

# Q2

# BOU BANCORP, INC. QUARTERLY REPORT 2021



Douglas L. DeFries  
President & CEO

## PRESIDENT'S MESSAGE



### HELPING UTAH GROW — AND THRIVE

One of Bank of Utah's greatest purposes is to help create financially healthy communities and economies. This spring, as I listened to Gov. Spencer Cox announce that U.S. News & World Report had rated our economy No. 1 and named Utah the third best state overall, I thought of the role our Bank has played in that success. The rankings tracked employment, migration into the state and new businesses — all categories that Bank of Utah supports financially through deposit-gathering, lending, mortgage products and business solutions. Whatever the means, we fuel the development of our communities.

In turn, we grow. Even while experiencing challenges beyond our control, such as a historically low interest rate environment, Bank of Utah recorded quarter-over-quarter increases in a number of areas for Q2 2021, including deposits, commercial lending and corporate trust. Long-term prospects for loans and deposits are good. Net interest margin will vary over time, but as long as we continue with positive asset growth, Bank of Utah will remain a stronghold in the financial industry.

- **Consolidated Net Income** for the second quarter was \$7.3 million compared to \$9.5 million for the first quarter of 2021 and \$7.3 million for the second quarter of 2020. Increased commercial loan production partially offset the net interest margin shrinking by 59 basis points in the past year. In addition, the Bank set aside \$2.5 million in loan loss reserve in the second quarter of 2020 due to COVID-related concerns. The Bank has not needed to add to the loan loss reserve in 2021 due to quality performance of the loan portfolio.

- **Average Deposits** grew to \$1.7 billion at the end of Q2 2021, representing a quarter-over-quarter and year-over-year increase. We anticipate continued success in deposits as we work to provide personal and business customers with exceptional accounts, technology, solutions and customer service.

I continue to be proud of the superior products and services that Bank of Utah offers, not to mention our customer service, which is second to none. Our employees demonstrate their dedication every day and are deeply rooted in our local communities, from the north to the south. Our recent Best of Northern Utah and Best of Southern Utah awards are evidence of their commitment. To ensure we continue to meet our customers' banking needs, we recently developed a survey to gather customers' thoughts on our accounts and services. The survey will officially launch early in the third quarter.

We are also happy to announce that we are adding a new full-service branch in St. George, where we already have a highly respected home loans presence. We have hired staff for the branch, which is set to open in August. This gives us even more opportunities to connect with personal and business customers in an already strong market.

Moving forward into the next half of 2021, we will work continuously to ensure that Utah is economically secure and a great place to live, and that Bank of Utah continues to earn its customers' trust and confidence.

“**EVEN WHILE EXPERIENCING CHALLENGES BEYOND OUR CONTROL...BANK OF UTAH RECORDED QUARTER-OVER-QUARTER INCREASES IN A NUMBER OF AREAS FOR Q2 2021.**”

### SHAREHOLDER DIVIDEND

A dividend of \$0.09 per share was paid on June 28, 2021, for Q2 2021, compared to \$0.09 per share dividend paid in Q1 2021 and \$0.07 in Q2 2020.

# Q2 2021 FINANCIAL ANALYSIS

## Lending

Loan balances for Q2 2021 increased by 0.9 percent over Q1 2021. Core production (excluding PPP loans) remained strong with loan volume of \$181 million for the quarter. Year-over-year growth continues to exceed expectations with loans outstanding remaining at \$1.4 billion in Q2 2021. This is an increase of 6.8 percent from Q2 2020. Payoffs from the PPP loan portfolio were \$44 million in the quarter with \$63 million outstanding. Loan quality remains among the best in the nation with nonperforming and delinquent loans to capital plus reserves at 0.00 percent.

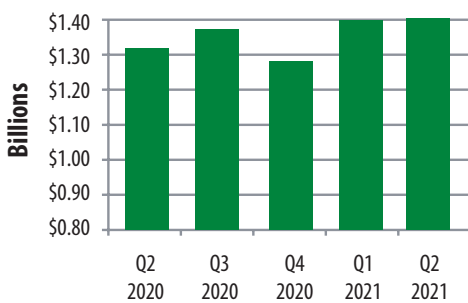
## Mortgage Production

Mortgage loan production was \$165.5 million, a 7.9 percent increase from Q1 2021. This increase was expected due to the normal seasonality of the business. However, this is a 9.3 percent decrease from Q2 2020. Lack of home inventory available in the Utah market is impacting production, thus the number of home sales has declined. Nationally, the inventory of homes for sale dropped by 43.1 percent year over year through May 31, 2021. Historically, this is still a solid market and our expectations for production remain strong through the end of the year.

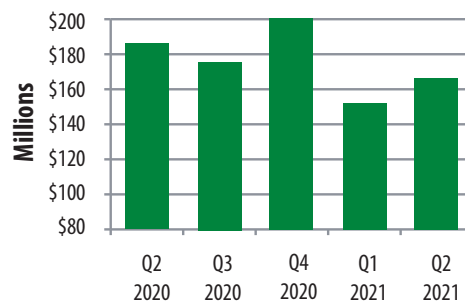
## Deposits

Average deposits for Q2 2021 were \$1.7 billion, a 5.1 percent increase compared to Q1 2021 and a 28.7 percent increase over Q2 2020. Our existing customers continue to add to their current accounts due to the service they receive from the Bank. In addition, we have seen an influx of many new customers that have been referred by existing customers. We anticipate steady growth in deposits and will continue to expect the best in customer service from each of our employees.

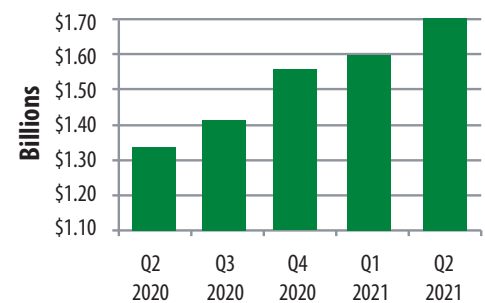
Period End Loans, Net of Unearned Income



Mortgage Production



Average Deposits



## Corporate Trust

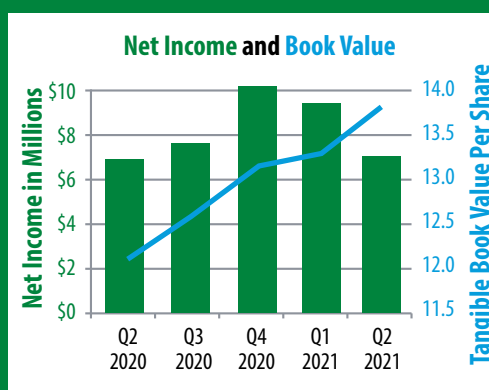
In Q2, the total number of accounts in the corporate trust portfolio grew 12.6 percent over Q2 2020. This is a result of aircraft deliveries and repositions as the pandemic shutdowns continue to ease. As air travel improves, deliveries of aircraft and financings are expected to see increased demands as well. Fee revenue improved 12.8 percent over Q2 2020. Though a strong year so far, uncertainty remains; the pandemic could continue to have an effect on the number of transactions.

## Personal Trust

Personal trust assets under management were \$551.1 million, a 7.1 percent increase from the previous quarter and a 13.8 percent increase over Q2 2020. The growth was due in large part to the increase in stock valuations, as well as our consistent efforts to educate existing customers on how to use their trust for the best outcome. Additionally, new trust clients were brought to the Bank. As one of only a few institutions in Utah that has their trust headquartered in the state, we have the ability to give our customers sound advice to help them meet their goals.

## COMPANY NOTABLE POINTS

- The Bank's efficiency ratio is 59.66 percent, increased from the previous quarter due to investments in the Bank's future.
- The Bank did not contribute to the loan loss provision this quarter due to strong loan quality and a sufficient reserve for current loan balances.
- Tangible book value per share increased 3.5 percent over the previous quarter.



	Q2 2021	Q1 2021	Q2 2020
Return on Average Assets	1.44%	1.99%	1.79%
Return on Average Equity	12.33%	16.60%	13.76%
Net Income	\$7.3MM	\$9.5MM	\$7.3MM
Net Interest Margin (FTE)	3.25%	3.62%	3.84%
Net Interest Income (FTE)	\$15.7MM	\$16.6MM	\$14.8MM
Noninterest Income	\$7.5MM	\$8.2MM	\$8.6MM
Earnings Per Share	\$0.44	\$0.57	\$0.43
Dividend Per Share	\$0.09	\$0.09	\$0.07
Equity	\$238.9MM	\$231.5MM	\$215.1MM
Total Assets	\$2.00B	\$2.05B	\$1.69B