

Q4 | BOU Bancorp, Inc. | 2023 | FINANCIAL REPORT

P R E S I D E N T ' S M E S S A G E



HERE FOR YOU

Unprecedented challenges rocked the banking industry in 2023, leaving many financial institutions reeling. A recent article reflecting on the crises stated, “Two types of banks will emerge as winners: the lucky and the smart.” I am grateful that Bank of Utah falls into the latter category. We firmly believe that success is not merely chance; it’s the result of prudent practices, a committed team and a steadfast focus on those who matter most: our customers.

Bank of Utah’s thoughtful approach to risk management and unwavering dedication to customers helped us maintain a steady course and became catalysts for significant growth. Through strategic deposit initiatives, careful lending practices and by providing consistent support to our customers in an uncertain year, **we saw our assets surge by \$500 million in 2023, totaling \$2.9 billion at year-end** — a testament to our stability and the trust our customers place in us.

FINANCIAL HIGHLIGHTS

- **Period-end loans** increased by a remarkable 33.2 percent in 2023, growing to \$2.3 billion. Quarter over quarter, loans increased by 7.8 percent.
- **Average deposits** increased year over year, ending 2023 at \$2.0 billion, a 5.8 percent increase over 2022. A modest 3.7 percent increase was seen quarter over quarter.
- **Consolidated net income** soared to \$40.7 million for 2023 compared to \$33.6 million in 2022, a 21 percent increase for the year, while flat from the third to the fourth quarter.

For 2024, our intention is to build upon our proven strengths. We’ll foster even stronger relationships and expand possibilities through seamless full-banking experiences. Customers’ loans, deposits or trust accounts will become springboards for further collaboration, creating innovative solutions tailored to specific needs and goals.

Additionally, we are aiming to be a leader in small business lending, recognizing the vital role small businesses play in our community’s prosperity. We’ll offer dedicated solutions and support, fueling their growth. At the same time, we reaffirm our commitment to large businesses, continuing to be their go-to source for sophisticated tools, customized strategies and expert advisors.

This continuous pursuit of improvement and growth ensures one thing: When our customers need us, we’ll be here.

Thank you for your trust and partnership.

Branden P Hansen
President

SHAREHOLDER DIVIDEND

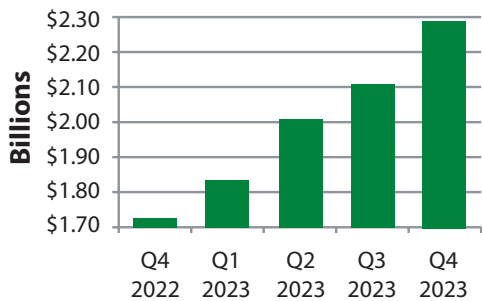
A dividend of \$0.10 per share was paid on Dec. 28, 2023, for Q4 2023 compared to \$0.10 per share dividend paid in Q3 2023 and \$0.10 per share in Q3 2022. Total dividends paid in 2023 were \$0.40 per share.

Q 4 2023 FINANCIAL ANALYSIS

Lending

Momentum carried into Q4 for commercial lending, with period-end loans rising 7.8 percent quarter over quarter to \$2.3 billion — a 33.2 percent increase compared to last year-end. This continuous upward trajectory reflects both the vibrant needs of our community and the exceptional work of our commercial lending team. Their customized solutions and support continue to propel local businesses. Loan quality remains impeccable, with nonperforming and delinquent loans at 0.0 percent. Interest and fees on loans steadily increased with each quarter, culminating in \$115.9 million for 2023.

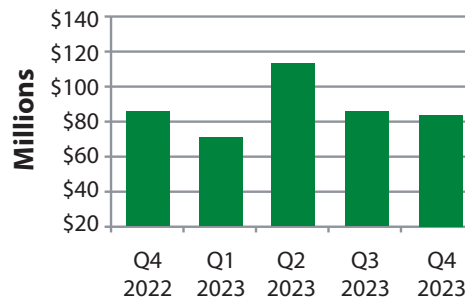
Period End Loans, Net of Unearned Income



Mortgage Production

Echoing the national trend, rising rates chilled Utah's mortgage demand throughout 2023, with production down 31.7 percent year over year, settling at \$342.8 million. It decreased slightly quarter over quarter, from \$83.5 million to \$83.0 million. Winter traditionally sees a slowdown; however, the outlook remains hopeful, with forecasts suggesting rates will fall gradually throughout 2024. The Bank's mortgage team has a dual focus for the year — increasing borrower satisfaction and empowering loan officers. These initiatives will build an even more resilient department, equipped to navigate any market.

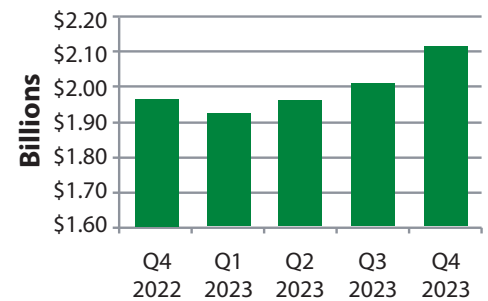
Mortgage Production



Deposits

In a nationwide landscape where deposit fluctuations were noticeable, the Bank's customers showed unwavering faith. Average deposits had a 5.8 percent year-over-year increase, ending with \$2.1 billion, and a slighter 3.7 percent increase quarter over quarter. Deposit growth remains a cornerstone of the Bank's 2024 strategy. While higher core deposit pricing raises total interest expense, the long-term returns are clear: deeper customer relationships, amplified deposit pools and robust lending capabilities.

Average Deposits



Corporate Trust

Q4 2023 proved to be a strong quarter, concluding the year with month-over-month growth compared to 2022. Fostering solid relationships with key customers paved the way for this sustained organic growth. Notably, there was a 5.4 percent increase in the total number of accounts, over 4 percent growth in the total number of aircraft held in trust, and a 4 percent rise in fee revenue. Equipment trusts, aircraft trusts and life settlement lines of business were the driving forces behind this growth. Bank of Utah maintains its position as a global leader in the aircraft trust business.

Personal Trust

The Bank's personal trust department navigated a dynamic market in 2023, emerging with a 6.2 percent year-over-year increase in assets under management. While individual quarters ebbed and flowed, the overall trajectory is upward, solidifying the department's resilience. This unwavering commitment to delivering comprehensive and dependable trust solutions for clients resonates in all market climates. In 2024, internal optimizations and streamlined processes will maximize efficiency, ultimately creating even better client experiences.

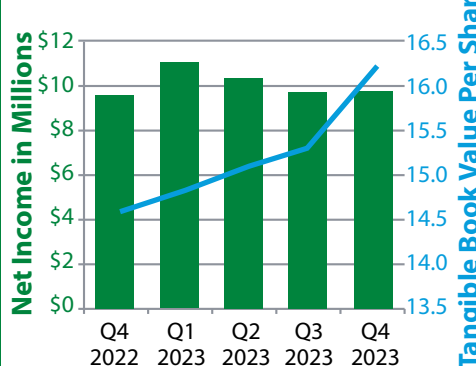
COMPANY NOTABLE POINTS

Total stockholders' equity climbed from \$348.0 million in 2022 to \$377.0 million in 2023. This reflects a dedication to reinvesting in the Bank. This commitment ensures we remain a pillar of strength and stability for our customers for years to come.

The Bank increased its loan loss provision from \$1.1 million in 2022 to \$7.2 million in 2023, safeguarding stability as our portfolio expands.

Due to fluctuations in mortgage loan production, which is commission-based, salaries increased a modest 2.5 percent year over year. As mortgage volume is projected to grow in 2024, salary and operating expense increases are anticipated.

Net Income and Book Value



	2023	2022
Return on Average Assets	\$1.57%	1.49%
Return on Average Equity	11.27%	13.03%
Net Income	\$40.7MM	\$33.6MM
Net Interest Margin (FTE)	4.09%	3.82%
Net Interest Income (FTE)	\$100.7MM	\$81.4MM
Noninterest Income	\$22.8MM	\$23.1MM
Earnings Per Share	\$1.75	\$1.96
Dividend Per Share	\$0.40	\$2.40
Equity	\$377.0MM	\$348.0MM
Total Assets	\$2.9B	\$2.4B