BANK OF UTAH®

2020

BOU BANCORP, INC.

ANNUAL **REPORT**

Contents

Letter to Shareholders

Record-breaking earnings achieved in 2020

On behalf of BOU Bancorp, Inc., the holding company of Bank of Utah and Utah Risk Management, Inc. (collectively, the Bank), we are pleased to report record-breaking earnings in 2020, despite the many unforeseen challenges the year brought with it. Just as important, we are pleased to have found new and unique ways to support customers, businesses and communities burdened by the stresses of the COVID-19 pandemic.

Financially speaking, Net Income for 2020 was $31.6 million compared to $31.2 million in 2019, a 1.4 percent increase. Total assets grew to $1.88 billion in 2020 from $1.43 billion in 2019, a 32 percent increase. This resulted in a significant change to the size of the Bank. Our Net Interest Margin declined to 3.90 percent in 2020 from 4.70 percent in 2019 due to lower interest rates; however, the Bank overcame the decrease in interest rates through impressive loan production volume and loan fee income generation. Net Interest Income (fully taxable equivalent basis) grew to $62.4 million in 2020 from $61.9 million in 2019. In addition, mortgage loan production soared to $667.9 million in 2020, recording gains of $16.6 million from the sale of these loans. This resulted in a 91 percent increase over 2019. Trust revenue of $11.7 million also contributed to our growth with a 9.3 percent increase from 2019.

The success we experienced in 2020 allowed us to pay $5.9 million in dividends to stockholders, representing $0.35 per share. This is a 2.7 percent return on Tangible Book Value.

How did this growth happen, you ask, especially during a pandemic and during a year when we would find ourselves facing a number of other surprising obstacles? We are proud to say our success is a direct result of Bank employees stepping up to navigate 2020's unique challenges. Our exceptional team worked hard to follow new local, state and federal coronavirus mandates, to ensure that fellow employees and customers stayed safe. And, in a year where we were instructed to distance ourselves socially, we created ways to come together for our customers, communities and each other.

We provided vital services with minimal disruption. The Bank worked diligently to help customers in our drive-thrus and by appointment when COVID-19 prevented the opening of our lobbies. We also made sure that we, as a Bank, were there for our employees, with new technology, upgraded teleconferencing systems and improved capabilities for working remotely. Even though we were apart from each other for a good portion of 2020, employees continued to give an extraordinary team effort, ultimately providing necessary services and innovative solutions to customers.

We delivered much-needed funds to struggling businesses through the Paycheck Protection Program (PPP). When the U.S. government announced the PPP as part of the CARES Act, banks suddenly became economic first responders in

2020: A Year Like No Other

MARCH 12

Covid Closures

To protect its customers and employees from COVID-19, the Bank closed its lobbies, redirecting customers to its drive-thrus and conducting limited in-person transactions by appointment.

MARCH 13

Remote Work and Learning Implementation

Utah Gov. Gary Herbert announced the closure of Utah schools in an effort to slow the spread of the coronavirus. Suddenly, many employees had to prepare for new work-from-home/school-from-home environments. Fortunately, the Bank's's forward-thinking Information Technology team had already ensured that the appropriate technology would be readily available.

MARCH 18

Earthquake

A 5.7 magnitude earthquake hit Utah, disrupting normal business operations.

MARCH 19

Wire Vendor Disruption

Our vendor that hosts wire transfers crashed. Employees stepped up quickly, enacting business continuity plans to ensure customers were not negatively impacted.

their communities. Bank employees successfully navigated multiple rounds of PPP loans and federal regulatory revisions to the loan application process, oftentimes staying into the night and early morning to finalize paperwork. By the end of 2020, the Bank had processed and funded 1,273 loans totaling just over $172 million, bolstering our neighbors and local businesses in a time of great need and uncertainty. During this time, we gained over 500 new customer relationships by assisting them with their PPP loans. We hope to make many of these new customer relationships permanent.

We supported customers' financial needs in new, digital ways. While the implementation of our online deposit account opening process began in 2019, the COVID-19 pandemic expedited its adoption. The new digital platform safely allows community members to open a variety of accounts online, in five minutes or less. The Bank also made Zelle® available to customers through online and mobile applications, giving them a quick and safe way to make digital payments to people they know and trust. In addition, our Treasury Management team helped business customers adjust to pandemic-related disruptions by assisting them with the integration of digital business

APRIL 20

Loan Software Outage

A vendor software outage affected the Bank's commercial lending team's ability to create loan documentation. Again, our team enacted business continuity plans, mitigating the problem.

JUNE 11

Coin Shortage

The Federal Reserve began allocating coin inventories due to disruptions in the U.S. Mint's supply chain and circulation patterns altered by the pandemic.

JULY 9

Salt Lake City Protests

Social protests forced us to close the City Creek Banking Center on several occasions, to ensure the safety of our customers and employees.

SEPT. 8

Windstorm

A 100 mph windstorm knocked power out across the state, affecting many branches and employees.

Team Leader, Krista Lewis presents a check to The Family Place

> *In a year where we were instructed to distance ourselves socially, we created ways to come together for our customers, communities and each other.*

solutions, such as remote deposit capture and ACH payment services. Many of these digital solutions not only helped small businesses innovate, but also survive the economic downturn.

We enriched the community through volunteerism and financial support. The Bank's commitment to service grows stronger every year, and especially in times of crisis. It's a responsibility we take seriously. In 2020, the Bank sponsored and partnered with many community organizations to support service ventures. For example, we provided boxed lunches to frontline health and rescue workers — a project that prompted some Bank employees to personally donate to the cause. In the early days of the pandemic, the Bank also kicked off our "Chow Down Challenge," a social media campaign that infused money into Utah's struggling restaurant industry, which was partially shut down by COVID-19.

Our customers showed remarkable resilience throughout 2020, and the Bank itself showed remarkable dedication by responding quickly and meaningfully to customers' unique needs. For these reasons, and the many others mentioned above, we were able to achieve record results for 2020.

Total deposit growth for the year was $419.6 million or 36 percent. This level of growth was unexpected, and we believe over $150 million can be attributed to government fiscal stimulus, PPP loan proceeds remaining at the Bank, and reduced spending by businesses and consumers due to the pandemic. The remainder was due to the Bank's ability to increase relationship deposits with multiple businesses, consumers and Corporate Trust customers.

The Bank's loan portfolio performed well in 2020 increasing $232.9 million or 22 percent, another record year for growth despite many unprecedented changes mostly related to COVID-19. Some of the Bank's customers struggled, so we were pleased when two benefits were brought forward to help. The first benefit was that Bank regulators encouraged us to modify loans and defer payments without threat of excessive regulatory scrutiny. The second was the Federal Reserve establishing the PPP program, providing short-term loans that could be completely forgiven.

The Bank made payment modifications on 103 loans aggregating $180 million. None of these short-term modifications were to prop up businesses that didn't appear to have good long-term prospects. By the end of 2020, there were 18 loans remaining with modifications for $31.5 million. We believe the small number of customers asking for further help is a very positive sign regarding the strength of our loan portfolio. Credit metrics at year-end were superb with no non-performing loans and payment delinquency at zero percent of loans.

The Bank's unique Corporate Trust division, which specializes in the aviation industry, assisted in hundreds of sale-leaseback arrangements. These transactions enabled many of the world's largest airlines to strengthen their balance sheets by raising capital in an effort to weather the effects of the pandemic.

Even with the unprecedented loan production activity, the Bank was able to control costs as evidenced by an improvement in the Efficiency Ratio to 50.6 percent in 2020 from 52.7 percent in 2019. Thus, we are in the top 10 percent of all Banks in keeping our operating costs low in respect to earnings.

Tangible book value increased by $26.6 million, or 13.9 percent over the prior year. We are proud of our history of steady increases, and we will continue to focus on growing the Bank's tangible book value each year. We provided exceptional shareholder returns with a 14.6 percent Return on Average Equity and 1.82 percent Return on Average Assets for the year.

As Utah carefully takes steps toward normalcy, we believe our economy, which was already strong pre-pandemic, is rebounding ahead of the national economy. With outdoor recreation widely available and enjoyed, with our business-friendly environment attracting more companies and their employees to Utah, and with housing being in such great demand, our future looks bright.

The Bank's role in strengthening the state's economy is critical. Utah is one of the fastest-growing states and has one of the lowest unemployment rates in the nation. Whether it's helping customers navigate economic and financial challenges, plan for the future or simply bank safely in branches or at home, the Bank is ready to serve the people and businesses of Utah and the Mountain West now, and for years to come, because ...

We are loyal.

We are hard-working.

We are customer and community-oriented.

And together, we are Utah.

Douglas L. DeFries
President & CEO

Frank W. Browning
Chairman

Department Highlights

Relationships are the driving force behind our success.

With strong capital levels, liquidity and solid risk management measures in place, the Bank remains a source of strength for the economy and our communities. Our commitment to relationship building continues to drive us, just as it has for the past 67 years, and our innovation and forward thinking continues to help us grow.

Matthew Nelson, Relationship Manager, Bank of Utah
with Anna Barbieri, Owner, White Elegance

Lending

We are dedicated.

Offering a vast array of financing options, we help local businesses – small and large – succeed. We take pride in our unrivaled personal service and our prompt, local decision-making capabilities that come from being a community bank.

22.2%

Loan Portfolio

The Bank's loan portfolio increased by 22.2 percent from 2019, with a 2020 ending balance of $1.28 billion. Paycheck Protection Program (PPP) loans – all short-term loans – represented 10.5 percent of the increase. These loans supported local businesses, helping them and their employees survive the economic downturn caused by the pandemic. In addition, Utah's need for housing spurred loan growth, with the Bank financing the building of many single-family homes, apartments and townhomes.

Deposits & Treasury Management

We are determined.

Offering a full complement of personal and business banking products and services, from checking and savings accounts to online banking and money management tools, we stand ready to help customers reach their financial goals.

21.7%

Average Deposits

Average deposits increased to $1.4 billion, a 21.7 percent increase from 2019. Branch personnel and the Treasury Management team communicated and consulted with customers on how to take advantage of new and existing banking products and tools to ensure their finances are safely organized, invested and sound. In addition, many of the non-deposit customers who received Paycheck Protection Program (PPP) loans with us found the experience to be of such high quality they moved all of their banking and deposits to the Bank.

Justin Harward, Owner, 1 Source Business Solutions with Jillian Weadock, Treasury Management Relationship Manager, Bank of Utah

Tammy Glover, Personal Trust Administrative Assistant, Randy Hahn, Personal Trust Manager and Jodie Buckner, Senior Trust Officer.

$504.8 Million

Assets Under Management

Due to fluctuations in the stock market and restructuring life-settlement IRAs, assets under management were $504.8 million at year end. Our Personal Trust team continues to work with customers – along with their attorneys and tax advisors – as part of a comprehensive estate planning and investment strategy. They meet with existing customers to deepen already strong relationships and strive to find ways to acquire new clients in a time when they especially need economic reassurance and guidance.

Personal Trust

We are resolute.

The Bank offers customized investment management for high net worth and affluent clientele. As the only bank headquartered in Utah that offers personal trust services, we are committed to helping our customers every time they walk in the door of a branch, visit the website or call on the phone. With this level of exceptionally responsive customer service, we help customers grow, manage and protect their wealth.

South Ogden Mortgage: Jennifer Nielsen, Linda Rose, Jenny Callaway

Residential Mortgage & Residential Construction Lending

We are productive.

Helping customers on every step of the mortgage journey, we offer the right loan for every need, including conventional loans, first-time homebuyer loans, construction loans, refinancing options, home equity lines of credit and reverse mortgages.

Additionally, we partner with some of the top builders in the state, offering in-house construction loans. Our construction draw process makes it even more convenient and builder friendly.

$668 Million

Mortgage Production

Mortgage lending production (amount of loans closed) was 2,570. This is an increase of 53.4 percent from 2019. Additionally, the team experienced record-breaking loan volume of $668 million. This strong production was spurred by the population growth in Utah and the low interest rate environment, which resulted in a surge in the number of homeowners looking for mortgage products. Gain on Sale of Mortgage Loans increased by 91 percent from $8.7 million in 2019 to $16.6 million in 2020. As interest rates change, the volume of loans and income may vary, but with Utah continuing to be a desirable place to live, mortgage production should remain strong.

#1

FAA Registered Aircraft

For the second year in a row, the Bank remains the largest owner of aircraft registered with the FAA. Our Corporate Trust team completes aircraft transactions all over the world, keeping a strict risk policy to ensure customers meet the Bank's standards for compliance.

Corporate Trust

We are proven.

Providing a wide variety of corporate trust services, including aircraft owner, security and indenture trusts, life settlements, and paying agent, collateral agent and escrow services, we have the experience and expertise to help customers manage all their corporate trust needs.

Jon Croasmun, Manager and Corporate Trust Counsel

Community Banking

Mortgage Loan Officer, Rodney Hunter, presents a check to Cafe Sabor.

We are helpers.

Bank of Utah has been working to meet the needs of our local communities since 1952.

Each year, we donate thousands of dollars to our communities, and our employees provide hours of service to local organizations. In 2020, we found many ways to give back – albeit a little differently due to COVID-19 – bringing hope and optimism to our customers, our neighbors, community organizations and businesses.

After the first surge of coronavirus cases early in 2020, a local restaurant, Apple Spice Junction, reached out seeking sponsors to help provide boxed lunches to our hardworking first responders and healthcare workers. We were thrilled to be a sponsor and Bank employees were so inspired, many jumped in to make donations from their own pockets.

The Bank, along with customers and community members, supported Weber County Search and Rescue in the purchase of a new high-tech, lifesaving drone. The Bank launched the "Reaching New Heights" campaign in July to generate $30,000 to buy the drone. Within three months, the search and rescue team not only secured the necessary funds but also sent the drone on its first mission.

The Bank infused $8,000 into Utah's struggling restaurant industry, which was partially shut down by the pandemic. As part of this "Chow Down Challenge," the Bank donated $20 on behalf of everyone who ordered take out or delivery from restaurants that bank with us. Each restaurant was eligible for up to $200 in donations. The Chow Down Challenge earned the Bank a Sales & Marketing of the Year award from Utah Business for Best Social Media Campaign.

Financial Analysis

Yearly Comparisons

	Year End 2020	Year End 2019	Year End 2010
Return on Average Assets	1.82%	2.23%	0.80%
Return on Average Equity	14.60%	16.44%	7.80%
Net Income	$31.6MM	$31.2MM	$8.6MM
Net Interest Income (FTE)	$62.4MM	$61.9MM	$28.9MM
Non-Interest Income	$33.1MM	$25.1MM	$11.9MM
Earnings Per Share	$1.88	$1.84	$0.51
Equity	$227.9MM	$201.6MM	$80.7MM
Tangible Book Value Per Share	$13.01	$11.36	$4.60
Total Assets	$1.88B	$1.43B	$0.75B
Dividends Paid	$5.9MM	$5.9MM	$3.4MM
Employees	378	362	306

Efficiency Ratio
The Bank's Efficiency Ratio for 2020 was 50.6 percent, compared to 52.7 percent in 2019. We have kept our non-interest expense low while experiencing strong growth in revenue.

Return on Average Assets
With a Return on Average Assets of 1.82 percent, the Bank again ranks in the top 2 percent of all banks in the nation.

Non-Interest Income
Non-Interest Income in 2020 was $33.1 million, compared to $25.1 million in 2019, representing a 31.9 percent increase. The ability to diversify our income streams helps stabilize the Bank during difficult economic times and increases income opportunities during growth periods.

Capital Levels

The Bank continues to be one of the better capitalized banks in the industry. Tier 1 capital to quarterly average assets was 11.58 percent in 2020, compared to 13.13 percent in 2019. The decline was due to the growth in deposits, which was used to fund loan growth. Total stockholder equity grew from $202 million in 2019 to $228 million, which represents a 13 percent increase. Capital levels are well in excess of the regulatory minimums. This has enabled the Bank to weather the storms of uncertainty in our market, such as the COVID outbreak, local natural disasters and a significant decline in the nation's economic vitality in the past year. It also allowed the Bank to fund the Paycheck Protection Program loans with our own funds. The Bank also was able to take advantage of other opportunities of a down market. The Bank will continue to monitor capital levels and balance the need for safety and opportunity in the market. Just as in 2019, the Bank paid shareholders approximately $5.9 million in dividends, which represented $0.35 per share.

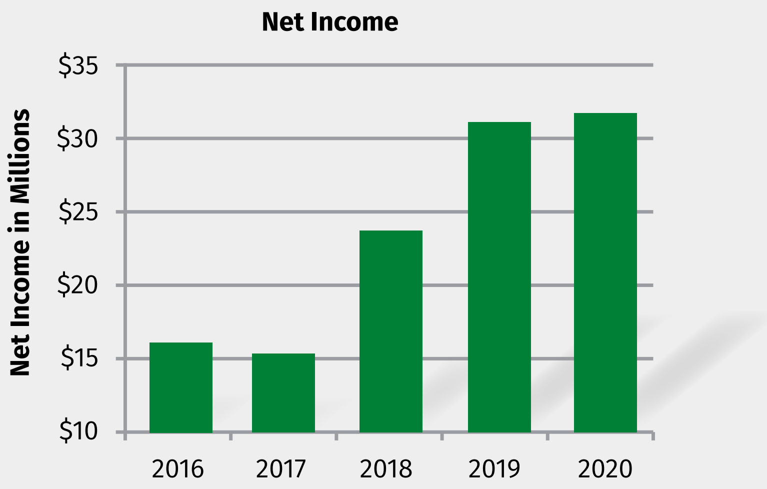
Dividends Paid

$5.9MM

$0.35
per share

Record Net Income

Many industries faced financial difficulties and uncertainties this year due to the coronavirus and other factors. Despite 2020's unique challenges and obstacles, the Bank had another record year for Net Income because of the strong commercial and mortgage lending markets and diversity of income streams.



Primary Changes to Net Income

Interest Income
Net Interest Margin fell 80 basis points from 4.70 percent to 3.90 percent, mainly due to the competitive market on pricing loans. However, Interest Income remained nearly the same as 2019 at $65.8 million. This was due to increased loan volume and interest and fee income from the Paycheck Protection Program loans.

Net Interest Income
Net Interest Income, on a fully taxable equivalent basis, grew to $62.4 million in 2020 from $61.9 million in 2019, a 0.8 percent increase. Though the Net Interest Margin declined, the Bank overcame the decline by growing proper additions to, and management of, its loan and deposit portfolio.

Gain on Sale of Mortgage Loans
2020 was a banner year for our Mortgage department. A housing shortage in Utah, and low interest rates on loans, created a buying frenzy for residential homes. The Bank produced $668 million in loans, over $140 million more in loans than our next best year ever. This increased income through gain on sale of these loans to $16.6 million, compared to $8.7 million in 2019.

Corporate Trust Fee Income
Income from corporate trust increased by $1 million due to the expertise of our trust officers and their connections in the airline industry. The Bank is now the largest holder of airplane trusts in the United States.

Salaries and Employee Benefits
Salaries and employee benefits costs grew by $2.6 million in 2020. Full time equivalent employees increased from 362 in 2019 to 378 in 2020.

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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, 2020 and 2019, 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 the consolidated 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.

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, 2020 and 2019, 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, 2020, 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 15, 2021, 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 financial 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 15, 2021

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Report of Independent Auditors

The Board of Directors and Stockholder of
Bank of Utah

Report on Internal Control Over Financial Reporting

We have audited Bank of Utah's (Bank) internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council (FFIEC) Instructions for Consolidated Reports of Condition and Income (call report instructions), as of December 31, 2020, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting and compliance with designated laws and regulations, included in the accompanying Management Report on Internal Controls (Management Report).

Auditor's Responsibility

Our responsibility is to express an opinion on the entity's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Bank's internal control over financial reporting included controls over the preparation of financial information for purposes of BOU Bancorp, Inc. and subsidiaries' consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, Bank of Utah maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, 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 FDICIA.

Restriction on Use

This report is intended solely for the information and use of management, the Board of Directors, and others within the organization, and the Federal Deposit Insurance Corporation and Federal Reserve Bank and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
March 15, 2021

BOU Bancorp, Inc.
Consolidated Statements of Financial Condition
Years ended December 31, 2020 and 2019

(in thousands, except share data)

ASSETS		2020	2019
Cash and due from banks (Note 2)	$	19,088	21,386
Interest-bearing deposits in banks		344,337	145,212
Federal funds sold		13,488	643
Investment securities (Notes 3 and 12):			
Equity securities, at fair value		7,458	7,172
Debt securities available for sale, at fair value		126,075	123,026
Debt securities held to maturity, at amortized cost (fair value of $7,184 and $6,299 as of December 31, 2020 and 2019, respectively)		6,979	6,222
Total investment securities		140,512	136,420
Loans held for sale		19,639	12,426
Loans (Note 4)		1,283,547	1,050,683
Less allowance for loan losses (Note 5)		17,902	12,561
Net loans		1,265,645	1,038,122
Accrued interest receivable		7,051	4,504
Goodwill (Note 7)		8,903	8,903
Bank owned life insurance, net		34,533	30,198
Premises and equipment, net (Note 8)		17,387	17,266
Deferred tax asset, net (Note 11)		2,073	1,916
Other assets		9,688	9,231
Total assets	$	1,882,344	1,426,227

LIABILITIES AND STOCKHOLDERS' EQUITY		2020	2019
Deposits:			
Noninterest-bearing	$	675,391	458,752
Interest-bearing (Note 9)		892,967	689,989
Total deposits		1,568,358	1,148,741
Securities sold under agreements to repurchase (Note 10)		70,049	63,834
Other liabilities		16,018	12,073
Total liabilities		1,654,425	1,224,648
Commitments and contingent liabilities (Note 13)			
Common stock, $1 par value, 50,000,000 shares authorized, 16,899,750 shares issued and 16,750,875 shares outstanding at December 31, 2020 and 16,899,750 shares issued and outstanding at December 31, 2019		16,900	16,900
Paid-in capital		5,271	5,271
Accumulated other comprehensive income, net of tax		3,147	729
Retained earnings		204,423	178,679
Treasury stock, at cost, 148,875 shares at December 31, 2020		(1,822)	-
Total stockholders' equity		227,919	201,579
Total liabilities and stockholders' equity	$	1,882,344	1,426,227

BOU Bancorp, Inc.
Consolidated Statements of Income
Years ended December 31, 2020 and 2019

(in thousands, except per share data)

		2020	2019
INTEREST INCOME:			
Interest and fees on loans	$	61,515	60,143
Interest on investment securities:			
Taxable		2,700	2,546
Tax-exempt		115	143
Interest on loans held for sale		534	434
Interest on cash and cash equivalents		919	2,548
Total interest income		65,783	65,814
INTEREST EXPENSE:			
Interest on deposits		4,264	5,201
Interest on securities sold under agreements to repurchase and other borrowings		240	198
Total interest expense		4,504	5,399
Net interest income		61,279	60,415
Provision for loan losses (Note 5)		5,400	900
Net interest income after provision for loan losses		55,879	59,515
NONINTEREST INCOME:			
Service charges on deposits		1,133	1,203
Gain on sale of loans		16,615	8,696
Trust fees		11,705	10,711
Increase in cash surrender value of bank owned life insurance		911	839
Other		2,689	3,610
		33,053	25,059
NONINTEREST EXPENSES:			
Salaries and employee benefits		32,652	30,050
Net occupancy expense		2,856	2,739
Equipment expense		4,814	4,572
Professional fees and services		2,456	2,500
Advertising and business development expense		739	1,280
Office expense		1,253	1,229
Other		3,004	2,712
		47,774	45,082
Income before provision for income taxes		41,158	39,492
Provision for income taxes (Note 11)		9,543	8,318
Net income	$	31,615	31,174
Basic and diluted earnings per common share	$	1.88	1.84

BOU Bancorp, Inc.
Consolidated Statements of Comprehensive Income
Years ended December 31, 2020 and 2019

(in thousands)

		2020	2019
Net income	$	31,615	31,174
Other comprehensive income:			
Net change in unrealized holding gain on securities available for sale, net of tax expense of $802 and $669 as of December 31, 2020 and 2019, respectively		2,418	2,019
Comprehensive income	$	34,033	33,193

BOU Bancorp, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2020 and 2019

(dollars in thousands)

	Common Stock	Amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock	Total stockholders' equity
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
Net income	-	-	-	-	31,615	-	31,615
Other comprehensive income, net of tax	-	-	-	2,418	-	-	2,418
Repurchase of common stock	(148,875)	-	-	-	-	(1,822)	(1,822)
Dividends paid	-	-	-	-	(5,871)	-	(5,871)
Balances, December 31, 2020	16,750,875	$ 16,900	5,271	3,147	204,423	(1,822)	227,919

BOU Bancorp, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019

(in thousands)

		2020	2019
OPERATING ACTIVITIES:			
Net income	$	31,615	31,174
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expenses		1,816	1,950
Provision for loan losses		5,400	900
Provision for/(reversal of provision for) commitments to fund loans		100	(400)
Deferred income tax (benefit)/expense		(959)	462
Changes in fair value of equity investments		(155)	(206)
Gain on other real estate sold		-	(78)
Increase in cash surrender value of bank owned life insurance		(911)	(839)
Net amortization of investment premiums and discounts		230	240
Gain on sale of loans		(16,615)	(8,696)
Proceeds from sales of loans held for sale		461,143	306,903
Origination of loans held for sale		(451,742)	(298,836)
Loss/(gain) on sale or disposal of premises and equipment		2	(1,659)
Change in accrued interest receivable and other assets		(3,003)	(2,658)
Change in other liabilities		3,846	(248)
Net cash provided by operating activities		30,767	28,009
INVESTING ACTIVITIES:			
Proceeds from maturities of held to maturity securities		1,250	1,735
Proceeds from maturities of available for sale securities		30,923	22,900
Purchase of held to maturity securities		(2,072)	-
Purchase of available for sale securities		(30,918)	(31,345)
Purchase of equity securities		(131)	(164)
Net change in loans from loan originations and principal repayments		(232,922)	(8,751)
Purchase of bank owned life insurance		(3,425)	-
Proceeds from sale of premises and equipment		-	2,425
Purchase of premises and equipment		(1,938)	(2,058)
Net cash used in investing activities		(239,233)	(15,258)
FINANCING ACTIVITIES:			
Net change in deposits		419,616	(19,446)
Net change in securities sold under agreement to repurchase		6,215	(5,979)
Purchase of treasury stock		(1,822)	-
Dividends paid to stockholders		(5,871)	(5,914)
Net cash (used in)/provided by financing activities		418,138	(31,339)
Net change in cash and cash equivalents		209,672	(18,588)
Cash and cash equivalents, beginning of period		167,241	185,829
Cash and cash equivalents, end of period	$	376,913	167,241
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$	4,535	5,402
Cash paid for income taxes		8,492	7,458
Supplemental Disclosure of Investing Activities			
Transfers from loans to real estate owned		-	6,499
Loans provided for sales of real estate owned		-	6,132

BOU Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

(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. 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 consolidated 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 15, 2021, the date these financial statements were available to be issued.

BOU Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

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 2020 or 2019. 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, 2020 and 2019 was $2.7 million and $3.6 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, 2020 and 2019 was $914,000, 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, 2020 and 2019. 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 $70,000 and $44,000 as of December 31, 2020 and 2019, 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 2020 or 2019.

The Company continues to service approximately $323.6 million and $271.1 million in participating interests at December 31, 2020 and 2019, 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 $244.4 million and $210.7 million at December 31, 2020 and 2019, respectively. The Company recorded approximately $933,000 and $586,000 in servicing fee income during 2020 and 2019, respectively.

The Company holds purchased participating interests in loans of $44.3 and $31.3 million at December 31, 2020 and 2019, 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, 2020. In addition to the segment evaluations, impaired loans with a balance of $500,000 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.

In conjunction with the passage of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020, financial institutions have been provided the option to temporarily suspend certain requirements under GAAP related to TDRs. In general, the Company provided modifications to certain borrowers in the form of deferral of payments and interest only periods. The Company did not utilize the CARES Act provisions and evaluated all modifications existing GAAP and determined that the modifications provided did not qualify as TDRs. The Company continued to accrue interest at the contractual rate and payments received after the deferral period are generally applied to accrued interest until fully paid.

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 net amortized 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, 2020 or 2019.

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, 2020 and 2019. As of December 31, 2020, 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, 2020 and 2019, 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 $565,000 and $871,000 at December 31, 2020 and 2019, 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 consolidated 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, 2020, 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, Idaho, and Colorado 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, 2020 and 2019 there were no preferred shares outstanding and no potential common share equivalents, such as stock options or restricted share units. The calculation of earnings per common share is as follows:

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

		2020	2019
Numerator			
Net income	$	31,615	31,174
Denominator			
Weighted average number of common shares outstanding		16,803,322	16,899,750
Basic and diluted earnings per common share	$	1.88	1.84

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, 2020 and 2019 the Company had fulfilled all repurchase requests as required under the terms of the KSOP. Company contributions were approximately $2.3 million and $1.1 million for the years ended December 31, 2020 and 2019, 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 (7.1%) of BOU Bancorp, Inc. stock, all of which are allocated at December 31, 2020.

Recent Accounting Pronouncements

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, 2021. 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 2020, the FASB issues ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The amendments in the ASU are elective and provide optional expedients to reduce the cost can complexity of accounting for reference rate reform. Among other expedients, the ASU allows for simplified accounting analyses for contract modifications. The guidance in the ASU is effective immediately and the Company may elect to apply the amendments prospectively through December 31, 2022. This ASU is not expected to have a material impact on the Company's financial condition or results of operations.

(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 requirement was waived at December 31, 2020. The reserve balance maintained in accordance with such requirements was approximately $2.3 million at December 31, 2019.

(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, 2020 and 2019 was $7.5 and $7.2 million, respectively. The Company recognized gross unrealized holding gains on equity securities of approximately $155,000 and $206,000 during the years ended December 31, 2020 and 2019, respectively.

Debt securities as of December 31, 2020 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
States and political subdivisions	$ 4,922	86	-	5,008
Corporate bonds	2,058	118	-	2,176
	$ 6,980	204	-	7,184

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 106,866	3,504	(36)	110,334
U.S. government agency mortgage backed securities	15,018	723	-	15,741
	$ 121,884	4,227	(36)	126,075

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

There were no securities sold during the years ended December 31, 2020 or 2019.

A summary of investment securities with unrealized losses as of December 31, 2020, 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	$ (36)	4,927	-	-	(36)	4,927

A summary of investment securities with unrealized losses as of December 31, 2019, 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:

	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

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, 2020 or 2019, the Company will continue to review these investment securities for possible adjustment in the future.

There were no investment securities in an unrealized loss position for securities held to maturity at December 31, 2020 and 2019. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2020, and 2019 was 1 and 8, respectively.

A summary of the amortized cost and fair value of investment securities as of December 31, 2020, by contractual maturity, follows:

(in thousands)

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 2,534	2,551
Due after one year through five years	4,445	4,633
	$ 6,979	7,184

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 24,978	25,181
Due after one year through five years	55,575	58,280
Due in greater than five years	26,313	26,873
U.S. government agency mortgage backed securities	15,018	15,741
	$ 121,884	126,075

U.S. government agency securities with a book value of $76.1 and $75.8 million at December 31, 2020 and 2019, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $79.0 and $76.7 million at December 31, 2020 and 2019, respectively. (See Note 10.)

(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)

		2020	2019
Construction & development	$	257,327	211,147
1-4 family real estate		58,487	62,661
Commercial real estate		571,921	520,407
Commercial & industrial		202,401	82,110
States & political subdivisions		150,249	140,951
Other		46,890	34,973
		1,287,275	1,052,249
Less unearned fees, net		3,728	1,566
	$	1,283,547	1,050,683

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 which are recorded net of fair value adjustments. The unpaid principal balance and book value of these loans at December 31, 2020 and 2019 are summarized as follows:

(in thousands)

		2020		2019	
		Unpaid principal balance	Book Value	Unpaid principal balance	Book Value
Construction & development	$	137	137	4,395	4,395
1-4 family real estate		2,385	2,427	3,007	3,059
Commercial real estate		23,990	23,833	37,383	37,211
Commercial & industrial		472	465	1,344	1,321
Other		189	189	834	835
	$	27,173	27,051	46,963	46,821

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)

		2020	2019
Balance, beginning of year	$	276	224
New loans and advances		465	688
Payments		(42)	(636)
Balance, end of year	$	699	276

Pursuant to the CARES Act passed in March 2020, the Company funded $172.1 million in loans to eligible small businesses and non-profit organizations who participated in the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administrations (SBA). PPP loans generally have a term of two years and earn interest at 1% per annum. In addition, the bank received a fee of between 1% and 5% of the loan amount, which was netted with loan origination costs and amortized into interest income under the effective yield method over the contractual life of the loan. The PPP loans are fully guaranteed by the SBA and are expected to be forgiven by the SBA if the borrower meets the requirements of the program. The balance of PPP loans at December 31, 2020 was $109.9 million.

(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, 2020:		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	$	3,856	1,573	-	-	5,429
1-4 family real estate		595	100	-	3	698
Commercial real estate		6,196	2,447	-	-	8,643
Commercial & industrial		550	529	(67)	31	1,043
States & political subdivisions		800	422		-	1,222
Other		564	329	(32)	6	867
	$	12,561	5,400	(99)	40	17,902

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

BOU Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

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, 2020:

(in thousands)

	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Allowance for loan losses:			
Construction & development	$ -	5,429	5,429
1-4 family real estate	-	698	698
Commercial real estate	-	8,643	8,643
Commercial & industrial	-	1,043	1,043
States & political subdivisions	-	1,222	1,222
Other	-	867	867
	$ -	17,902	17,902
Outstanding loan balances:			
Construction & development	$ -	257,327	257,327
1-4 family real estate	-	58,487	58,487
Commercial real estate	-	571,921	571,921
Commercial & industrial	-	202,401	202,401
States & political subdivisions	-	150,249	150,249
Other		46,890	46,890
	$	1,287,275	1,287,275

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)S

	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

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 and loans otherwise determined to be a TDR with a balance greater than $500,000, 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.

There were no impaired loans as of December 31, 2020. 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 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)

	2020		2019	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial real estate	$ 351	-	4,347	83

As of December 31, 2020 and 2019 there were no loans modified in TDRs on nonaccrual. As of December 31, 2020 and 2019 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 years ended December 31, 2020 and 2019. 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, 2020 and 2019.

As of December 31, 2020 there were no nonaccrual loans. As of December 31, 2019 nonaccrual loans totaled $877,000 all of which were commercial real estate loans.

BOU Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The following tables present an aging analysis of loans as of December 31, 2020 and 2019, respectively. There are no loans past due more than 90 days still accruing interest as of December 31, 2020 or 2019.

(in thousands)

As of December 31, 2020:	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	$ -	-	-	-	257,327	257,327
1-4 family real estate	-	-	-	-	58,487	58,487
Commercial real estate	-	-	-	-	571,921	571,921
Commercial & industrial	-	-	-	-	202,401	202,401
States & political subdivisions	-	-	-	-	150,249	150,249
Other	-	-	-	-	46,890	46,890
	$ -	-	-	-	1,287,275	1,287,275

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

In response to the economic uncertainty caused by the COVID-19 pandemic, throughout 2020 the Company provided relief to certain lending customers in the form of payment deferrals. As of December 31, 2020, the outstanding balance of loans still on deferral was $31.5 million.

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, 2020 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 257,125	202	-	-	257,327
1-4 family real estate	58,339	-	148	-	58,487
Commercial real estate	537,852	4,415	29,654	-	571,921
Commercial & industrial	197,440	310	4,651	-	202,401
State & political subdivisions	150,249	-	-	-	150,249
Other	44,552	-	2,338	-	46,890
	$ 1,245,557	4,927	36,791	-	1,287,275

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

(6) OTHER REAL ESTATE OWNED

The Company did not hold any ORE as of December 31, 2020 or 2019.

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.

(7) GOODWILL AND INTANGIBLES

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

(in thousands)

	2020		2019	
	Goodwill	Core deposit intangible	Goodwill	Core deposit intangible
Balance, beginning of year	$ 8,903	871	8,903	1,257
Amortization	-	306	-	386
Balance, end of year	$ 8,903	565	8,903	871

As of December 31, 2020, the forecasted amortization expense on intangible assets are as follows:

(in thousands)

Year ended December 31:	
2021	$ 240
2022	171
2023	108
2024	45
2025	1
	$ 565

(8) PREMISES AND EQUIPMENT

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

(in thousands)

	2020	2019
Land	$ 4,724	4,724
Buildings and leasehold improvements	20,321	19,825
Furniture and equipment	15,613	14,921
	40,658	39,470
Accumulated depreciation and amortization	(23,271)	(22,204)
	$ 17,387	17,266

(9) INTEREST-BEARING DEPOSITS

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

(in thousands)

	2020	2019
Interest-bearing checking	$ 271,323	208,468
Insured money market	368,872	276,874
Savings accounts	167,607	121,155
Certificates of deposit	85,165	83,492
	$ 892,967	689,989

The aggregate amount of time deposits with balances of $250,000 or more was $46.3 million and $45.3 million as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019 overdraft deposits totaling $16,000 and $43,000, respectively, were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2020 follows:

(in thousands)

Year ended December 31:	
2021	$ 59,308
2022	18,085
2023	5,187
2024	853
2025	1,732
Total	$ 85,165

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 $16.5 million and $14.7 million at December 31, 2020 and 2019, 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 0.33 percent and 0.31 percent at December 31, 2020 and 2019, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2020 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 $76.1 million and $63.8 million at December 31, 2020 and 2019, respectively. The fair value of the underlying pledged securities was $79.0 million and $76.7 million at December 31, 2020 and 2019, respectively.

(11) INCOME TAXES

The following table summarizes the provision for income tax expense for the years ended December 31:

(in thousands)

		2020	2019
Current:			
Federal	$	8,183	6,094
State		2,318	1,762
Deferred:			
Federal		(763)	460
State		(195)	2
Provision for income taxes	$	9,543	8,318

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, 2020 and 2019:

(in thousands)

		2020	2019
Expected federal tax expense	$	8,643	8,293
Increases (decreases) in taxes resulting from:			
Tax-exempt interest income		(684)	(915)
State taxes, net of federal benefit		1,513	1,461
Captive insurance		(288)	(246)
Bank owned life insurance		(191)	(176)
Other		550	(99)
Provision for income taxes	$	9,543	8,318

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)

		2020	2019
Deferred tax assets			
Allowance for loan losses	$	4,738	3,323
Deferred compensation		1,454	1,324
Other		350	233
		6,542	4,880
Deferred tax liabilities			
Premises and equipment		1,060	981
Deferred loan costs		1,281	971
Deferred income on FHLB stock		139	139
Intangible assets		128	182
Net unrealized gain on investment securities available for sale		1,044	242
Other		817	449
		4,469	2,964
Net deferred tax asset	$	2,073	1,916

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.

(12) 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 2020 or 2019.

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

(in thousands)

		2020		
Description of Financial Instrument	Fair Value	Level 1	Level 2	Level 3
Recurring:				
Investment securities, available for sale				
U.S. government agency	$ 110,334	-	110,334	-
U.S. government agency mortgage backed securities	15,742	-	15,742	-
Equity securities	7,458	-	7,458	-

		2019		
Description of Financial Instrument	Fair Value	Level 1	Level 2	Level 3
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	-

At December 31, 2020 there were no impaired loans. 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.

(13) 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, 2020, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

(in thousands)

Year ended December 31:	
2021	$ 1,038
2022	974
2023	751
2024	696
2025	714
Thereafter	3,117
	$ 7,290

The Company recorded lease expense (net of sublease income of approximately $50,000 and $42,000 for the years ending December 31, 2020 and 2019, respectively) under these agreements of approximately $1.0 million and $930,000 in 2020 and 2019, respectively. Of these amounts, $126,000 was paid in 2020 and 2019 to related parties.

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

(in thousands)

		2020	2019
Allowance for loan losses	$	17,902	12,561
Reserve for unfunded lending commitments		1,000	900
	$	18,902	13,461

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 $353.2 million and $313.5 million as of December 31, 2020 and 2019, respectively. Commitments on letters of credit totaled $526,000 and $6.0 million as of December 31, 2020 and 2019, respectively, and $352.7 million and $307.5 million respectively, on all other loan commitments.

The Company has lines of credit established with the FHLB of Des Moines for $801.2 million (45 percent of total bank assets), Federal Reserve Bank Discount Window for $130.0 million, Zions First National Bank for $15.0 million, JP Morgan Chase for $10.0 million, and Pacific Coast Bankers' Bank for $50.0 million. The FHLB credit line is limited to the amount of pledged collateral, which was $218.2 million as of December 31, 2020. 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, 2020, the Company's credit enhancement obligation as part of our participation in the FHLB Mortgage Partnership Finance program was approximately $964,000, which reduces the available line of credit with the FHLB by that amount. During 2020, the Company also established a line of credit with the FRB's discount window. The discount window credit line is limited to assessed value of pledged collateral which was $110.4 million at December 31, 2020. The Company did not have any outstanding borrowings from unaffiliated banks at December 31, 2020 or 2019.

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.

(14) 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, 2020:	Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$ 53,544	2,392	(147)	90	55,879
Noninterest income	7,711	16,615	8,776	(49)	33,053
Noninterest expense	(31,044)	(7,412)	(3,790)	(5,528)	(47,774)
Segment income before provision for income taxes	$ 30,211	11,595	4,839	(5,487)	41,158
Average gross loans	$ 1,253,294	10	-	-	1,253,304
Average deposits	1,153,096	108	226,056	-	1,379,260

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

(15) 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 fully phased in by January 1, 2019. One of the requirements is for the Bank to establish a "conservation buffer" consisting of CET1 capital equal to 2.5% of risk-weighted assets. 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, 2020 and 2019 are calculated using the Basel III rules. Management believes, as of December 31, 2020, 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, 2020, 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, 2020, the Company had approximately $75.2 million available for payment of dividends under the aforementioned restrictions.

Capital amounts and ratios as of December 31, 2020 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	$ 231,513	17.89%	135,889	10.50%	N/A	N/A
Bank of Utah	224,772	17.38%	135,822	10.50%	129,355	10.00%
Tier 1 Capital (to risk weighted assets)						
Consolidated	215,303	16.64%	110,006	8.50%	N/A	N/A
Bank of Utah	208,569	16.12%	109,951	8.50%	103,484	8.00%
Common Equity Tier 1 Capital (to risk weighted assets)						
Consolidated	215,303	16.64%	90,593	7.00%	N/A	N/A
Bank of Utah	208,569	16.12%	90,548	7.00%	84,081	6.50%
Tier 1 Capital (to quarterly average assets)						
Consolidated	215,303	11.58%	120,855	6.50%	N/A	N/A
Bank of Utah	208,569	11.07%	122,456	6.50%	94,197	5.00%

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	15.69%	94,372	6.50%	72,594	5.00%

Schedule 1

BOU Bancorp, Inc.
Consolidating Schedule - Statement of Financial Condition
December 31, 2020

(in thousands)	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	19,035	53	-	19,088
Interest-bearing deposits in banks	4,976	336,169	3,566	(374)	344,337
Federal funds sold	-	13,488	-	-	13,488
Investment securities:					
Equity securities, at fair value	-	7,458	-	-	7,458
Available for sale, at fair value	-	126,075	-	-	126,075
Held to maturity, at amortized cost	-	6,979	-	-	6,979
Total investment securities	-	140,512	-	-	140,512
Loans held for sale	-	19,639	-	-	19,639
Loans	-	1,283,547	-	-	1,283,547
Less allowance for loan losses	-	17,902	-	-	17,902
Net loans		1,265,645	-	-	1,265,645
Investment in Bank of Utah	221,184	-	-	(221,184)	-
Investment in Utah Risk Management, Inc.	2,421	-	-	(2,421)	-
Accrued interest receivable	-	7,037	14	-	7,051
Goodwill	-	8,903	-	-	8,903
Bank owned life insurance	-	34,533	-	-	34,533
Premises and equipment, net	-	17,387	-	-	17,387
Deferred tax asset	-	2,073	-	-	2,073
Other assets	73	10,069	627	(1,081)	9,688
Total assets	$ 228,654	1,874,490	4,260	(225,060)	1,882,344
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Noninterest-bearing	$ -	675,391	-	-	675,391
Interest-bearing	-	893,340	-	(373)	892,967
Total deposits	-	1,568,731	-	(373)	1,568,358
Securities sold under agreements to repurchase	-	70,049	-	-	70,049
Other liabilities	735	14,525	1,840	(1,082)	16,018
Total liabilities	735	1,653,305	1,840	(1,456)	1,654,425
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	3,147	3,147	-	(3,147)	3,147
Retained earnings	204,423	187,573	2,170	(189,743)	204,423
Treasury stock	(1,822)	-	-	-	(1,822)
Total stockholders' equity	227,919	221,185	2,420	(223,605)	227,919
	$ 228,654	1,874,490	4,260	(225,060)	1,882,344

See accompanying report of independent auditors.

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

See accompanying report of independent auditors.

Schedule 2

BOU Bancorp, Inc.
Consolidating Schedule - Statement of Income
Year ended December 31, 2020

(in thousands)	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	61,515	-	-	61,515
Interest on investment securities:					
Taxable	-	2,700	-	-	2,700
Tax-exempt	-	115	-	-	115
Interest on loans held for sale	-	534	-	-	534
Interest on cash and cash equivalents	26	831	64	(2)	919
Total interest income	26	65,695	64	(2)	65,783
INTEREST EXPENSE:					
Interest on deposits	-	4,266	-	(2)	4,264
Interest on securities sold under agreement to repurchase and other borrowings	-	240	-	-	240
Total interest expense	-	4,506	-	(2)	4,504
Net interest income	26	61,189	64	-	61,279
Provision for loan losses	-	5,400	-	-	5,400
Net interest income after provision for loan losses	26	55,789	64	-	55,879
NONINTEREST INCOME:					
Dividend from Bank of Utah	5,849	-	-	(5,849)	-
Equity in undistributed income of Bank of Utah	25,539	-	-	(25,539)	-
Dividend from Utah Risk Management, Inc.	1,100	-	-	(1,100)	-
Equity in undistributed income of Utah Risk Management, Inc.	314	-	-	(314)	-
Service charges on deposits	-	1,133	-	-	1,133
Gain on sale of loans	-	16,615	-	-	16,615
Trust fees	-	11,705	-	-	11,705
Cash surrender value increase of bank owned life insurance	-	911	-	-	911
Other	-	2,689	1,702	(1,702)	2,689
	32,802	33,053	1,702	(34,504)	33,053
NONINTEREST EXPENSES:					
Salaries and employee benefits	1,364	31,288	-	-	32,652
Net occupancy expense	-	2,856	-		2,856
Equipment expense	-	4,814	-	-	4,814
Professional fees and services	22	2,345	89	-	2,456
Advertising expense	-	739	-	-	739
Office expense	-	1,252	1	-	1,253
Other	359	4,097	250	(1,702)	3,004
	1.745	47,391	340	(1,702)	47,774
Income before provision for income taxes	31,083	41,451	1,426	(32,802)	41,158
Provision for income taxes	(532)	10,064	11	-	9,543
Net income	$ 31,615	31,387	1,415	(32,802)	31,615

See accompanying report of independent auditors.

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

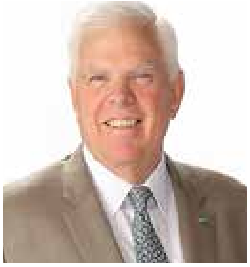
See accompanying report of independent auditors.

Bank of Utah & BOU Bancorp, Inc.

Board of Directors

Frank W. Browning
Chairman of the Board

Benjamin F. Browning
Vice Chairman

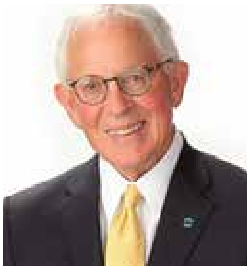


Douglas L. DeFries
Chief Executive Officer
& President

Jonathan W. Browning
Secretary to the Board

Dr. Gary R. Gibbons
Physician, Retired

George E. Hall
Entrepreneur



Marlin K. Jensen
Attorney, Retired

Eugene B. Jones
Certified Public
Accountant, Retired

Scott D. Nelson
Developer, Retired

Steven M. Petersen
Manufacturer

OFFICERS

Frank W. Browning
Chairman of the Board

Douglas L. DeFries
Chief Executive Officer & President

Jonathan W. Browning
Secretary to the Board

Nathan L. DeFries
Chief Financial Officer

Benjamin F. Browning
Vice President

Branden P. Hansen
Vice President

Utah Risk Management, Inc.

Board of Directors

Larry M. Wood
Chairman of the Board President

Benjamin F. Browning
Vice President

Nathan L. DeFries
Treasurer

OFFICERS

Larry M. Wood
President

Benjamin F. Browning
Vice President

Nathan L. DeFries
Treasurer

Joshua C. Miller
Secretary

Branden P. Hansen
Vice President

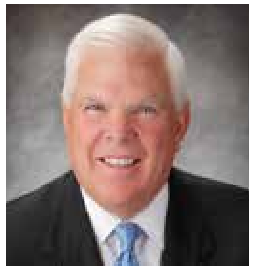
Colby J. Dustin
Vice President

Bank of Utah

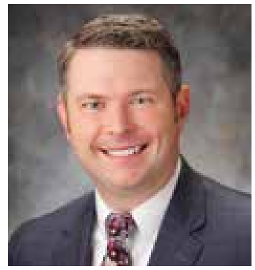
Senior Management

Frank W. Browning
Chairman of the Board

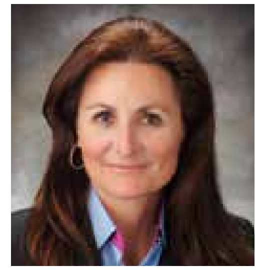
Benjamin F. Browning
Vice Chairman of the Board



Douglas L. DeFries
Chief Executive Officer & President



Nathan L. DeFries
Executive Vice President, Chief Financial Officer



Cari G. Fullerton
Executive Vice President, Chief Credit Officer

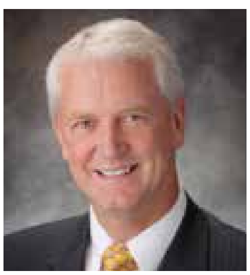
Branden P. Hansen
Executive Vice President, Chief Business Officer

Taft G. Meyer
Executive Vice President, Chief Lending Officer

Brian S. Stevens
Executive Vice President, Chief Operating Officer

Colby J. Dustin
Senior Vice President, Chief Risk Officer

Shawn M. Choate
Senior Vice President, Human Resources



Roger L. Christensen
Senior Vice President, Business Development & Communications

Jon W. Croasmun
Senior Vice President, Corporate Trust

Eric D. DeFries
Senior Vice President, Residential Lending

T. Craig Roper
Senior Vice President, Branch and Relationship Banking

Menah C. Strong
Senior Vice President, Deposit Operations

Bret J. Wall
Senior Vice President, Mortgage Production

Colleen Schulthies
Senior Vice President, General Counsel

Bank of Utah

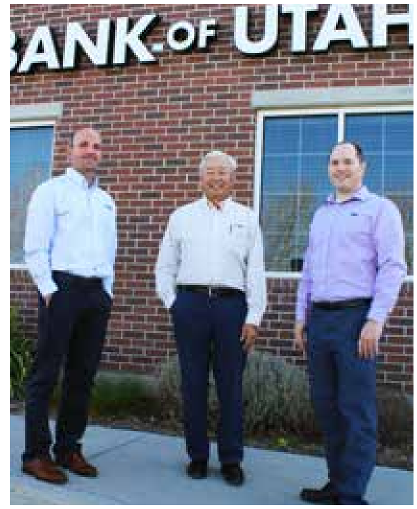
Officers

LENDING:

Jared M. Anderson	Senior Vice President, Team Leader, Ogden Muni
Daniel S. Boren	Senior Vice President, Collections/Special Assets
Gregory J. Brown	Senior Vice President, Portfolio Manager
Leonel Castillo	Senior Vice President, Relationship Manager
Kelly D. Crane-Hale	Senior Vice President, Team Leader, Orem
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, Small Business
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
Jeffery L. Norton	Vice President, Relationship Manager
Rachel L. Phillips	Vice President, Loan Operations Manager
Beckie L. Reynosa	Vice President, Relationship Manager
Michael J. Wells	Vice President, Relationship Manager
Sterling W. Orton	Vice President, Relationship Manager
Julie Bibby	Assistant Vice President, Portfolio Manager
Jeremy B. Hubbard	Assistant Vice President, Relationship Manager
Ran D. Jones	Assistant Vice President, Portfolio Manager
Thomas S. Karren	Assistant Vice President, Relationship Manager
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
Michael G. Tulane	Assistant Vice President, Portfolio Manager
Brian G. Wahlen	Assistant Vice President, Portfolio Manager

CORPORATE TRUST:

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



Small Business Team: Jeremy Hubbard, Norman Fukui and Matthew Nelson

David Snow, Relationship Manager

Thomas Karren, Relationship Manager and Brady Fosmark, Team Leader

PERSONAL TRUST:

Randy H. Hahn	Vice President, Personal Trust Manager
Kimberly K. Ford	Vice President, Senior Trust Officer
Jeff Kahn	Vice President, Trust Officer
Brenda L. Lambert	Vice President, Senior Trust Officer
Jodie K. Buckner	Vice President, Senior Trust Officer
Dillon Schmutz	Vice President, Foreign Exchange Manager
Jennifer G. Vandenberg	Vice President, Trust Officer

DEPOSIT OPERATIONS:

John W. Walton	Senior Vice President, Treasury Management
Susana K. Feightner	Vice President, Central Operations Manager
Patty K. Frehner	Vice President, Banking Operations
Stacey K. Mackay	Vice President, Branch Manager, Heber City
Mary McBride	Vice President, Digital Customer Experience and Sales Manager
Jessica H. Orme	Vice President, Treasury Management Operations Manager
Charly Owens	Vice President, Treasury Management Manager
David B. Rusch	Vice President, Retail Banking Manager
Jillian L. Weadock	Vice President, Treasury Management Team Leader
Jay D. Weaver	Vice President, Technology Officer
Richard D. Anthony	Assistant Vice President, IT Security Officer
Trevor L. Austin	Assistant Vice President, Treasury Management Team Leader
David P. Kuhni	Assistant Vice President, Branch Manager, Lindon and Orem
Christopher N. McIntyre	Assistant Vice President, IT Data Center Manager
Jodi L. Miller	Assistant Vice President, Treasury Management Team Leader
Sherri A. Webb	Assistant Vice President, Branch Manager, South Ogden
Helen C. White	Assistant Vice President, Branch Manager, Tremonton

RESIDENTIAL LENDING:

Kathy L. Robles	Senior Vice President, Mortgage Operations
Wesley T. Barlow	Vice President, Mortgage Area Manager
Jennifer H. Dee	Vice President, Mortgage Loan Office Manager
W. Dan Farnsworth	Vice President, Mortgage Loan Office Manager, Logan
Kathy M. Fausett	Vice President, Mortgage Loan Office Manager, Price
Cindee L. Himelright	Vice President, Consumer Servicing Manager
John P. Neil	Vice President, Mortgage Loan Officer
Russell G. Piggott	Vice President, Mortgage Loan Office Manager, Logan City Center
Barbara Roberts	Vice President, Mortgage Loan Officer
Timothy D. Roberts	Vice President, Mortgage Loan Office Manager, City Creek
Linda C. Rose	Vice President, Mortgage Loan Office Manager, South Ogden
Angela L. Vause	Vice President, Mortgage Processing Manager
Brian J. Young	Vice President, Mortgage Area Manager
Katherine L. Davis	Assistant Vice President, Relationship Manager, Consumer
Cynthia Lee	Assistant Vice President, Senior Mortgage Underwriter
John R. Serfustini	Assistant Vice President, Secondary Marketing Manager

ADMINISTRATION:

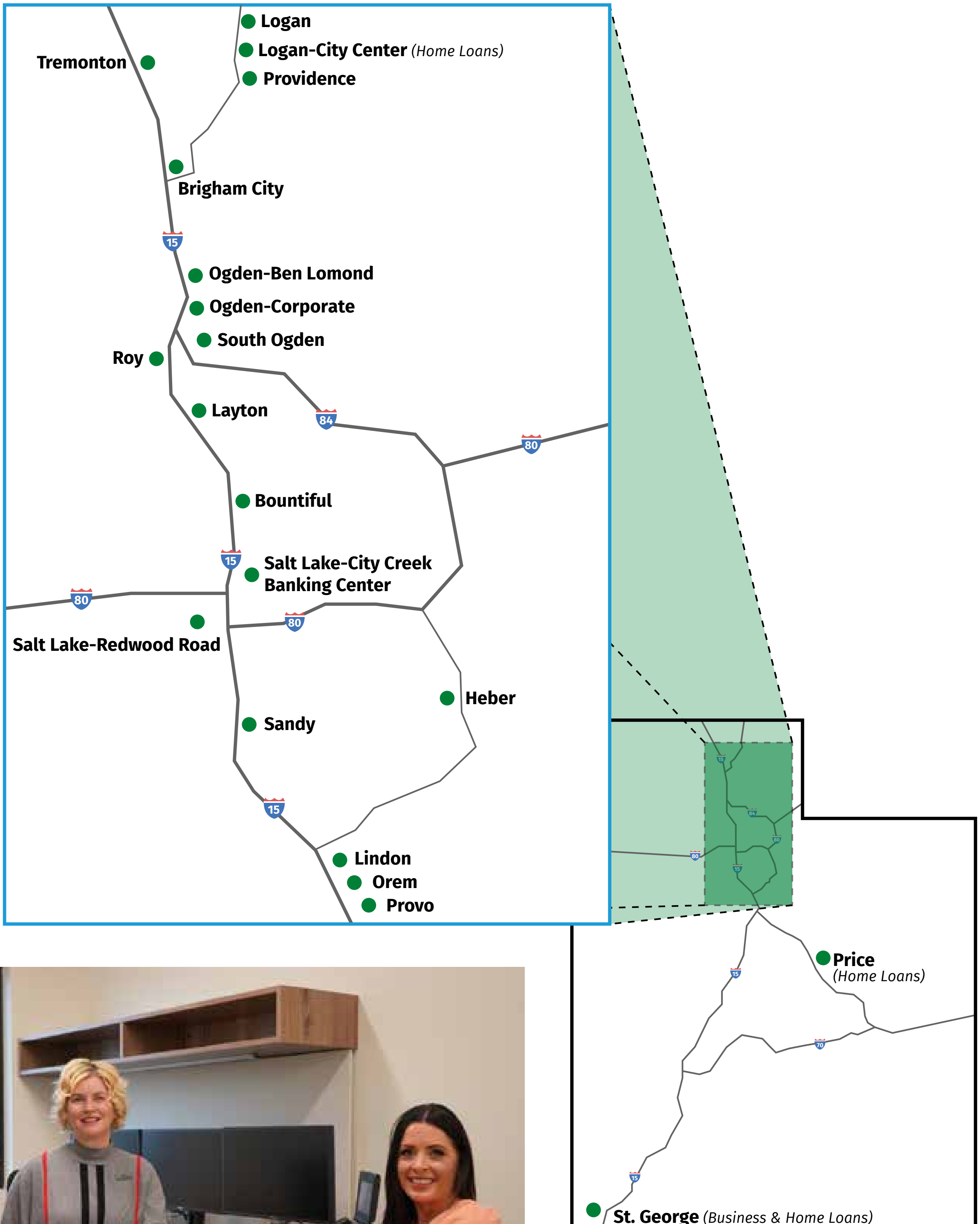
Jonathan W. Browning	Vice President, Secretary to the Board
Kirk A. Jolly	Vice President, Controller
Christopher J. Powell	Vice President, Internal Audit Manager
Elizabeth N. Warner	Vice President, Lending Compliance Officer
Chelsi L. Banks	Assistant Vice President, Deposit Compliance Officer
Carl R. Behunin	Assistant Vice President, BSA-Deposit Compliance Manager
Laura Castro	Assistant Vice President, Lending Compliance Officer
Cherie Hanson	Assistant Vice President, Communications and Marketing Manager

Mortgage Branch Manager, Tim Roberts

Karen DeVries, Executive Secretary with Steven Diamond, Team Leader and Zachary Melaney, Relationship Manager

Arthur Newell, Team Leader

Bank of Utah Locations



Branch Managers; Sarah Carver, Sherri Webb and Melissa Bernson

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
385-999-6501

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
St. George, UT 84790
435-986-7221

TREMONTON
25 North Tremont St.
Tremonton, UT 84337
435-257-3613

Together, we are Utah.