2021

BOU BANCORP, INC. ANNUAL REPORT

BANK OF UTAH

BOU Bancorp

70 years of thriving and growing

ROOT FOR KIDS DONATION - ST. GEORGE

THEN:

When Bank of Utah opened its doors for business in 1952, community members filed into the new bank to open accounts. They warmed their hands by a cozy fireplace, listened to finches chirping from a built-in birdcage, and enjoyed a warm greeting from a friendly banker. Between investors and new accounts, deposits on opening day totaled over $1 million.

By the end of 1953, the Bank had become the 11th largest bank in Utah and had surpassed 939 other banks in the country in size. "Just why were so many people attracted to Bank of Utah in such short a time?" then-President Frank M. Browning asked. "Perhaps the one word that best covers all the ground is HOSPITALITY," he answered.

NOW:

Today, Bank of Utah has 18 full-service branches from Northern Utah to Southern Utah, trust teams in Ogden and Salt Lake City, and mortgage offices in Logan, Price and St. George. Many still feature fireplaces and other design elements that are reminiscent of those early branches (minus the bird cages — Bank employees learned their lesson when they were accidentally left open overnight!). All still feature the same friendly, customer-centric atmosphere that Bank of Utah has become known for over the years.

Today, Bank of Utah has grown to over $2 billion in assets, and is one of the top banks in the U.S., ranking in the top 11 percent for total assets, the top 10 percent for net income, and the top 4 percent for Return on Assets (RoA). "Just why are so many people still attracted to Bank of Utah after all these years?" current Chairman Frank W. Browning asked. "Like my grandfather said, 'The best word to cover it is HOSPITALITY.' Our customer service is second to none."

Contents

Letter to Shareholders

Almost 70 most interesting years have elapsed since the inauguration of Bank of Utah...

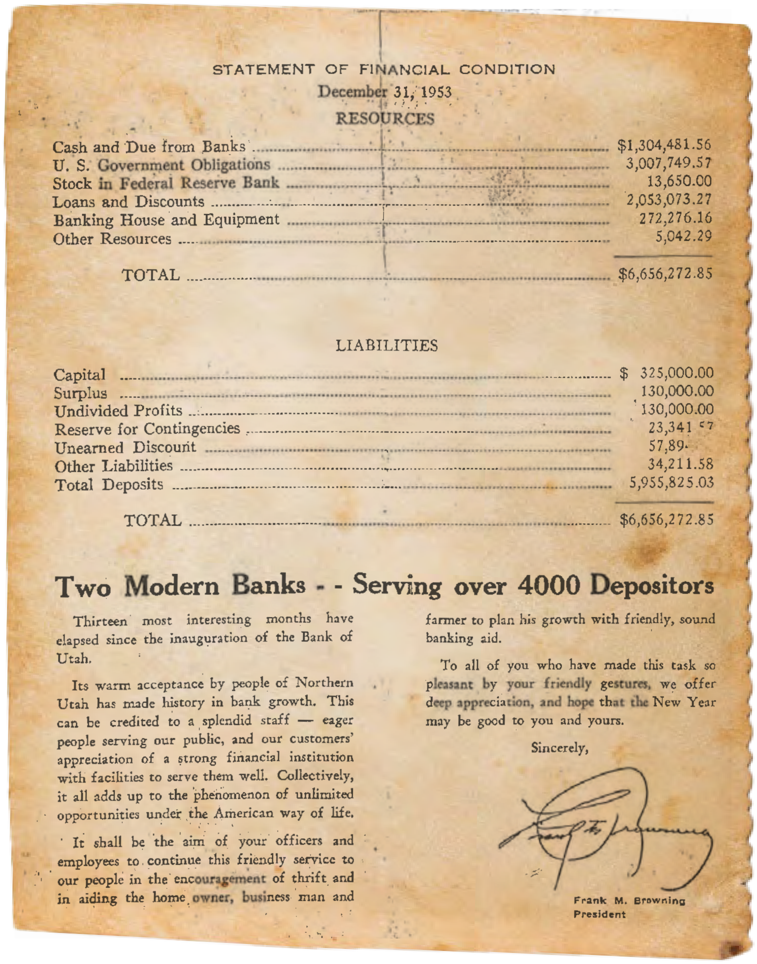
It seems fitting to introduce this annual report using the same phrasing that our first president Frank Milton Browning used to present Bank of Utah's earliest annual report in 1953 — a year after the Bank opened its doors. It's also fitting that, just as the Bank announced a remarkable $6 million in assets that first year (a feat in the 1950s, when $2 million was considered a lofty aspiration), we can announce that we're still exceeding goals as we enter 2022, our milestone, 70th-anniversary year.

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 a story of incredible growth in 2021. Our total assets grew to $2.2 billion, a 14.6 percent increase from 2020, and consolidated net income increased to $31.7 million from $31.6 million the previous year. The Bank now ranks in the top 11 percent of banks in the nation for total assets and the top 10 percent for net income. The success experienced in 2021 allowed the Bank to pay $6 million in dividends to stockholders, representing $0.36 per share.

This year's record-breaking figures were achieved through the collective efforts of employees who have shown heart, adaptability and a commitment to carry on the Bank's initial vision of a "friendly, innovative, available-to-all bank." Today Bank of Utah is energized to do even more of what we've done for 70 years — help local businesses and fellow Utahns grow stronger financially. As we highlight our most recent year, we've kept our founding values in mind, starting off each section with quotes from Frank M. Browning on how a community bank should do business.

“We should have a focused understanding of our customers’, and our communities’, needs.”

Quotes from Frank Milton Browning, Founder



STATEMENT OF FINANCIAL CONDITION

December 31, 1953

RESOURCES

Cash and Due from Banks	$1,304,481.56
U. S. Government Obligations	3,007,749.57
Stock in Federal Reserve Bank	13,650.00
Loans and Discounts	2,053,073.27
Banking House and Equipment	272,276.16
Other Resources	5,042.29
TOTAL	$6,656,272.85

LIABILITIES

Capital	$ 325,000.00
Surplus	130,000.00
Undivided Profits	130,000.00
Reserve for Contingencies	23,341.57
Unearned Discount	57,89[illegible]
Other Liabilities	34,211.58
Total Deposits	5,955,825.03
TOTAL	$6,656,272.85

Two Modern Banks - - Serving over 4000 Depositors

Thirteen most interesting months have elapsed since the inauguration of the Bank of Utah.

Its warm acceptance by people of Northern Utah has made history in bank growth. This can be credited to a splendid staff — eager people serving our public, and our customers’ appreciation of a strong financial institution with facilities to serve them well. Collectively, it all adds up to the phenomenon of unlimited opportunities under the American way of life.

It shall be the aim of your officers and employees to continue this friendly service to our people in the encouragement of thrift and in aiding the home owner, business man and farmer to plan his growth with friendly, sound banking aid.

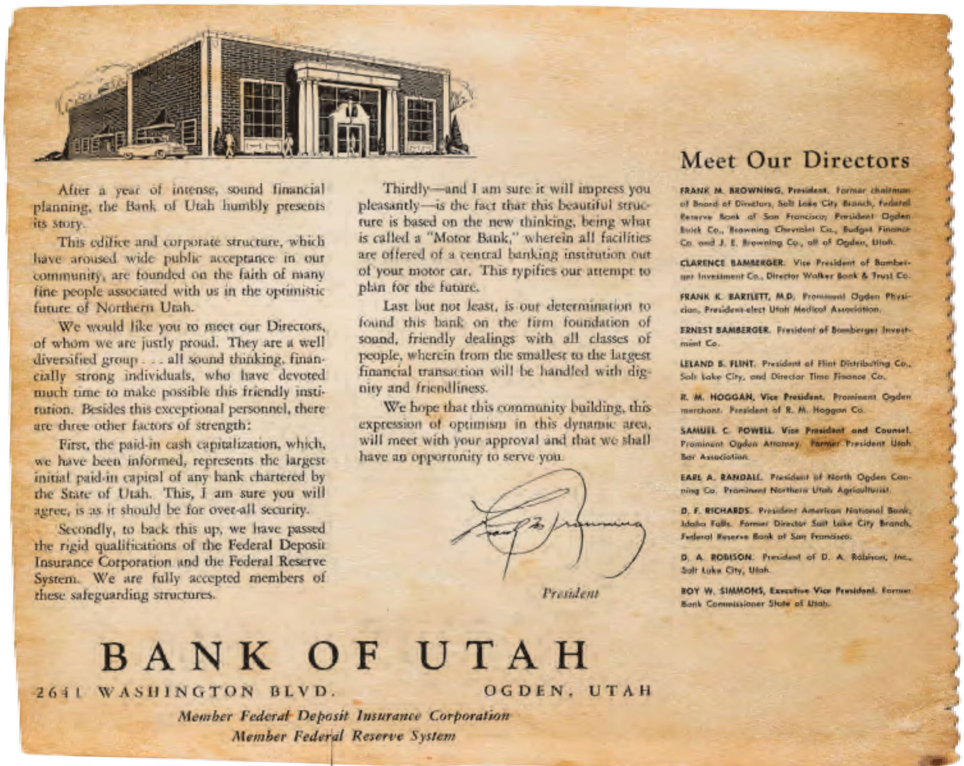
To all of you who have made this task so pleasant by your friendly gestures, we offer deep appreciation, and hope that the New Year may be good to you and yours.

Sincerely,

Frank M. Browning
President

What matters to Utahns, matters to us. That’s why, in 2021, we focused on restoring local jobs, creating economic opportunity and investing in our great state. Throughout the early part of the year this meant concentrating on the forgiveness of Paycheck Protection Program (PPP) loans for businesses. Without these loans, many businesses would not have survived the upheaval caused by the COVID-19 pandemic, and a larger number of our community members would have lost their livelihoods.

As the PPP program began to slow, our commercial lending team turned their time and energy to another issue facing Utah: the housing shortage. Population growth has created a strong demand for homes in the Beehive State, but the supply is low — approximately 45,000 units short of equilibrium, according to the University of Utah’s Kem C. Gardner Policy Institute. Fueled by housing needs, our commercial lenders worked with business customers to fund projects creating much-needed housing, from new subdivisions to apartments to townhomes.



After a year of intense, sound financial planning, the Bank of Utah humbly presents its story.

This edifice and corporate structure, which have aroused wide public acceptance in our community, are founded on the faith of many fine people associated with us in the optimistic future of Northern Utah.

We would like you to meet our Directors, of whom we are justly proud. They are a well diversified group . . . all sound thinking, financially strong individuals, who have devoted much time to make possible this friendly institution. Besides this exceptional personnel, there are three other factors of strength:

First, the paid-in cash capitalization, which, we have been informed, represents the largest initial paid-in capital of any bank chartered by the State of Utah. This, I am sure you will agree, is as it should be for over-all security.

Secondly, to back this up, we have passed the rigid qualifications of the Federal Deposit Insurance Corporation and the Federal Reserve System. We are fully accepted members of these safeguarding structures.

Thirdly—and I am sure it will impress you pleasantly—is the fact that this beautiful structure is based on the new thinking, being what is called a "Motor Bank," wherein all facilities are offered of a central banking institution out of your motor car. This typifies our attempt to plan for the future.

Last but not least, is our determination to found this bank on the firm foundation of sound, friendly dealings with all classes of people, wherein from the smallest to the largest financial transaction will be handled with dignity and friendliness.

We hope that this community building, this expression of optimism in this dynamic area, will meet with your approval and that we shall have an opportunity to serve you.

President

Meet Our Directors

FRANK M. BROWNING, President. Former chairman of Board of Directors, Salt Lake City Branch, Federal Reserve Bank of San Francisco; President Ogden Buick Co., Browning Chevrolet Co., Budget Finance Co. and J. E. Browning Co., all of Ogden, Utah.

CLARENCE BAMBERGER. Vice President of Bamberger Investment Co., Director Walker Bank & Trust Co.

FRANK K. BARTLETT, M.D. Prominent Ogden Physician, President-elect Utah Medical Association.

ERNEST BAMBERGER. President of Bamberger Investment Co.

LELAND B. FLINT. President of Flint Distributing Co., Salt Lake City, and Director Time Finance Co.

R. M. HOGGAN, Vice President. Prominent Ogden merchant. President of R. M. Hoggan Co.

SAMUEL C. POWELL. Vice President and Counsel. Prominent Ogden Attorney. Former President Utah Bar Association.

EARL A. RANDALL. President of North Ogden Canning Co. Prominent Northern Utah Agriculturist.

D. F. RICHARDS. President American National Bank, Idaho Falls. Former Director Salt Lake City Branch, Federal Reserve Bank of San Francisco.

D. A. ROBISON. President of D. A. Robison, Inc., Salt Lake City, Utah.

ROY W. SIMMONS, Executive Vice President. Former Bank Commissioner State of Utah.

BANK OF UTAH

2641 WASHINGTON BLVD. OGDEN, UTAH

Member Federal Deposit Insurance Corporation
Member Federal Reserve System

In addition to helping customers secure loans to purchase equipment and raw materials to construct housing units, the commercial lending team also provided loans to customers to build office buildings, warehouses and other commercial projects. These types of projects present opportunities for job growth and boost Utah's industrial and retail economies. What is most impressive is that even with the PPP forgiveness and the time our commercial lenders spent helping PPP customers early in 2021, our commercial lending team managed to grow our loan portfolio by 17.6 percent, making the loan portfolio exceed $1.5 billion.

This impressive loan production, and subsequent loan fee income generation, more than made up for a decline in net interest margin (a year-over-year decrease from 3.9 to 3.4 percent) that occurred due to continued low loan interest rates. As a result, the Bank experienced a year-over-year increase in net interest income on a taxable equivalent basis, from $62.4 million in 2020 to $67.1 million in 2021.

BRIDGING THE GAP FOOD DISTRIBUTION

"We should ensure there is a fine-tuned balance between technological advances and customer service."

Not only do our loan customers entrust us to provide "friendly, sound banking aid," as Frank M. Browning would say, our deposit customers do, too. They also expect a safe, seamless financial experience, with modern tools to make their lives easier. Our physical branch, digital branch and treasury management teams offer unparalleled service — a time-honored practice at the Bank — and digital products that rival large financial institutions. In the 1950s, that meant bringing drive-thru service to customers. Now, that means being able to access your finances, and even open accounts, anywhere, anytime.

Because of their commitment to customers and to product innovation, our business and personal customers know they can count on us to keep their money safe and accessible. In turn, they feel comfortable referring their friends and family members to Bank of Utah — which is one of the most powerful, satisfying ways to grow. Speaking of growing, we also expanded even more into Southern Utah in 2021, opening a new full-service branch in St. George — a great addition to our award-winning home loans office in that area. This allowed us to connect even more with our business and personal customers there.


JADON SMITH, BOUNTIFUL BRANCH

Through dedication, relationship building and expansion, Bank of Utah's average deposits increased by 25.6 percent from 2020 to 2021, totaling $1.8 billion.

SARAH CARVER, BEN LOMOND BRANCH

"We should enjoy helping and watching people make their lives and businesses become successful."

Over the years, our diverse lines of business have also empowered customers to achieve their financial aspirations, whether that's owning a home, protecting an estate or planning for retirement. We remain deeply committed to our customers' goals, offering solutions that support their long-term prosperity.


BORN LEARNING TRAIL SERVICE PROJECT

As prices for homes soar in Utah, the American dream of owning a home, and building equity in that home, is still very much alive. Bank of Utah is there for those customers. While the Bank saw a slight decline in mortgage lending in 2021 (due to the housing shortage and supply chain issues hindering new construction), our mortgage lenders managed to produce over 2,000 loans for customers, totaling $625.8 million.

Our personal trust and corporate trust teams also worked diligently to build relationships, and both added to their assets under management. Personal trust recorded a 44.7 percent increase in assets under management, from $504.8 million in 2020 to $730.4 million in 2021. Corporate trust had a 12.3 percent increase in the number of accounts from 2020, now totaling 2,826, with financial assets under management totaling $261.6 million. Bank of Utah is trustee to nearly 2,700 aircraft on the FAA registry — more than any other trustee.

"We should always have a strong commitment to community."

Utah communities mean the world to us — they always have, and they always will. Throughout its history, Bank of Utah has expressed this commitment through numerous events and Bank sponsorships, from flower and coin shows and 4H events in the early years to coat and food drives, service projects and summer concert series today.

In 2021, Bank of Utah is proud to have supported our neighbors, with more than 50 employees volunteering over 800 hours to community organizations. For example, members of our senior management team spent several evenings volunteering as Family Promise hosts for local families in need of shelter. The Bank also hosted a Spring Into Service project, donating money to a charity for every service project reported to the Bank. In addition, we teamed up with United Way of Northern Utah to create a Born Learning Trail at Browning Park, and with Catholic Community Services to ensure children have food over the weekend, when they aren't in school.

We enriched communities through service-oriented events, as well. For example, our Warm Bodies, Warm Souls clothing drive had extraordinary results in 2021. Thanks to our partners, customers and employees, we distributed 637 large bags of clothing — that's the most we've ever collected in our nine years of hosting the event — and over $5,000 in cash donations to 13 Utah charities. Our 2021 Scouting for Food drive was a success, as well, with over 400 bags of food donated to local food banks.

"We should measure our success by how well we've served our customers."

We go into our 70th year strong. We have remarkable capital, liquidity and diverse lines of business, but above all, our tremendous staff members put all of those to work to benefit our customers. We believe the words Frank M. Browning used to conclude the 1953 annual report are fitting today, too: "We offer deep appreciation, and hope that this year may be good to you and yours."

We would simply like to add that we believe the best is yet to come for Bank of Utah, as we seek opportunities to grow while always putting service above all else. It's a combination that has served us well, from the beginning, to now, and into the future. Thank you for putting your trust in us and for your support.

Here's to another successful 70 years,

Douglas L. DeFries

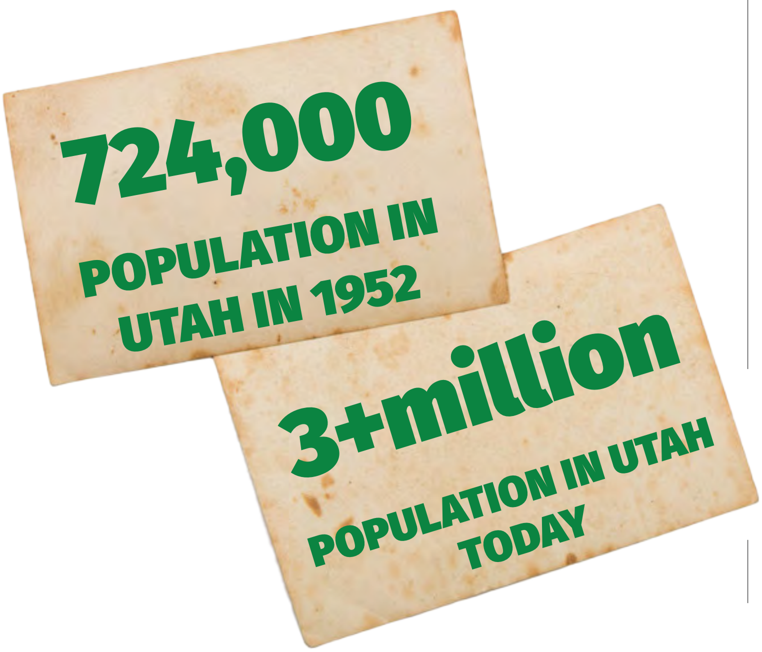
Douglas L. DeFries
President & CEO

Frank W. Browning

Frank W. Browning
Chairman

Department Highlights

CLAY MARTIN AND JARED TAYLOR, COMMERCIAL LENDING



Utah stands out in many areas. It has one of the fastest-growing economies in the country, and it leads the nation with a 3.7 percent increase in job growth from 2019 to 2021. Because of its resilient, robust economic system and job opportunities, Utah is an ideal place to live, and that means there is a strong demand for housing. Unfortunately, the supply is low.

COMMERCIAL LENDING

Bank of Utah's experienced team of commercial lenders (who boast an average of 23 years' experience) worked with local construction and real estate teams to boost the state's housing supply in 2021, through the financing of apartments, townhomes and single-family home developments. They did this, all while helping customers navigate the final phases of the Paycheck Protection Program (PPP) and while providing loans for a number of other commercial projects.

26.8%

THE RESULT:

Year-over-year growth of the loan portfolio was exceptional, with loans outstanding reaching $1.5 billion in 2021 — a 17.6 percent increase from 2020. Excluding PPP loans, the portfolio grew by an astounding 26.8 percent. Loan quality was remarkable, 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.

In times of economic uncertainty, investors are drawn toward safety. That's why in the post-pandemic years, when customers weren't sure what to expect from the economy but had excess money from stimulus payments, they entrusted Bank of Utah with their financial futures. They knew they could count on the Bank to be trustworthy, customer service-oriented and innovation-minded — because it's been that way for 70 years.

DEPOSITS & TREASURY MANAGEMENT

Throughout 2021, Bank of Utah's knowledgeable branch banking and treasury management teams worked to expand the customer base on both the retail and business sides of the Bank. Those customers then referred others, quoting superior service, focused attention on needs and digital offerings that rival the technology offered by larger banks.

25.6%

THE RESULT:

Average deposits grew to a record $1.8 billion, a 25.6 percent year-over-year increase.

4,000

NUMBER OF ACCOUNT HOLDERS IN 1953, A YEAR AFTER THE BANK OPENED

50,000+

NUMBER OF ACCOUNT HOLDERS GOING INTO THE BANK'S 70TH YEAR

SUSANA FEIGHTNER, CENTRAL OPERATIONS MANAGER

A growing population plus a shortage of homes for sale plus inadequate levels of new construction has equaled a seller's market in Utah for the past few years. Even in this challenging environment, Bank of Utah's mortgage lending team has helped customers keep the dream of homeownership alive.

$7,409
MEDIAN HOME VALUE IN 1952

$460,000
MEDIAN HOME VALUE IN 2020

RESIDENTIAL MORTGAGE & RESIDENTIAL CONSTRUCTION LENDING

The Bank's mortgage loan officers have an average of 26 years of experience and a deep understanding of the Utah markets. They've used their expert knowledge to create a quick turnaround structure, with local underwriting, that helps customers lock in interest rates and get more negotiating power. In addition, the mortgage lending team adopted a new, streamlined digital loan application process in 2021 that made applying easy and efficient for customers.

$625.8 million

THE RESULT:

2021 marks the Bank's second highest production year ever, with over 2,000 loans funded. Interest rates remained low in 2021, creating a surge of customers looking to refinance their homes, while many came to the Bank to take advantage of increased home loan limits.

Mortgage loan production was $625.8 million for 2021, a 6.3 percent decrease from 2020 due to rising interest rates, the housing shortage and supply chain problems that disrupted new construction.

2007

BANK OF UTAH ADDS CORPORATE TRUST AS A LINE OF BUSINESS

CORPORATE TRUST

Following Bank of Utah's tradition of, "When you see a need, meet it," the Bank entered the corporate trust business 15 years ago, offering a unique array of products and services, including aircraft owner, security and indenture trusts; life settlements; and paying agent, collateral agent and escrow services. The corporate trust team has built a special expertise and is sought out by corporations of all sizes to handle their trust needs.

12.3%

THE RESULT:

Corporate trust continually contributes to Bank of Utah's bottom-line revenue. In 2021, the number of corporate trust accounts totaled 2,826, a 12.3 percent year-over-year increase. For the third year in a row, Bank of Utah remains the largest owner of aircraft registered with the FAA, keeping a strict policy to ensure customers meet the Bank's and the U.S. government's standards for compliance.

1977

$52,000 INCOME FROM TRUST ACTIVITIES

PERSONAL TRUST

Continuing the Bank's tradition of excellent service and local expertise, Bank of Utah's experienced personal trust team goes above and beyond to help community members plan for the future and handle their financial affairs. That level of commitment and knowledge of Utah communities brings new business to the Bank year after year.

In 2021, for example, Bank of Utah was named a successor trustee to three of Utah's most philanthropic foundations, after their previous firm moved out of state. The organizations transitioned to the Bank because they wanted a local trust and investment team who shares their commitment to the community. A pillar of the Utah banking industry for 70 years, Bank of Utah delivered.

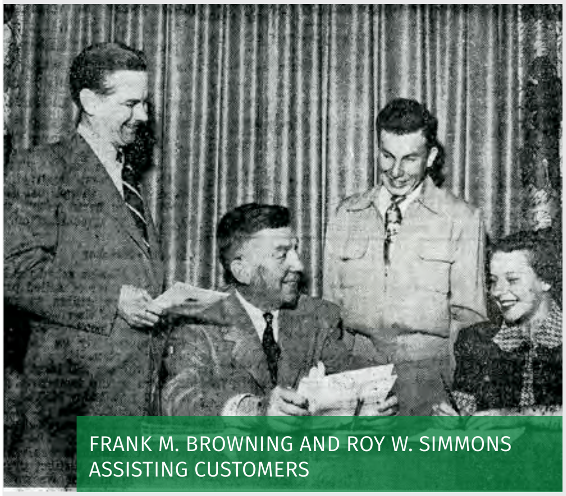
$3.8 million

THE RESULT:

Because of the Bank's local expertise and personal service, personal trust income has grown to $3.8 million.

BOU Bancorp

Being there for our neighbors


FRANK M. BROWNING AND ROY W. SIMMONS ASSISTING CUSTOMERS

THEN:

During the Great Depression era, bank runs sank many smaller, local banks, leaving towns across the U.S. with large financial institutions that didn't know their customers and didn't value everyone equally. It was against this backdrop that Frank Milton Browning envisioned a different kind of bank. A sharp, charismatic businessman, he went door to door and farm to farm, asking neighbors what they needed most from a financial institution. He heard their answers loud and clear, and on Dec. 1, 1952, Browning opened Bank of Utah — a "friendly, homey, modern bank that was accessible to all."

NOW:

Today, 70 years later, Bank of Utah remains deeply rooted in communities across Utah and deeply committed to meeting local needs. The Bank remains majority owned by the Browning Family who are committed to the same local, family-owned feel which customers appreciate. The Bank's role has been, and always will be, to support long-term prosperity for our neighbors and local businesses.


CECY MILLAN AND SPENCER RICHINS, COMMERCIAL LENDING

Bank of Utah has always had an extraordinary devotion to our neighbors, friends and community members. At no point in history has this ever been more evident than it was in 2020, during the height of the COVID-19 pandemic and resulting financial crisis. While unexpected, Bank of Utah had spent years preparing for such events and was able to be there for customers and communities as a source of financial stability.

In 2020 and into 2021, the Bank delivered much-needed funds to struggling businesses through the Paycheck Protection Program (PPP). Bank employees stayed into the night and early morning to finalize paperwork, successfully navigating multiple rounds of PPP loans and federal regulatory revisions to the loan application process. Their flexibility and commitment helped many Utah businesses stay open when others across the nation were forced to shut their doors.

Contributing to communities

THEN:

From the get-go, Bank of Utah was committed to improving the quality of life in the communities it served, and that extends well beyond providing banking services. In the early years, that meant exhibiting flower displays, coin collections and other hobbies in the Bank lobby, and sponsoring local endeavors such as 4H Club and Dairy Day events.

In 1958, Bank of Utah even became an enchanting place for local children to bring their letters to Santa. The Bank would send the letters to “Santa’s helpers” at the post office in Santa Claus, Indiana, where they “magically returned” a letter from St. Nick with a special postmark from Santa Claus.

NOW:

Today, Bank of Utah is honored to champion local communities. One of the Bank’s largest events of the year is the Warm Bodies, Warm Souls community clothing drive. Launched in 2012, it has become one of the largest clothing drives in the state. The Bank also supports a number of events, such as Heber City Concerts in the Park, community races, parades, fairs and founders’ days. Employees volunteer for service projects through United Way, Catholic Community Services, Family Promise and more. The Bank supports organizations financially, as well.

Employees invest their time, resources and talents to support and strengthen the communities where they live and work. In addition to volunteering for service projects, many Bank employees serve on local boards and in leadership and advisory capacities for community development organizations. Bank of Utah encourages employees to give back and to maximize their involvement where their passions lie. More than 55 employees serve on the boards of more than 85 organizations across Utah, including school foundations, chambers of commerce, nonprofits that help children and victims of abuse, economic development and housing committees, and senior care foundations.

KATHY FAUSETT AND KIMBERLY WELLS, PRICE MORTGAGE

Innovating

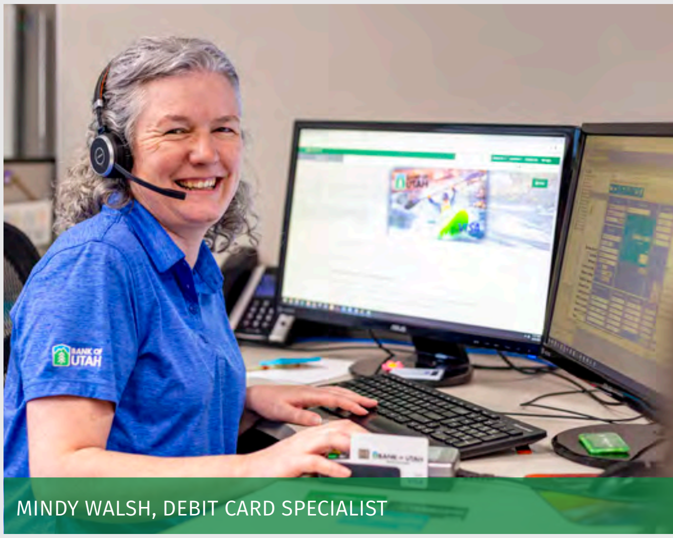
THEN:

A 1975 Ogden *Standard-Examiner* article opened this way, “The Bank of Utah seems always to have had a definite penchant for being the first to offer new banking services and banking improvements to their customers.” The article mentioned that the Bank was one of the first financial institutions to offer drive-up windows in Utah. In fact, Bank of Utah was Ogden’s first complete “Motor Bank,” where customers could make deposits, cash checks and even secure a loan from their cars!

Bank of Utah was also ahead of the curve on rates and products. From opening day, the Bank was one of the first in the Beehive State to raise interest rates on insured savings from 2 to 2.5 percent. The Bank also created its own “Cred-O-Matic” shopping card in 1966. Two years later it would be replaced by the increasingly popular “Master Charge Cards.”

NOW:

That same *Standard-Examiner* article closed with, “Yes, it can be truly said that the Bank of Utah has always been first with the most in banking services, and is still offering more” — a line that fits today. In 2020, for example, Bank of Utah announced the launch of a new advanced digital account opening platform. Customers can now open the bank’s EZ Checking, a new Hybrid checking account, the popular iSave savings account and CDs online in five minutes or less from their mobile phone, tablet or desktop. Bank of Utah was the first community bank in the Utah market to partner with the esteemed banking technology company MANTL for online account opening, to offer best-in-class online experiences for customers.


MINDY WALSH, DEBIT CARD SPECIALIST

BOU Bancorp

FINANCIAL ANALYSIS

Yearly Comparisons

	YE 2021	YE 2020
Return on Average Assets	1.55%	1.88%
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
Tangible Book Value Per Share	$14.39	$13.01
Total Assets	$2.16B	$1.88B

TIER 1 LEVERAGE RATIO

At the Bank level, Tier 1 leverage ratio was 10.95 percent, compared to 11.07 percent in the previous year.

EFFICIENCY RATIO

The Bank's efficiency ratio for 2021 was 56.6 percent, compared to 50.6 percent in 2020. While we've experienced strong growth on our balance sheet, we had additional expenses in 2021, including the opening of our new full-service branch in St. George.

RETURN ON AVERAGE ASSETS

With a Return On Average Assets of 1.55 percent, the Bank ranks in the top 4 percent of all banks in the nation.

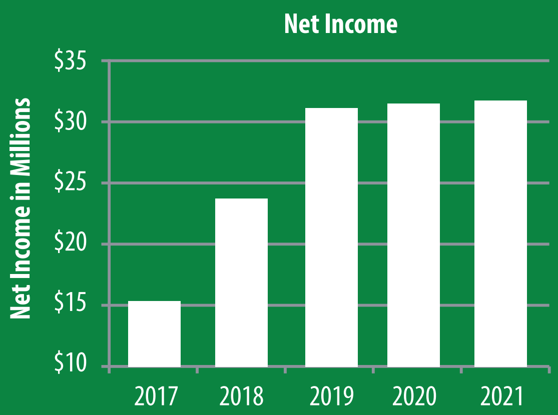
Capital Levels

The Bank continues to be one of the higher, well-capitalized banks in the industry. Tier 1 capital to quarterly average assets was 10.95 percent, compared to 11.07 percent in 2020. The decline was due to a more efficient use of capital through the growth in our loan portfolio. Capital levels are well in excess of the regulatory capital minimums. This has enabled the Bank to successfully navigate challenges and disruptions in our market, providing a safety net during times of economic volatility. The Bank will continue to monitor capital levels and balance the need for safety with opportunity in the market and the ability to support customers. Total stockholder equity grew to $249.4 million from $227.9 million in 2020, which represents a 9.4 percent increase. In 2021, the Bank paid shareholders approximately $6.0 million in dividend income, which represented $0.36 per share.

$6MM
IN DIVIDENDS PAID

BOU Bancorp

Record Net Income



With economic and social uncertainties looming large at the start of 2021, Bank of Utah initially forecasted a decline in net income. Despite many challenges, Bank of Utah achieved record profitability for the third consecutive year. Consolidated net income for year end 2021 was $31.7 million compared to $31.6 million for the comparable 2020 period. The Bank continues on an upward pace due to impressive loan production and diverse income streams.

Primary Changes To Net Income

EQUIPMENT EXPENSE

Over the past year, Bank of Utah made investments to enhance customer service as well as protect accounts through the use of technology. Additionally, Bank of Utah opened a full-service banking center in St. George to serve our business and personal customers in Southern Utah.

NET INTEREST INCOME

On a tax equivalent basis, net interest income increased to $67.1 million in 2021 from $62.4 million in 2020. This is an increase of $4.7 million or 7.5 percent. This is primarily due to increased loan volume that outpaced a narrowing interest margin.

SALARIES AND BENEFITS

Salaries and employee benefits expense grew by $2.8 million. Staffing increased 5 percent in 2021.

GAIN ON SALE OF LOANS

The Bank's mortgage team funded over 2,000 loans in 2021, totaling $625.8 million. This was down from 2020's record year of 2,570 loans totaling $667.9 million. The reason for the decline was lower production and market pressures on sale of loans. Yet, 2021 still marks the Bank's second highest production year ever.

MOSSADAMS

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of BOU Bancorp, Inc. and its subsidiaries which comprise the consolidated statement of financial condition as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BOU Bancorp, Inc. and its subsidiaries as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BOU Bancorp, Inc. and its subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BOU Bancorp, Inc. and its subsidiaries ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances., but not for the purpose of expressing an opinion on the effectiveness of BOU Bancorp, Inc. and its subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BOU Bancorp, Inc. and its subsidiaries ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Moss Adams LLP

Portland, Oregon
March 18, 2022

MOSSADAMS

Report of Independent Auditors

The Board of Directors and Stockholders of
Bank of Utah

Report on Internal Control Over Financial Reporting

Opinion on Internal Control Over Financial Reporting

We have audited Bank of Utah's (the "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 Financial Condition and Income (call report instructions), as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting

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

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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 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.

Restriction on Use

This report is intended solely for the information and use of management, the Board of Directors, and other within the organization, and the Federal Deposit Insurance Corporation and the 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 18, 2022

BOU Bancorp, Inc.
Consolidated Statements of Financial Condition
Years ended December 31, 2021 and 2020

(in thousands, except share data)

ASSETS		2021	2020
Cash and due from banks	$	19,969	19,088
Interest-bearing deposits in banks		216,676	344,337
Federal funds sold		1,893	13,488
Investment securities (Notes 2 and 10):			
Equity securities, at fair value		7,330	7,458
Debt securities available for sale, at fair value		179,717	126,075
Debt securities held to maturity, at amortized cost (fair value of $116,061 and $7,184 as of December 31, 2021 and 2020, respectively)		118,302	6,979
Total investment securities		305,349	140,512
Loans held for sale		19,089	19,639
Loans (Note 3)		1,509,323	1,283,547
Less allowance for loan losses (Note 4)		18,986	17,902
Net loans		1,490,337	1,265,645
Accrued interest receivable		5,687	7,051
Goodwill (Note 5)		8,903	8,903
Bank owned life insurance, net		35,490	34,533
Premises and equipment, net (Note 6)		23,813	17,387
Deferred tax asset, net (Note 9)		3,501	2,073
Investment in affordable housing tax credits		18,533	-
Other assets		7,948	9,688
Total assets	$	2,157,188	1,882,344

LIABILITIES AND STOCKHOLDERS' EQUITY		2021	2020
Deposits:			
Noninterest-bearing	$	732,568	675,391
Interest-bearing (Note 7)		1,098,712	892,967
Total deposits		1,831,280	1,568,358
Securities sold under agreements to repurchase (Note 8)		45,064	70,049
Other liabilities		31,442	16,018
Total liabilities		1,907,786	1,654,425
Commitments and contingent liabilities (Note 11)			
Common stock, $1 par value, 50,000,000 shares authorized, 16,899,750 shares issued and 16,688,317 shares outstanding at December 31, 2021 and 16,899,750 shares issued and 16,750,875 shares outstanding at December 31, 2020		16,900	16,900
Paid-in capital		5,271	5,271
Accumulated other comprehensive (loss)/income, net of tax		(278)	3,147
Retained earnings		230,146	204,423
Treasury stock, at cost, 211,433 and 148,875 shares at December 31, 2021 and 2020, respectively		(2,637)	(1,822)
Total stockholders' equity		249,402	227,919
Total liabilities and stockholders' equity	$	2,157,188	1,882,344

BOU Bancorp, Inc.
Consolidated Statements of Income
Years ended December 31, 2021 and 2020

(in thousands, except per share data)

		2021	2020
INTEREST INCOME:			
Interest and fees on loans	$	64,849	61,515
Interest on investment securities:			
Taxable		3,731	2,700
Tax-exempt		86	115
Interest on loans held for sale		409	534
Interest on cash and cash equivalents		516	919
Total interest income		69,591	65,783
INTEREST EXPENSE:			
Interest on deposits		3,557	4,264
Interest on securities sold under agreements to repurchase and other borrowings		230	240
Total interest expense		3,787	4,504
Net interest income		65,804	61,279
Provision for loan losses (Note 4)		1,100	5,400
Net interest income after provision for loan losses		64,704	55,879
NONINTEREST INCOME:			
Service charges on deposits		981	1,133
Gain on sale of loans		12,329	16,615
Trust fees		12,902	11,705
Increase in cash surrender value of bank owned life insurance		957	911
Other		2,535	2,689
		29,704	33,053
NONINTEREST EXPENSES:			
Salaries and employee benefits		35,434	32,652
Net occupancy expense		2,979	2,856
Equipment expense		5,810	4,814
Professional fees and services		3,586	2,456
Advertising and business development expense		1,376	739
Office expense		1,494	1,253
Other		3,381	3,004
		54,060	47,774
Income before provision for income taxes		40,348	41,158
Provision for income taxes (Note 9)		8,623	9,543
Net income	$	31,725	31,615
Basic and diluted earnings per common share	$	1.90	1.88

BOU Bancorp, Inc.
Consolidated Statements of Comprehensive Income
Years ended December 31, 2021 and 2020

(in thousands)

	2021	2020
Net income	$ 31,725	31,615
Other comprehensive income:		
Net change in unrealized holding (loss)/gain on securities available for sale, net of tax benefit of $1,136 as of December 31, 2021 and tax expense of $802 as of December 31, 2020, respectively	(3,425)	2,418
Comprehensive income	$ 28,300	34,033

BOU Bancorp, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2021 and 2020

(dollars in thousands)

	Common Stock	Amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock	Total stockholders' equity
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
Net income	-	-	-	-	31,725	-	31,725
Other comprehensive loss, net of tax	-	-	-	(3,425)	-	-	(3,425)
Repurchase of common stock	(124,253)	-	-	-	-	(1,617)	(1,617)
Issuance of treasury stock	61,695	-	-	-	-	802	802
Dividends paid	-	-	-	-	(6,002)	-	(6,002)
Balances, December 31, 2021	16,688,317	$ 16,900	5,271	(278)	230,146	(2,637)	249,402

BOU Bancorp, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020

(in thousands)

		2021	2020
OPERATING ACTIVITIES:			
Net income	$	31,725	31,615
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense		2,139	1,816
Provision for loan losses		1,100	5,400
Provision for commitments to fund loans		100	100
Deferred income tax (benefit)/expense		(292)	(959)
Changes in fair value of equity investments		214	(155)
Increase in cash surrender value of bank owned life insurance		(957)	(911)
Net amortization of investment premiums and discounts		573	230
Gain on sale of loans		(12,329)	(16,615)
Proceeds from sales of loans held for sale		410,755	461,143
Origination of loans held for sale		(397,875)	(451,742)
Loss/(gain) on sale or disposal of premises and equipment		(34)	2
Change in accrued interest receivable and other assets		(12,675)	(3,003)
Change in other liabilities		15,323	3,846
Net cash provided by operating activities		37,767	30,767
INVESTING ACTIVITIES:			
Proceeds from maturities of held to maturity securities		6,306	1,250
Proceeds from maturities of available for sale securities		31,935	30,923
Purchase of held to maturity securities		(117,886)	(2,072)
Purchase of available for sale securities		(90,454)	(30,918)
Purchase of equity securities		(86)	(131)
Net change in loans from loan originations and principal repayments		(225,791)	(232,922)
Purchase of bank owned life insurance		-	(3,425)
Purchase of affordable housing tax credits		(2,755)	-
Proceeds from sale of premises and equipment		115	-
Purchase of premises and equipment		(8,647)	(1,938)
Net cash used in investing activities		(407,263)	(239,233)
FINANCING ACTIVITIES:			
Net change in deposits		262,922	419,616
Net change in securities sold under agreement to repurchase		(24,985)	6,215
Repurchase of treasury stock		(1,617)	(1,822)
Issuance of treasury stock		803	-
Dividends paid to stockholders		(6,002)	(5,871)
Net cash provided by financing activities		231,121	418,138
Net change in cash and cash equivalents		(138,375)	209,672
Cash and cash equivalents, beginning of period		376,913	167,241
Cash and cash equivalents, end of period	$	238,538	376,913
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$	3,755	4,535
Cash paid for income taxes, net of refund		10,102	8,492

(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 18, 2022, the date these financial statements were available to be issued.

Cash and Cash Equivalents

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

Interest-Bearing Deposits

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

Investment Securities

The Company classifies its investment in debt securities in two categories: held to maturity or available for sale. The Company had no trading securities during 2021 or 2020. 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 Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) Stock

In April, the Bank completed a charter conversion from a state member bank to a state non-member bank. This resulted in a change in the Bank's primary regulator from the FRB to the Federal Deposit Insurance Corporation (FDIC). Additionally, the Bank was no longer required to hold FRB stock under the stipulations of the Federal Reserve Act. At the time of the conversion, the Company redeemed its FRB stock for $914,000, which equaled the carrying value of the entire investment. The carrying amount of FRB stock as of December 31, 2020 was $914,000, at cost, and is reported on the consolidated statements of financial condition as a component of other assets.

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, 2021 and 2020 was $2.8 million and $2.7 million, respectively, and is reported on the consolidated statements of financial condition as a component of other assets.

The Bank views its investment in FHLB 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, 2021 and 2020. 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 $57,000 and $70,000 as of December 31, 2021 and 2020, 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 2021 or 2020.

The Company continues to service approximately $308.4 million and $323.6 million in participating interests at December 31, 2021 and 2020, 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 $251.6 million and $244.4 million at December 31, 2021 and 2020, respectively. The Company recorded approximately $925,000 and $933,000 in servicing fee income during 2021 and 2020, respectively.

The Company holds purchased participating interests in loans of $40.1 million and $44.3 million at December 31, 2021 and 2020, 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, 2021. 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, 2021 or 2020.

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, 2021 and 2020. As of December 31, 2021, 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, 2021 and 2020, 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 $325,000 and $565,000 at December 31, 2021 and 2020, 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.

Qualified Affordable Housing Project Investments

The Company invests in qualified affordable housing projects through investment in limited liability entities. Investments in affordable housing tax credits are recorded at cost and included in the consolidated statements of condition. The subsequent tax benefit is recognized using the proportional amortization method over the life of the tax credit, which is included in income tax expense on the consolidated statements of income. At December 31, 2021, the balance of the investment for qualified affordable housing projects was $18.5 million. The total unfunded commitments related to the investments in qualified affordable housing projects was $15.8 million. There were no tax credits awarded in 2021 and there was no amortization expense recognized during 2021. The company had no investments in qualified affordable housing projects at December 31, 2020.

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 11). 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, 2021, 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, 2021 and 2020 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)

		2021	2020
Numerator			
Net income	$	31,725	31,615
Denominator			
Weighted average number of common shares outstanding		16,692,530	16,803,322
Basic and diluted earnings per common share	$	1.90	1.88

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. Total fiduciary assets under management were $991.9 million and $785.2 million at December 31, 2021 and 2020, respectively.

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, 2021 and 2020 the Company had fulfilled all repurchase requests as required under the terms of the KSOP. Company contributions were approximately $724,000 and $2.3 million for the years ended December 31, 2021 and 2020, 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 (7.2%) of BOU Bancorp, Inc. stock, all of which are allocated at December 31, 2021.

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 March 2020, the FASB issued 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) 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, 2021 and 2020 was $7.3 and $7.5 million, respectively. The Company recognized gross unrealized holding losses on equity securities of approximately $214,000 during the year ended December 31, 2021 and unrealized holding gains on equity securities of approximately $155,000 during the year ended December 31, 2020.

Debt securities as of December 31, 2021 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 12,760	-	(408)	12,352
U.S. government agency mortgage backed securities	85,267	-	(1,798)	83,469
States and political subdivisions	3,014	33	(14)	3,033
U.S. treasury securities	4,968	-	(55)	4,913
Corporate bonds	12,293	59	(58)	12,294
	$ 118,302	92	(2,333)	116,061

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 131,255	1,348	(1,674)	130,929
U.S. government agency mortgage backed securities	48,832	378	(422)	48,788
	$ 180,087	1,726	(2,096)	179,717

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

There were no securities sold during the years ended December 31, 2021 or 2020.

A summary of investment securities with unrealized losses as of December 31, 2021, by the amount of unrealized losses and fair value by length of time that the securities have been in an unrealized loss position, follows:

	Held to Maturity					
	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	$ 408	12,352	-	-	408	12,352
U.S. government agency mortgage backed securities	1,798	83,469	-	-	1,798	83,469
States and political subdivisions	14	630	-	-	14	630
U.S. treasury securities	55	4,913	-	-	55	4,913
Corporate bonds	58	6,195	-	-	58	6,195
	$ 2,333	107,559	-	-	2,333	107,559

	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	$ 1,674	73,742	-	-	1,674	73,742
U.S. government agency mortgage backed securities	422	38,178	-	-	422	38,178
	$ 2,096	111,920	-	-	2,096	111,920

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

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, 2021 or 2020, the Company will continue to review these investment securities for possible adjustment in the future.

The number of investment securities in an unrealized loss position for securities held to maturity at December 31, 2021 was 31. There were no securities held to maturity in an unrealized loss position at December 31, 2020. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2021, and 2020 was 27 and 1, respectively.

A summary of the amortized cost and fair value of investment securities as of December 31, 2021, by contractual maturity, follows:

(in thousands)

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 1,779	1,792
Due after one year through five years	23,156	22,953
Due after five years through ten years	7,456	7,215
Due after ten years	644	631
U.S. government agency mortgage backed securities	85,267	83,470
	$ 118,302	116,061

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 10,000	10,061
Due after one year through five years	45,476	46,587
Due in greater than five years	75,779	74,281
U.S. government agency mortgage backed securities	48,832	48,788
	$ 180,087	179,717

U.S. government agency securities with a book value of $65.6 and $76.1 million at December 31, 2021 and 2020, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $66.1 and $79.0 million at December 31, 2021 and 2020, respectively. (See Note 10.)

(3) LOANS

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

(in thousands)

	2021	2020
Construction & development	$ 293,505	257,327
1-4 family real estate	76,357	58,487
Commercial real estate	665,823	571,921
Commercial & industrial	124,087	202,401
States & political subdivisions	309,463	150,249
Other	43,012	46,890
	1,512,247	1,287,275
Less unearned fees, net	2,924	3,728
	$ 1,509,323	1,283,547

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.

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)

	2021	2020
Balance, beginning of year	$ 699	276
New loans and advances	532	465
Payments	(1,191)	(42)
Balance, end of year	$ 40	699

Pursuant to the CARES Act passed in March 2020, the Company funded $57.8 million and $172.1 million in 2021 and 2020, respectively, 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 to five 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, 2021 and 2020 was $20.9 million and $109.9 million, respectively.

(4) 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, 2021:	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	$ 5,429	137	-	-	5,566
1-4 family real estate	698	139	-	1	838
Commercial real estate	8,643	296	-	-	8,939
Commercial & industrial	1,043	(178)	-	6	871
States & political subdivisions	1,222	868	-	-	2,090
Other	867	(162)	(27)	4	682
	$ 17,902	1,100	(27)	11	18,986

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

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, 2021:

(in thousands)

	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Allowance for loan losses:			
Construction & development	$ -	5,566	5,566
1-4 family real estate	-	838	838
Commercial real estate	123	8,816	8,939
Commercial & industrial	-	871	871
States & political subdivisions	-	2,090	2,090
Other	-	682	682
	$ 123	18,863	18,986
Outstanding loan balances:			
Construction & development	$ -	293,505	293,505
1-4 family real estate	-	76,357	76,357
Commercial real estate	1,926	663,897	665,823
Commercial & industrial	-	124,087	124,087
States & political subdivisions	-	309,463	309,463
Other	-	43,012	43,012
	$ 1,926	1,510,321	1,512,247

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

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.

The following presents a summary of impaired loans as of December 31, 2021:

(in thousands)

	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total allowance
Commercial real estate	$ 1,926	-	1,926	1,926	123

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

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

(in thousands)

	2021		2020	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial real estate	$ 385	-	351	-

As of December 31, 2021 and 2020 there were no loans modified in TDRs on nonaccrual. As of December 31, 2021 and 2020 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, 2021 and 2020. 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, 2021 and 2020.

The following tables present an aging analysis of loans as of December 31, 2021 and 2020, respectively. There are no loans past due more than 90 days still accruing interest as of December 31, 2021 or 2020.

(in thousands)

As of December 31, 2021:	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	$ -	-	-	-	293,505	293,505
1-4 family real estate	-	-	-	-	76,357	76,357
Commercial real estate	-	-	1,926	1,926	663,897	665,823
Commercial & industrial	-	-	-	-	124,087	124,087
States & political subdivisions	-	-	-	-	309,463	309,463
Other	1	-	-	1	43,011	43,012
	$ 1	-	1,926	1,927	1,510,320	1,512,247

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, 2021 there were $1.9 million in nonaccrual loans that are 75% guaranteed by the SBA. The guaranteed portion is expected to be reimbursed by the SBA if the Bank experiences a loss in the loans.

In response to the economic uncertainty caused by the COVID-19 pandemic, throughout 2020 and 2021 the Company provided relief to certain lending customers in the form of payment deferrals. As of December 31, 2021, there were no loans still on deferral.

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, 2021 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 293,505	-	-	-	293,505
1-4 family real estate	76,318	-	39	-	76,357
Commercial real estate	645,975	523	17,399	1,926	665,823
Commercial & industrial	123,391	-	696	-	124,087
State & political subdivisions	309,463	-	-	-	309,463
Other	43,012	-	-	-	43,012
	$ 1,491,664	523	18,134	1,926	1,512,247

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

(5) GOODWILL AND INTANGIBLES

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

(in thousands)

	2021		2020	
	Goodwill	Core deposit intangible	Goodwill	Core deposit intangible
Balance, beginning of year	$ 8,903	565	8,903	871
Amortization	-	240	-	306
Balance, end of year	$ 8,903	325	8,903	565

As of December 31, 2021, the future amortization expense on intangible assets are as follows:

(in thousands)

Year ended December 31:	
2022	$ 171
2023	108
2024	45
2025	1
	$ 325

(6) PREMISES AND EQUIPMENT

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

(in thousands)

	2021	2020
Land	$ 5,724	4,724
Buildings and leasehold improvements	25,391	20,321
Furniture and equipment	16,660	15,613
	47,775	40,658
Accumulated depreciation and amortization	(23,961)	(23,271)
	$ 23,814	17,387

(7) INTEREST-BEARING DEPOSITS

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

(in thousands)

	2021	2020
Interest-bearing checking	$ 311,621	271,323
Insured money market	507,049	368,872
Savings accounts	199,322	167,607
Certificates of deposit	80,720	85,165
	$ 1,098,712	892,967

The aggregate amount of time deposits with balances of $250,000 or more was $47.2 million and $46.3 million as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020 overdraft deposits totaling $19,000 and $16,000, respectively, were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2021 follows:

(in thousands)

Year ended December 31:		
2022	$	63,242
2023		11,129
2024		3,908
2025		1,749
2026		592
Thereafter		100
Total	$	80,720

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 $13.2 million and $16.5 million at December 31, 2021 and 2020, respectively.

(8) 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 0.42 percent and 0.33 percent at December 31, 2021 and 2020, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2021 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 $65.6 million and $76.1 million at December 31, 2021 and 2020, respectively. The fair value of the underlying pledged securities was $66.1 million and $79.0 million at December 31, 2021 and 2020, respectively.

(9) INCOME TAXES

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

(in thousands)

		2021	2020
Current:			
Federal	$	6,983	8,183
State		1,930	2,318
Deferred:			
Federal		(233)	(763)
State		(57)	(195)
Provision for income taxes	$	8,623	9,543

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, 2021 and 2020:

(in thousands)

		2021	2020
Expected federal tax expense	$	8,473	8,643
Increases (decreases) in taxes resulting from:			
Tax-exempt interest income		(786)	(684)
State taxes, net of federal benefit		1,479	1,513
Captive insurance		(279)	(288)
Bank owned life insurance		(201)	(191)
Other		(63)	550
Provision for income taxes	$	8,623	9,543

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)

		2021	2020
Deferred tax assets			
Allowance for loan losses	$	5,007	4,738
Deferred compensation		1,562	1,454
Net unrealized loss on investment securities available for sale		92	-
Other		333	350
		6,994	6,542
Deferred tax liabilities			
Premises and equipment		1,148	1,060
Deferred loan costs		1,452	1,281
Deferred income on FHLB stock		139	139
Intangible assets		95	128
Net unrealized gain on investment securities available for sale		-	1,044
Other		659	817
		3,493	4,469
Net deferred tax asset	$	3,501	2,073

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.

(10) 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 2021 or 2020.

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

(in thousands)

Description of Financial Instrument		Fair Value	2021 Level 1	2021 Level 2	2021 Level 3
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	130,929	-	130,929	-
U.S. government agency mortgage backed securities		48,788	-	48,788	-
Equity securities		7,330	-	7,330	-

Description of Financial Instrument		Fair Value	2020 Level 1	2020 Level 2	2020 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	-

At December 31, 2021 impaired commercial real estate loans with a fair value of $1.9 million were measured at fair value on a nonrecurring basis. The loans were collateral dependent and a collateral method, adjusted for estimated selling costs, was used to determine fair value. At December 31, 2020 there were no impaired loans.

(11) 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, 2021, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

(in thousands)

Year ended December 31:		
2022	$	970
2023		710
2024		699
2025		729
2026		732
Thereafter		2,384
	$	6,224

The Company recorded lease expense (net of sublease income of approximately $33,000 and $50,000 for the years ending December 31, 2021 and 2020, respectively) under these agreements of approximately $1.1 million and $1.0 million in 2021 and 2020, respectively. Of these amounts, $14,000 and $126,000 was paid in 2021 and 2020, respectively, to related parties.

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. The reserve for unfunded lending commitments was $1.1 million and $1.0 million at December 31, 2021 and 2020, respectively.

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 $394.6 million and $353.2 million as of December 31, 2021 and 2020, respectively. Commitments on letters of credit totaled $1.2 million and $526,000 as of December 31, 2021 and 2020, respectively, and $393.4 million and $352.7 million respectively, on all other loan commitments.

The Company has lines of credit established with the FHLB of Des Moines for $972.1 million (45 percent of total bank assets), Federal Reserve Bank Discount Window for $120.0 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 $225.3 million as of December 31, 2021. 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, 2021, the Company's credit enhancement obligation as part of our participation in the FHLB Mortgage Partnership Finance program was approximately $994,000, which reduces the available line of credit with the FHLB by that amount. During 2021, 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 $120.0 million at December 31, 2021. The Company did not have any outstanding borrowings from unaffiliated banks at December 31, 2021 or 2020.

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.

(12) 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, 2021:		Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$	62,871	2,273	(8)	(432)	64,704
Noninterest income		7,309	12,877	9,573	(55)	29,704
Noninterest expense		(35,770)	(8,867)	(5,451)	(3,972)	(54,060)
Segment income before provision for income taxes	$	34,410	6,283	4,114	(4,459)	40,348
Average gross loans	$	1,401,116	10	-	-	1,401,126
Average deposits		1,500,197	156	231,845	-	1,732,198
Total assets		2,136,693	19,531	964	-	2,157,188

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
Total assets		1,861,564	19,828	952	-	1,882,344

(13) 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.

As of December 31, 2021, 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 Banks'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, 2021, the Company had approximately $82.7 million available for payment of dividends under the aforementioned restrictions.

Capital amounts and ratios as of December 31, 2021 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	$ 260,265	16.42%	166,401	10.50%	N/A	N/A
Bank of Utah	253,657	16.01%	166,338	10.50%	158,417	10.00%
Tier 1 Capital						
(to risk weighted assets)						
Consolidated	240,452	15.17%	134,705	8.50%	N/A	N/A
Bank of Utah	233,852	14.76%	134,655	8.50%	126,734	8.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Consolidated	240,452	15.17%	110,934	7.00%	N/A	N/A
Bank of Utah	233,852	14.76%	110,892	7.00%	102,971	6.50%
Tier 1 Capital						
(to quarterly average assets)						
Consolidated	240,452	11.22%	139,322	6.50%	N/A	N/A
Bank of Utah	233,852	10.95%	138,770	6.50%	106,746	5.00%

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%

BOU Bancorp, Inc.
Consolidating Schedule - Statement of Financial Condition
December 31, 2021

(in thousands)		BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS						
Cash and due from banks	$	-	19,935	34	-	19,969
Interest-bearing deposits in banks		5,049	208,359	3,700	(432)	216,676
Federal funds sold		-	1,893	-	-	1,893
Investment securities:						
Equity securities, at fair value		-	7,330	-	-	7,330
Available for sale, at fair value		-	179,717	-	-	179,717
Held to maturity, at amortized cost		-	118,302	-	-	118,302
Total investment securities		-	305,349	-	-	305,349
Loans held for sale		-	19,089	-	-	19,089
Loans		-	1,509,323	-	-	1,509,323
Less allowance for loan losses		-	18,986	-	-	18,986
Net loans		-	1,490,337	-	-	1,490,337
Investment in Bank of Utah		242,802	-	-	(242,802)	-
Investment in Utah Risk Management, Inc.		2,273	-	-	(2,273)	-
Accrued interest receivable		-	5,678	9	-	5,687
Goodwill		-	8,903	-	-	8,903
Bank owned life insurance		-	35,490	-	-	35,490
Premises and equipment, net		-	23,813	-	-	23,813
Deferred tax asset		-	3,501	-	-	3,501
Investment in affordable housing tax credits		-	18,533	-	-	18,533
Other assets		73	8,428	653	(1,206)	7,948
Total assets	$	250,197	2,149,308	4,396	(246,713)	2,157,188
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits:						
Noninterest-bearing	$	-	732,568	-	-	732,568
Interest-bearing		-	1,099,144	-	(432)	1,098,712
Total deposits		-	1,831,712	-	(432)	1,831,280
Securities sold under agreements to repurchase		-	45,064	-	-	45,064
Other liabilities		795	29,730	2,123	(1,206)	31,442
Total liabilities		795	1,906,506	2,123	(1,638)	1,907,786
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		(278)	(278)	-	278	(278)
Retained earnings		230,146	212,615	2,023	(214,638)	230,146
Treasury stock		(2,637)	-	-	-	(2,637)
Total stockholders' equity		249,402	242,802	2,273	(245,075)	249,402
	$	250,197	2,149,308	4,396	(246,713)	2,157,188

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 income	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

BOU Bancorp, Inc.
Consolidating Schedule - Statement of Income
December 31, 2021

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	64,849	-	-	64,849
Interest on investment securities:					
Taxable	-	3,731	-	-	3,731
Tax-exempt	-	86	-	-	86
Interest on loans held for sale	-	409	-	-	409
Interest on cash and cash equivalents	14	462	41	(1)	516
Total interest income	14	69,537	41	(1)	69,591
INTEREST EXPENSE:					
Interest on deposits	-	3,558	-	(1)	3,557
Interest on securities sold under agreement to repurchase and other borrowings	-	230	-	-	230
Total interest expense	-	3,788	-	(1)	3,787
Net interest income	14	65,749	41	-	65,804
Provision for loan losses	-	1,100	-	-	1,100
Net interest income after provision for loan losses	14	64,649	41	-	64,704
NONINTEREST INCOME:					
Dividend from Bank of Utah	6,580	-	-	(6,580)	-
Equity in undistributed income of Bank of Utah	25,042	-	-	(25,042)	-
Dividend from Utah Risk Management, Inc.	1,500	-	-	(1,500)	-
Equity in undistributed income of Utah Risk Management, Inc.	(147)	-	-	147	-
Service charges on deposits	-	981	-	-	981
Gain on sale of loans	-	12,329	-	-	12,329
Trust fees	-	12,902	-	-	12,902
Cash surrender value increase of bank owned life insurance	-	957	-	-	957
Other	-	2,535	1,690	(1,690)	2,535
	32,975	29,704	1,690	(34,665)	29,704
NONINTEREST EXPENSES:					
Salaries and employee benefits	1,494	33,940	-	-	35,434
Net occupancy expense	10	2,969	-		2,979
Equipment expense	-	5,810	-	-	5,810
Professional fees and services	50	3,444	92	-	3,586
Advertising expense	-	1,376	-	-	1,376
Office expense	-	1,493	1	-	1,494
Other	264	4,528	279	(1,690)	3,381
	1,818	53,560	372	(1,690)	54,060
Income before provision for income taxes	31,171	40,793	1,359	(32,975)	40,348
(Benefit from)/provision for income taxes	(554)	9,170	7	-	8,623
Net income	$ 31,725	31,623	1,352	(32,975)	31,725

Schedule 2

BOU Bancorp, Inc.
Consolidating Schedule - Statement of Income
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
(Benefit from)/provision for income taxes	(532)	10,064	11	-	9,543
Net income	$ 31,615	31,387	1,415	(32,802)	31,615

BOU Bancorp

Board of Directors

Bank of Utah

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.

Larry M. Wood
Chairman of the Board & President

Benjamin F. Browning
Vice President

Nathan L. DeFries
Treasurer

BOU Bancorp

Senior Management

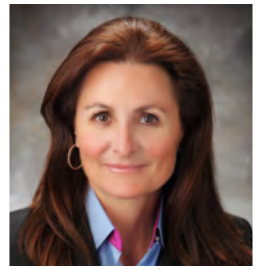
Bank of Utah

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

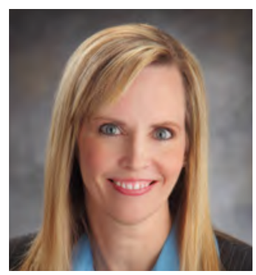
Shawn M. Choate
Senior Vice President, Human Resources

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 & Relationship Banking



Menah C. Strong
Senior Vice President, Deposit Operations

(not pictured)
Colleen Schulthies
Senior Vice President, General Counsel

OFFICERS

Larry M. Wood
President

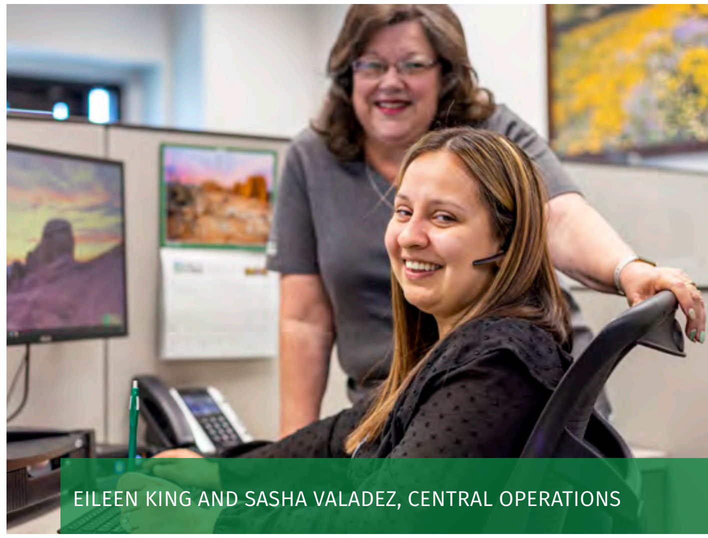
Benjamin F. Browning
Vice President

Nathan L. DeFries
Treasurer

Joshua C. Miller
Secretary

Branden P. Hansen
Vice President

Colby J. Dustin
Vice President


EILEEN KING AND SASHA VALADEZ, CENTRAL OPERATIONS

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
Trevor L. Austin Assistant Vice President, Treasury Management Team Leader
Janna Coley Assistant Vice President, Branch Operations Manager
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

CORPORATE TRUST:

Michael R. Arsenault Senior Vice President, Corporate Trust Counsel
Jodie B. Curtis Senior Vice President, Senior Corporate Trust Administrator
Dillon Schmutz 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

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
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, Box Elder, 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
Andrew Cunningham Vice President, Senior Credit Risk Manager
Jeremy B. Hubbard Vice President, Relationship Manager
Bryce D. Huff Vice President, Relationship Manager
Jack K. Mangum Vice President, Relationship Manager
Matthew F. Nelson Vice President, Relationship Manager
Jeff 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
Julie Bibby Assistant Vice President, Portfolio Manager
Ran D. Jones Assistant Vice President, Portfolio Manager
Alan P. Lunt 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

TAFT MEYER, EVP, CHIEF LENDING OFFICER
AND KAREN DEVRIES, EXECUTIVE SECRETARY

RESIDENTIAL LENDING:

Kathy L. Robles Senior Vice President, Mortgage Operations
Wesley T. Barlow Vice President, Mortgage Area Manager
Jennifer H. Dee Vice President, Mortgage Branch Manager, Ogden
W. Dan Farnsworth Vice President, Mortgage Branch Manager, Providence
Kathy M. Fausett Vice President, Mortgage Branch Manager, Price
Cindee L. Himelright Vice President, Consumer Servicing Manager
John P. Neil Vice President, Mortgage Loan Officer
Russell G. Piggott Vice President, Mortgage Branch Manager, Logan City Center
Barbara Roberts Vice President, Mortgage Loan Officer
Timothy D. Roberts Vice President, Mortgage Branch Manager, City Creek
Linda C. Rose Vice President, Mortgage Branch Manager, South Ogden
Thomas E. Rutter Vice President, Mortgage Branch Manager, St. George
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

PERSONAL TRUST:

Jodie K. Buckner Vice President, Senior Trust Officer
Randy H. Hahn Vice President, Personal Trust Manager
Jeff Kahn Vice President, Trust Officer
Brenda L. Lambert Vice President, Senior Trust Officer
Jennifer G. Vandenberg Vice President, Trust Officer
Kyle R. Brown Assistant Vice President, Trust Officer
Michael D. Dustin Assistant Vice President, Trust Officer

MEGAN KENLEY, ROGER CHRISTENSEN AND CHERIE HANSON, MARKETING

ADMINISTRATION:

Carl R. Behunin Vice President, BSA-Deposit Compliance Manager
Jonathan W. Browning Vice President, Secretary to the Board
Laura Castro Vice President, Lending Compliance Officer
Cherie Hanson Vice President, Communications and Marketing Manager
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

Locations

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

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

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

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

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

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

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

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

LOGAN
5 East 1400 North
Logan, UT 84341
435-752-7102

LOGAN CITY CENTER HOME LOANS
45 East 200 North, Ste. 102
Logan, Utah 84321
435-792-4600

OREM
1000 West 800 North
Orem, UT 84057
801-765-4401

PRICE HOME LOANS
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 ROAD
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
335 E. St George Blvd, Ste. 103
St. George, UT 84770
435-986-7225

ST. GEORGE HOME LOANS
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