

# Q1

# BOU BANCORP, INC. QUARTERLY REPORT 2021



**Douglas L. DeFries**  
President & CEO

## PRESIDENT'S MESSAGE



### RESPONDING . TRANSFORMING . THRIVING .

It's hard to believe that one year ago we were just beginning to brace for the impacts of a global pandemic. I remember promising in the first quarter of 2020 that we would do what was necessary to overcome COVID-19-related challenges and support those we serve. Not only were we able to fulfill that promise, we were also able to make 2020 a record-breaking year financially.

I am a firm believer that success breeds success. The achievements we made last year allowed us to reach a milestone in the first quarter of 2021, with our Total Assets reaching the \$2 billion mark. On a historical note, it took 64 years, from 1952 to 2016 to reach the \$1 billion mark, and only five years, from 2016 to 2021, to reach the next billion. This level of growth empowers us to implement even more financial tools for customers, expand our reach and provide all of the services that larger banks offer, but with our personal touch.

“**THE ACHIEVEMENTS WE MADE LAST YEAR ALLOWED US TO REACH A MILESTONE IN THE FIRST QUARTER OF 2021, WITH OUR TOTAL ASSETS REACHING THE \$2 BILLION MARK.**”

### SHAREHOLDER DIVIDEND

A dividend of \$0.09 per share was paid on March 29, 2021, for Q1 2021, compared to \$0.14 per share dividend paid in Q4 2020 and \$0.05 in Q1 2020.

- **Consolidated Net Income** for Q1 2021 was \$9.5 million compared to \$10.1 million for Q4 2020 and \$6.4 million for Q1 2020, a decrease of 5.3 percent and an increase of 47.9 percent, respectively. The key metrics that drove income in Q1 were strong commercial loan growth, which helped offset the decline in the Net Interest Margin, low cost deposit growth and continued growth in Noninterest Income, particularly in Gain on sale of mortgage loans.
- **Noninterest Income** increased 40.7 percent from Q1 2020. Mortgage production grew by 33.9 percent over the first quarter of 2020. Corporate Trust saw a 14.5 percent increase in accounts from Q1 2020, bringing the number of accounts to 2,558. Noninterest Income for Q1 represented 33 percent of the gross revenue generated by the Bank. This is well above the community bank average. These diversified income streams add strength to the Bank's ability to generate income in all types of economic markets.
- **Tangible Book Value Per Share** was \$13.29 compared to \$13.01 from the previous quarter and \$11.82 for Q1 2020. This represents the Bank's equity less intangible assets. This value has increased by 182 percent in the past 10 years, reflecting our strong growth and profitability over that period.
- **Paycheck Protection Program (PPP)** loans continue to help businesses in our communities. In Q1 2021, the Bank made 487 PPP loans. Of those, 103 were first-draw PPP loans, and 384 were second-draw loans. The value of PPP loans booked in Q1 2021 totals more than \$53.5 million.

As Utah begins to take careful steps forward, post-pandemic, it's understandable why people and businesses are now saying, "Let's put 2020 behind us." But lessons can be learned from every experience. For Bank of Utah, those lessons included how to serve our customers better digitally, how to launch modern, meaningful products and how to find different ways to build relationships. These new capabilities, combined with our proven ability to connect with our customers and communities, helped us make the first quarter of 2021 one of our best yet in terms of profitability and production.

Again, success breeds success, and I am optimistic about Bank of Utah's future.

# Q1 2021 FINANCIAL ANALYSIS

## Lending

During Q1 2021, average loans declined as compared to Q4 2020 from \$1.358 billion to \$1.301 billion. This is a result of large paydowns in cyclical municipal operating loans coupled with ongoing paydowns in PPP loan balances and core loan portfolio, partially offset by funding of new loans. However, since the end of Q4 2020, increases in our municipal, core and PPP portfolios have resulted in record loan levels. Yields have continued to decrease, but loan fees associated with large prepayments and PPP loans have nearly offset the decrease in net interest margin. Loan quality remains excellent with no loan payment delinquencies and a ratio of classified loans to total loans of 2.3 percent.

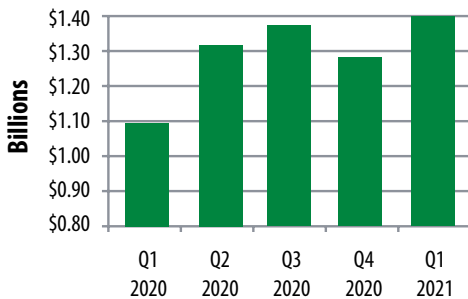
## Mortgage Production

Mortgage loan production was \$153.3 million, a 23.3 percent decrease from Q4 2020. This decline was expected due to the normal seasonality of the business. We are still experiencing exceptional volume for the quarter; however, with a 33.9 percent increase over Q1 2020. As the population continues to expand along the Wasatch Front and in Washington County, the need for housing will drive loan production for the rest of the year, as will low interest rates. The sharp increase in housing prices and construction materials may have a moderate dampening effect on the market.

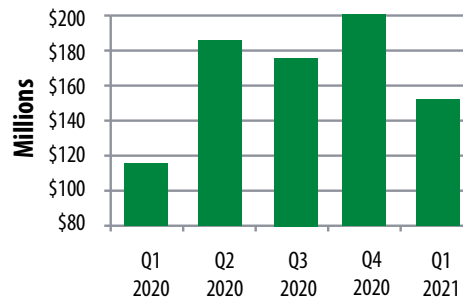
## Deposits

Average deposits for Q1 2021 were \$1.6 billion, a 4.9 percent increase compared to Q4 2020 and a 37.8 percent increase over Q1 2020. The government stimulus checks played a role in the increase; according to the Federal Reserve, approximately 36 percent of the money paid to individuals went into savings. PPP also strengthened the deposit balances of many businesses. Internally, the Bank personnel have focused on connecting with our great customers to consistently keep them apprised of the best products and services for their deposits in the Bank. Our goal is to inform customers and form strong relationships.

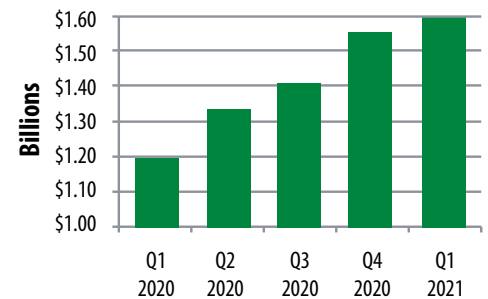
Period End Loans, Net of Unearned Income



Mortgage Production



Average Deposits



## Corporate Trust

Corporate trust had a strong quarter, increasing new business production by 85 percent over Q1 2020. Activity within the corporate trust aviation marketplace is increasing, but recovery in the aviation industry to 2019 levels is not likely to be seen this year. Even though the airline industry is facing challenges coming out of the pandemic, Corporate trust continues to provide a wide array of services as airlines and leasing companies reposition for the future. Life settlements had a strong year as the reputation of Bank of Utah is strong within this industry.

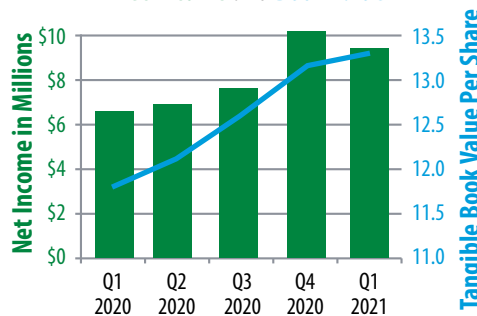
## Personal Trust

Personal trust assets under management were \$514.46 million, a 1.9 percent increase from Q4 2020 and a 10.2 percent increase over Q1 2020. The increase was due in large part to the increase in stock valuations, as well as our consistent efforts to educate existing customers on how to use their trust for the best outcome. Additionally, new trust clients were brought to the Bank. As one of only a few institutions in Utah that has their trust headquartered in the state, we have the ability to give our customers sound, in person advice to help them meet their goals.

## COMPANY NOTABLE POINTS

- The Bank's efficiency ratio is 50.57 percent, which is maintained by controlling expenses and the increases in revenue.
- The Bank did not contribute to the loan loss provision this quarter due to strong loan quality and a sufficient reserve for current loan balances.
- Salaries and employee benefit costs decreased by \$0.84 million from Q4 2020, due in part to less commission paid as a result of lower mortgage volume.

Net Income and Book Value



	Q1 2021	Q4 2020	Q1 2020
Return on Average Assets	1.99%	2.14%	1.77%
Return on Average Equity	16.60%	17.80%	12.50%
Net Income	\$9.5MM	\$10.1MM	\$6.4MM
Net Interest Margin (FTE)	3.62%	3.84%	4.28%
Net Interest Income (FTE)	\$16.6MM	\$17.3MM	\$14.7MM
Noninterest Income	\$8.2MM	\$9.7MM	\$5.8MM
Earnings Per Share	\$0.57	\$0.60	\$0.38
Dividend Per Share	\$0.09	\$0.14	\$0.05
Equity	\$231.5MM	\$227.9MM	\$209.0MM
Total Assets	\$2.05B	\$1.88B	\$1.46B