

# Q2

# BOU BANCORP, INC. QUARTERLY REPORT 2022



**Douglas L. DeFries**  
President & CEO

“**NOT ONLY DID WE FIND BALANCE THROUGH OUR ROBUST PRODUCT OFFERINGS AND OUR ABILITY TO PROVIDE FINANCIAL EXPERTISE, WE IMPROVED OVER LAST YEAR'S Q1 RESULTS AND ARE DECIDEDLY BETTER THAN OUR BUDGETED PROJECTIONS.**”

## SHAREHOLDER DIVIDEND

A dividend of \$0.10 per share was paid on June 27, 2022, for Q2 2022, compared to \$0.10 per share dividend paid in Q1 2022 and \$0.09 in Q2 2021.

## PRESIDENT'S MESSAGE



**FINDING BALANCE. FOCUSING ON CUSTOMERS.** Have you ever used an old-fashioned balance scale to weigh something, the kind with two pans and a beam in the middle? You place an item in one pan and weights in the other until the beam is completely horizontal. Lately, I've been thinking about "balance" in terms of the U.S. economy, contemplating the weight of the many forces that influence it. Jobs are growing, inflation is rising, global markets are slowing, interest rates are climbing and home sales are losing speed. The scale isn't balanced, affecting most everyone.

As a longstanding financial institution, Bank of Utah has experienced this type of economic imbalance in the past. We know the signs, we prepare, and we work to protect our customers, employees and shareholders during downturns. One of Bank of Utah's greatest strengths is its diversified product offerings. When economic conditions negatively impact one area, it is often offset by growth in other areas. The dramatic and rapid increase in rates did affect the volume of mortgage refinances and some home purchases. However, the loss in revenue was more than offset by an increase in net interest income as well as strong increases in corporate and personal trust revenue.

The Bank's primary source of growth for the second quarter came from an increase in commercial and municipal lending. The Bank also increased its deposits for Q2 2022, without increasing costs. In addition, the Bank was careful to keep noninterest expenses in line with Q1. Not only did we find balance through our robust product offerings and our ability to provide financial expertise, we improved over last year's Q1 results and are decidedly better than our budgeted projections. Perhaps the scales, for now, still continue to tip in Bank of Utah's favor.

- **Consolidated net income** for the second quarter of 2022 was \$74 million, compared to \$79 million for the first quarter of 2022 and \$73 million for the second quarter of 2021, a decrease of 6.4 percent and an increase of 2.1 percent, respectively.
- **Noninterest income** was \$5.8 million, a 21.2 percent quarter-over-quarter decrease and a 22.9 percent year-over-year decrease.
- **Net interest income** was \$18.4 million, a 7.6 percent increase from Q1 2022 and a 17.4 percent increase from Q2 2021.

For 70 years, customers have trusted Bank of Utah to help them achieve their financial goals, through good times and bad. That is a humbling honor. Our commitment to customers and to our communities is unwavering. We will continue to support them by being strong, flexible and balanced, and providing just what they need at just the right time.

# Q2 2022 FINANCIAL ANALYSIS

## Lending

Loans grew at a rate of 5.3 percent quarter over quarter and 13.7 percent year over year, increasing to \$1.6 billion. In addition, net interest margin rose to 3.52 percent from 3.33 percent in Q1 2022 and 3.25 percent in Q2 2021. As a result, interest and fees on loans increased \$0.9 million from Q1 2022 and \$1.7 million from Q2 2021. Loan quality remains excellent with nonperforming and delinquent loans to capital plus reserves at 0.54 percent. With the Federal Reserve expected to raise rates again to combat inflation, loan production may slow, but the net interest margin should increase.

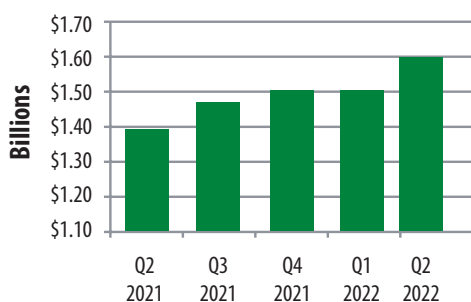
## Mortgage Production

Mortgage loan production was \$141.3 million, a 5.7 percent quarter-over-quarter decrease and a 14.6 percent year-over-year decrease. Rising interest rates have significantly impacted Utah's housing market. Historically, closings increase between Q1 and Q2, but in the past six months, sales have slowed and sellers have reduced prices. At the same time, the refinance market is sluggish. Gain on sale of loans dropped 34 percent from Q1 2022 and 51 percent from Q2 2021.

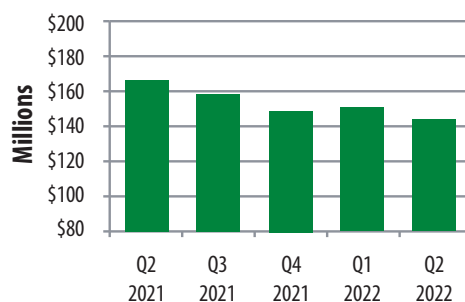
## Deposits

Average deposits for the quarter were \$1.9 billion, up 1.3 percent from Q1 2022 and up 9.3 percent from Q2 2021. The growth has been consistent in personal and commercial accounts, with increased balances in all types of accounts except certificates of deposit. The Bank continually updates its products and services to meet customers' needs. For example, we will be working on expanding our online account opening platform to include business accounts in the coming year. Our goal is to help customers use their funds for their best advantage by providing them with custom solutions and in-house expertise.

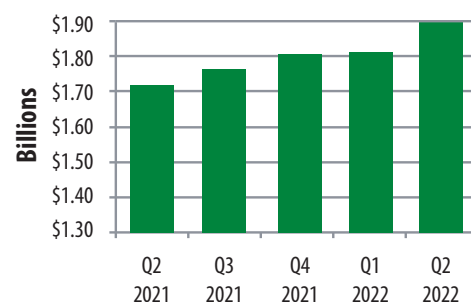
Period End Loans, Net of Unearned Income



Mortgage Production



Average Deposits



## Corporate Trust

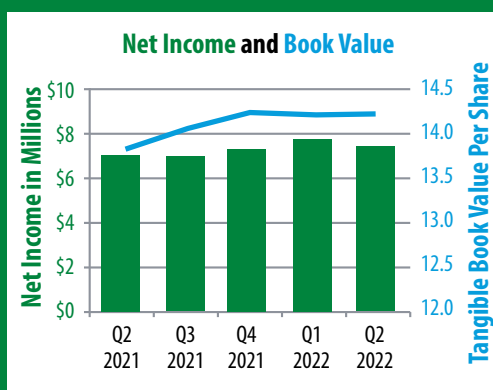
Corporate Trust achieved a 3.6 percent increase in fee revenue in Q2 2022 compared to Q2 2021 and a 15.8 percent increase year-to-date for 2022 over 2021. Key client relationships continue to grow in all areas, specifically with aircraft, life settlement and vessel trusts. Aircraft placement remains strong, as the demand for both corporate and commercial aircraft deliveries are robust. Rising interest rates will be a challenge as the year progresses and helping customers respond to these new demands will be a primary focus.

## Personal Trust

Personal Trust assets under management for Q2 2022 were \$653 million, a 5.7 percent quarter-over-quarter decrease and a 15.2 percent year-over-year increase. This has been accomplished during a time of contracting equity markets. The portfolio's assets will fluctuate, as most are invested in the stock market. The Bank's personal trust officers are experts with years of experience in handling complex financial matters. Because of their ability to guide customers to long-term success, the growing team of trust officers continually adds to the department's customer base.

## COMPANY NOTABLE POINTS

- The Bank's Tier 1 leverage ratio has kept up with the growth of the Bank, remaining at 11.16 percent — a slight increase over Q1 2022 and Q2 2021.
- The Bank did not add to the loan loss reserve this quarter due to the quality of the loan portfolio, holding our allowance for loan loss reserve at 1.19 percent.
- The Bank's efficiency ratio rose slightly in Q2 to 60.91 percent. This is well within expectations. The Bank will continue to watch and prudently manage expenses associated with production and security.



	Q2 2022	Q1 2022	Q2 2021
Return on Average Assets	1.35%	1.47%	1.44%
Return on Average Equity	11.90%	12.76%	12.33%
Net Income	\$7.4MM	\$7.9MM	\$7.3MM
Net Interest Margin (FTE)	3.52%	3.33%	3.25%
Net Interest Income (FTE)	\$18.4MM	\$17.1MM	\$15.6MM
Noninterest Income	\$5.8MM	\$7.4MM	\$7.5MM
Earnings Per Share	\$0.45	\$0.48	\$0.44
Dividend Per Share	\$0.10	\$0.10	\$0.09
Equity	\$248.9MM	\$248.2MM	\$238.8M
Total Assets	\$2.23B	\$2.25B	\$2.00B