

Q4

BOU BANCORP, INC. QUARTERLY REPORT 2021



Douglas L. DeFries
President & CEO

PRESIDENT'S MESSAGE



DOING WHAT WE DO BEST

In Bank of Utah's first annual report in 1953, then-President Frank M. Browning proudly pointed to a phenomenal year. "Bank of Utah's warm acceptance by the people of Northern Utah has made history in Bank growth," he said. Browning credited the accomplishment to "a splendid staff" and "customers' appreciation of a strong financial institution."

Today, as we kick off our 70th year of service, I am also proud to point to phenomenal growth, and to acknowledge our staff and customers' roles in the Bank's success.

From the time of our inauguration, our community banking philosophy has been ingrained in the way we do business. We've offered customers friendly, sound financial advice. We've added to our menu of innovative, meaningful products. We've worked hard to build and support our communities. In return, we have customers who, like Browning said, appreciate our strong financial institution — so much they expand their relationships with us and refer their family and friends to us.

By doing what we do best, Bank of Utah has achieved numerous milestones in the last 70 years. We went from two branches in Weber County to 18 full-service branches and five trust and mortgage offices across Utah. Over this time, deposits grew by \$1.8 billion. Capital grew by more than \$229 million. Assets grew from \$6.6 million to \$2.2 billion strong. A snapshot of the fourth quarter and the year ending Dec. 31, 2021, attests to our growth:

- **Average deposits** increased year over year, ending 2021 at \$1.8 billion, a 25.6 percent increase over 2020.
- **Period end loans** increased by 17.6 percent in 2021, growing to \$1.5 billion.
- **Consolidated net income** for the fourth quarter of 2021 was \$7.7 million, compared to \$7.2 million for the third quarter, an increase of 7.9 percent. Year over year, consolidated net income grew from \$31.6 million to \$31.7 million.
- **Capital** accounts are healthy. The Bank's retained earnings — the income left after dividends are paid to shareholders — increased 2.8 percent quarter over quarter, and 12.6 percent year over year, ending 2021 at \$230.1 million.

As we've become a financial stronghold in Utah, we've never forgotten who we are. We've been prudent and have channeled funding, lending and service back to our local communities. As we look to the future, we'll continue to do what we've always done best: Put customers and communities first. It's been a great formula for success.

“**BY DOING WHAT WE DO BEST, BANK OF UTAH HAS ACHIEVED NUMEROUS MILESTONES IN THE LAST 70 YEARS.**”

SHAREHOLDER DIVIDEND

A dividend of \$0.09 per share was paid on December 28, 2021, for Q4 2021, compared to \$0.09 per share dividend paid in Q3 2021 and \$0.14 in Q4 2020.

Q4 2021 FINANCIAL ANALYSIS

Lending

Loan balances for Q4 2021 increased by 3.8 percent over Q3 2021, despite a decrease in the Paycheck Protection Program (PPP) portfolio of over \$16 million for the quarter. Year-over-year growth was exceptional, with loans outstanding reaching \$1.5 billion in Q4 2021 — a 17.6 percent increase from Q4 2020. Excluding PPP loans, the portfolio grew by 26.8 percent. Loan quality was exceptional, measured by a 0.76 percent Texas ratio. The allowance for loan losses to gross loans was 1.26 percent, compared to 1.39 percent in 2020. The Bank added \$1.1 million to the loan loss provision for the year.

Mortgage Production

Mortgage loan production was \$147.0 million for Q4 2021, an 8.1 percent decrease from Q3 2021. Annual production declined by 6.3 percent from 2020, yet 2021 still marks the Bank's second highest production year ever. Strong population growth continues statewide, and a housing shortage remains in the metropolitan markets. New construction is increasing at a rapid pace, but supply chain issues still hinder the speed of completion. The expectation for 2022 is the housing market will continue at a steady pace, with a bit of slowing from 2021 due to expected rising interest rates.

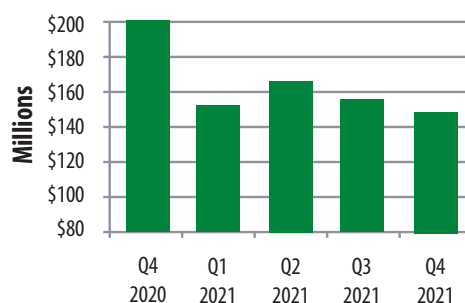
Deposits

Average deposits for Q4 2021 were \$1.82 billion, a solid increase over Q3 2020. For the year, average deposits had a considerable increase of 25.6 percent. The Bank has grown in every facet of the deposit base, thanks to our attention to products and customer service. In particular, Treasury Management has brought in many new clients, and increased deposits and accounts of existing customers. In addition, digital strategies such as online account opening, educational blogs and updated product pages have increased traffic to our website and increased our customer base as well.

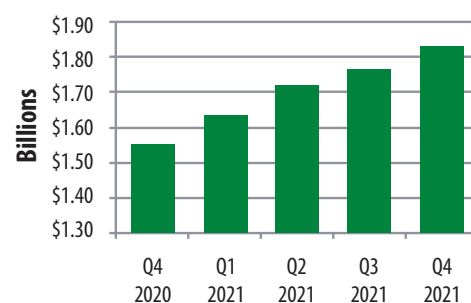
Period End Loans, Net of Unearned Income



Mortgage Production



Average Deposits



Corporate Trust

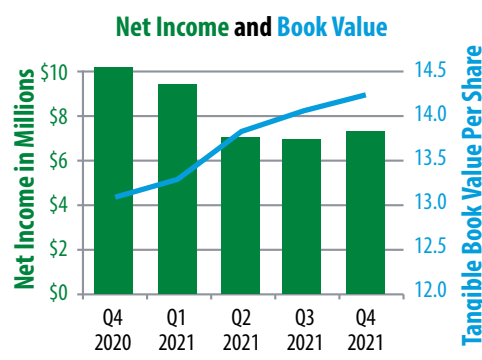
The total number of accounts increased by 12.3 percent from Q4 2020. Markets supported by the department were robust in 2021 and increases in transactions were reflected in all of the department's lines of business, from aircraft trusts to life settlement transactions. Long term deposits held for customers decreased by 16 percent compared to Q4 2020, but total deposits increased by 30 percent, reflecting the increase in the number of transactions in Q4 2021, compared to Q4 2020. Bank of Utah is trustee to nearly 2,700 aircraft on the FAA registry—more than any other trustee.

Personal Trust

Personal Trust assets under management rose by 36.2 percent from Q4 2020 to \$687.7 million in Q4 2021. The growth is due to the focus the Bank has given to develop the department's internal structure. This has allowed our Personal Trust officers to better use their expertise to help customers and bring new business to the Bank. Customers are increasingly referring their friends and business associates.

COMPANY NOTABLE POINTS

- At the bank level, Tier 1 leverage ratio was 10.95 percent, compared to 11.07 percent in Q4 2020.
- The Bank's efficiency ratio is 56.60 percent, making us one of the nation's most efficient banks.
- The Bank added \$0.5 million in Q4 (\$1.1 million year to date) in loan loss provision for potential losses due to economic uncertainty and loan growth.



	YE 2021	YE 2020
Return on Average Assets	1.55%	1.82%
Return on Average Equity	13.22%	14.86%
Net Income	\$31.7MM	\$31.6MM
Net Interest Margin (FTE)	3.43%	3.90%
Net Interest Income (FTE)	\$67.1MM	\$62.4MM
Noninterest Income	\$29.7MM	\$33.1MM
Earnings Per Share	\$1.90	\$1.88
Dividend Per Share	\$0.36	\$0.35
Equity	\$249.4MM	\$227.9MM
Total Assets	\$2.16B	\$1.88B