1,568	1,202	(1,202)	1,568
	24,847	20,782	1,202	(26,049)	20,782
NONINTEREST EXPENSES:					
Salaries and employee benefits	677	26,601	-	-	27,278
Net occupancy expense	-	2,432	-	-	2,432
Equipment expense	-	4,946	-	-	4,946
Professional fees and services	960	2,322	87	-	3,369
Advertising expense	-	1,262	-	-	1,262
Office expense	-	1,108	-	-	1,108
Other	266	3,874	111	(1,202)	3,049
	1,902	42,545	198	(1,202)	43,444
Income before provision for income taxes	22,951	30,174	1,041	(24,847)	29,319
Provision for income taxes	(472)	6,361	7	-	5,896
Net income	$ 23,423	23,814	1,034	(24,847)	23,423

BANK OF UTAH & BOU BANCORP, INC.

BOARD OF DIRECTORS

H. DEE HUTZLEY
Grocer, Retired

JONATHAN W. BROWNING
Secretary to the Board

DOUGLAS L. DEFRIES
CEO & President

DR. GARY R. GIBBONS
Physician, Retired

GEORGE E. HALL
Entrepreneur

FRANK W. BROWNING
Chairman of the Board

BOU BANCORP, INC. OFFICERS

- **FRANK W. BROWNING** Chairman of the Board
- **BENJAMIN F. BROWNING** Vice Chairman of the Board/Vice President
- **JONATHAN W. BROWNING** Secretary to the Board

BENJAMIN F. BROWNING
Vice Chairman

SCOTT D. NELSON
Developer, Retired

MARLIN K. JENSEN
Attorney, Retired

STEVEN M. PETERSEN
Manufacturer

EUGENE B. JONES
CPA, Retired

- **DOUGLAS L. DEFRIES** Chief Executive Officer & President
- **BRANDEN P. HANSEN** Chief Financial Officer
- **NATHAN L. DEFRIES** Treasurer

BANK OF UTAH

EXECUTIVE OFFICERS

DOUGLAS L. DEFRIES
President & 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
Senior Wealth
Management/FX Director

ROGER L. CHRISTENSEN
Senior Vice President
Business Development
& Communications

ERIC D. DEFRIES
Senior Vice President
Mortgage Operations
and Risk

COLBY J. DUSTIN
Senior Vice President
Enterprise Risk

CARI FULLERTON
Senior Vice President
Chief Credit Officer

T. CRAIG ROPER
Senior Vice President
Chief Deposit Officer

BRIAN S. STEVENS
Senior Vice President
Information Technology

MENAH C. STRONG
Senior Vice President
Chief Administrative
Officer

BRET J. WALL
Senior Vice President
Residential Lending

BANK OF UTAH OFFICERS

Lending

Jared M. Anderson	Senior Vice President, Team Leader, Ogden Muni
Gregory J. Brown	Senior Vice President, Relationship Manager
Leonel Castillo	Senior Vice President, Relationship Manager
Steven P. Diamond	Senior Vice President, Team Leader, Ogden CRE
Reed W. Dixon	Senior Vice President, Credit Administrator
M. Brady Fosmark	Senior Vice President, Team Leader, City Creek
Norman G. Fukui	Senior Vice President, Team Leader, Box Elder, Small Business
Kelly D. Crane-Hale	Senior Vice President, Team Leader, Orem
Larry R. Hintze	Senior Vice President, Team Leader, Redwood
Krista L. Lewis	Senior Vice President, Team Leader, Logan
Arthur E. Newell	Senior Vice President, Team Leader, Utah Valley
Spencer R. Richins	Senior Vice President, Team Leader, Bountiful
David K. Snow	Senior Vice President, Relationship Manager
Kevin E. Stocking	Senior Vice President, Team Leader, Heber City
H. Bradley Stucki	Senior Vice President, Team Leader, St. George
Eric S. Blanchard	Vice President, Relationship Manager
Kevin A. Call	Vice President, Relationship Manager
Mark J. Carpenter	Vice President, Relationship Manager
Randy J. Hoyt	Vice President, Relationship Manager
Jeffery L. Norton	Vice President, Relationship Manager
Beckie L. Reynosa	Vice President, Relationship Manager
Michael J. Wells	Vice President, Relationship Manager
Katherine L. Davis	Assistant Vice President, Relationship Manager, Consumer
Jeremy Hubbard	Assistant Vice President, Relationship Manager
Cheryl G. Monk	Assistant Vice President, Lending Administrator
Matthew F. Nelson	Assistant Vice President, Relationship Manager
Blake W. Ostler	Assistant Vice President, Portfolio Manager
Sally K. Perry	Assistant Vice President, Relationship Manager
Jared S. Taylor	Assistant Vice President, Portfolio Manager
Brian G. Wahlen	Assistant Vice President, Portfolio Manager

Lending Administration

Daniel S. Boren	Senior Vice President, Collections/Special Assets
Rachel L. Phillips	Vice President, Loan Operations Manager
Christina L. Thurnwald	Vice President, Loan Documentation Manager

BANK OF UTAH OFFICERS

Mortgage and Residential Construction

Wesley T. Barlow	Vice President, Mortgage Area Manager
Jennifer H. Dee	Vice President, Mortgage Production Support
W. Dan Farnsworth	Vice President, Mortgage Loan Office Manager, Logan
Cindee L. Himelright	Vice President, Consumer Servicing Manager
Michael R. Medsker	Vice President, Mortgage Loan Office Manager, Ogden
Russell G. Piggott	Vice President, Mortgage Loan Office Manager, Logan City Center
Kathy L. Robles	Vice President, Mortgage Operations Supervisor
Linda C. Rose	Vice President, Mortgage Loan Office Manager, South Ogden
Brian J. Young	Vice President, Mortgage Area Manager
Cynthia Lee	Assistant Vice President, Senior Mortgage Underwriter
John P. Neil	Assistant Vice President, Mortgage Loan Officer
Timothy D. Roberts	Assistant Vice President, Mortgage Loan Office Manager, City Creek
Angela L. Vause	Assistant Vice President, Mortgage Processing Manager

Branch Management

Patty K. Frehner	Vice President, Banking Operations
Stacey K. Mackay	Vice President, Branch Manager, Heber City
Charly Owens	Vice President, Treasury Management Manager
David B. Rusch	Vice President, Retail Banking Manager
Jillian Weadock	Vice President, Treasury Management Team Leader
David P. Kuhni	Assistant Vice President, Branch Manager, Lindon
Jodi L. Miller	Assistant Vice President, Treasury Management Team Leader
Teresa R. Thompson	Assistant Vice President, Branch Manager, Sandy
Sherri A. Webb	Assistant Vice President, Branch Manager, South Ogden
Helen C. White	Assistant Vice President, Branch Manager, Tremonton

Corporate Trust

Jon W. Croasmun	Senior Vice President, Corporate Trust Manager
Michael R. Arsenault	Vice President, Corporate Trust Counsel
Jodie B. Curtis	Vice President, Senior Corporate Trust Administrator
Joseph H. Pugsley	Vice President, Corporate Trust Counsel
Rebecca K. Archibald	Assistant Vice President, Life Settlement Account Administrator
F. Alberto (Alvin) Gomez	Assistant Vice President, Trust Operations and Services Manager
Margaret P. (Peggy) Hawkins	Assistant Vice President, Life Settlement Account Administrator
Sharlee M. Kuch	Assistant Vice President, Corporate Trust Administrator
Jennifer Miller	Assistant Vice President, Corporate Trust Administrative Officer
Kirk G. Peterson	Assistant Vice President, Corporate Trust Administrative Manager
Jamille R. Pool	Assistant Vice President, Corporate Trust Administrative Officer
Stella Wilson	Assistant Vice President, Corporate Trust Administrator

BANK OF UTAH OFFICERS

Wealth Management

John W. Walton	Senior Vice President, Private Banking
Kimberly K. Ford	Vice President, Senior Trust Officer
Jeff Kahn	Vice President, Trust Officer
Brenda L. Lambert	Vice President, Senior Trust Officer
Lisa K. Mariano	Vice President, Personal Trust Manager
Jodie K. Nutt	Vice President, Senior Trust Officer
Dillon Schmutz	Vice President, Relationship Manager, FX
Craig A. Standing	Vice President, Senior Trust Officer
Jennifer G. Vandenberg	Vice President, Trust Officer

Corporate Administration

Nathan L. DeFries	Senior Vice President, Finance
Colleen Schulthies	Senior Vice President, General Counsel
Shawn M. Choate	Vice President, Human Resource
Susana K. Feightner	Vice President, Central Operations Manager
Jessica H. Orme	Vice President, Treasury Management Operations Manager
Christopher J. Powell	Vice President, Internal Audit Manager
Elizabeth N. Warner	Vice President, Lending Compliance Officer
Jay D. Weaver	Vice President, Technology Officer
Chelsi L. Banks	Assistant Vice President, Deposit Compliance Administrator
Carl R. Behunin	Assistant Vice President, BSA Officer
Laura Castro	Assistant Vice President, Lending Compliance Officer
Cherie Hanson	Assistant Vice President, Communications and Marketing Manager
Kirk A. Jolly	Assistant Vice President, Assistant Controller
Mary McBride	Assistant Vice President, Digital Sales Manager
Christopher N. McIntyre	Assistant Vice President, IT Data Center Manager

SERVING OUR CUSTOMERS IN 20 UTAH LOCATIONS

OGDEN (MAIN)
2605 Washington Blvd.
Ogden UT 84401
801-409-5001

BEN LOMOND
115 Washington Blvd.
Ogden, UT 84404
801-399-4425

BOUNTIFUL
100 South 500 West
Bountiful, UT 84010
801-689-0900

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

CITY CREEK BANKING CENTER
50 South 200 East
Salt Lake City, UT 84111
801-532-7111

HEBER CITY
620 West 100 South
Heber City, UT 84032
435-654-1300

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

LINDON
144 South State Street
Lindon, UT 84042
801-922-9888

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

PROVO
3670 North University
Provo, UT 84604
801-377-4222

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
5729 South 1900 West
Roy, UT 84067
801-825-1647

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

SOUTH OGDEN
4605 Harrison Blvd.
Ogden UT 84403
801-394-6611

ST. GEORGE
243 East St. George Blvd., Ste. 110
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