2023
ANNUAL REPORT

BANK OF UTAH

BOU BANCORP, INC.

Every journey begins with a story.
This year's annual report celebrates the heart of Bank of Utah — the inspiring stories of our customers.

We support their dreams, help them find solutions to challenges, and witness their well-earned successes. We're not just bystanders, we're in their story with them, offering **stability**, **strength** and **trust** — the cornerstones of a lasting partnership — every step of the way.

BANK OF UTAH

Contents

Branden P Hansen

PRESIDENT
Bank of Utah

"My Utah is resolute, standing strong even in challenging times. My Bank is a steadfast ally, unwavering through every season."

Letter to **Shareholders**

More than a tagline, "My Utah, My Bank" is the opening line of countless stories of resilience and success...

Imagine two high school friends, united by the shared grief of losing their fathers, channeling that experience into building community through a local car wash business. Today, as they grow their network of locations across Utah, Nevada and Idaho, their story starts with the words, "My Utah is growing. My Bank keeps me going." Envision a West Jordan farm kid transforming into a forward-thinking real estate developer, with his son now poised to continue the multigenerational legacy of his company. His story begins, "My Utah is a family business. My Bank is family owned."

At Bank of Utah, we stand as trusted partners with our customers, fueling their journeys and turning aspirations into achievements. We go beyond traditional banking, offering invaluable guidance and tailored solutions. Our commitment to local entrepreneurs, individuals and families is at the core of who we are — our story intertwined with theirs. This spirit is reflected in our annual report, where alongside our own growth, we spotlight the inspiring journeys of our customers.

BOU Bancorp, Inc., the holding company of Bank of Utah and Utah Risk Management, Inc., is proud to announce another year of impressive financial performance and unwavering commitment to the communities we serve.

FINANCIAL HIGHLIGHTS

Despite industry challenges in 2023, including five bank failures and competitor retreat, Bank of Utah achieved significant growth. Total assets increased by 20.6 percent, reaching a record-breaking $2.9 billion, driven primarily by loan growth. This steadfast performance stands as a testament to the Bank's unfailing commitment to our customers. When they need us most, they know they can count on us to be a stable and reliable partner.

- Consolidated net income rose from $33.6 million to $40.7 million, a 21% increase.

- Revenue reached an impressive $118.7 million, surpassing the previous year's mark of $102.3 million.

- Bank of Utah solidified its status among all banks in America, ranking within the top 10 percent for total assets, top 8 percent for net income, and top 8 percent for total equity capital.

- In reaffirming our commitment to maximizing shareholder value, the Bank distributed $9.3 million in 2023 in the form of dividends, translating to $0.40 per share in dividends.

At Bank of Utah, we believe in the power of community and the importance of giving back. Our commitment to making a positive impact extends beyond financial services to actively participating in and supporting the communities we serve. Through volunteerism, philanthropy and strategic partnerships, we strive to enrich the lives of Utahns and contribute to the overall well-being of our state.

Frank W. Browning

CHAIRMAN
BOU Bancorp, Inc.

"My Utah is built on trust, each generation learning and growing together. My Bank is a partner in every chapter."

BANK OF UTAH ISN'T JUST ANOTHER FINANCIAL INSTITUTION; WE'RE ACTIVE PARTNERS EMPOWERING OUR CUSTOMERS TO CHASE THEIR DREAMS AND ACHIEVE THEIR VICTORIES.

COMMUNITY HIGHLIGHTS

In 2023, 93 Bank of Utah employees dedicated 832 volunteer hours to 43 organizations, aligning with the strong volunteer spirit that defines Utah and ensuring our success translates directly to the betterment of our communities.

Through partnerships like the one with the Federal Home Loan Bank of Des Moines, we empowered 12 nonprofit organizations across the state with $124,800 in grants, expanding vital services and programs for Utahns in need.

Additionally, the winner of our first Where's the Wallet $20,000 treasure hunt chose to donate half to the YCC Family Crisis Center, reflecting the spirit of generosity that thrives in Utah communities.

While both our financial highlights and community involvement are sources of pride in 2023, the recognition we earned is also truly humbling. It speaks volumes about the dedication and hard work of the Bank of Utah team. Like Utah's well-deserved reputation as a top state for business and volunteerism, Bank of Utah now holds distinctions as "Best Northern Utah" bank and "Best Southern Utah" mortgage provider, as recognized by several respected local organizations and publications. This reinforces our commitment to serving our communities across the state with excellence.

We're proud to earn five-star reviews consistently from our customers, as well. Recently, one customer even remarked that a branch manager "literally stole her" from another financial institution with his outstanding service. Building genuine relationships and providing personalized solutions are at the heart of our mission to deliver unparalleled customer satisfaction. While our primary focus is serving our customers and communities, we're genuinely grateful for the acknowledgments we've received.

Bank of Utah is more than a financial institution; we're active partners empowering our customers to chase their dreams. Together, we contribute to the vibrant spirit of our state. As we move forward, we remain committed to our customers and to Utah, co-authoring the next chapters of our success.

Branden P Hansen
President

Frank W. Browning
Chairman

At the Heart of Our **Community**

Benjamin F. Browning

VICE CHAIRMAN & CEO
Bank of Utah

"My Utah is where neighbors join hands building each other and the community. My Bank is at the heart of the community, strengthening the organizations and families within it."

At Bank of Utah, we are deeply invested in the wellbeing of the communities we serve. This year, we focused our efforts on making a tangible difference by supporting local initiatives and empowering the organizations that uplift our communities. Through financial contributions, volunteer efforts and innovative programs, we strive to build a brighter future for all Utahns.

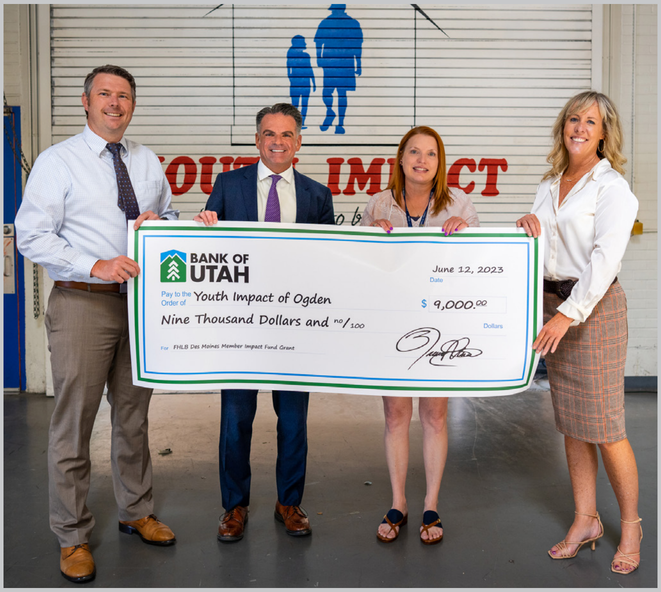
From mountain towns to city centers, the heart of Utah beats strong in its communities. But beneath the surface, challenges simmer. Families struggle with homelessness, children need a safe haven and individuals seek a path toward financial self–sufficiency.

Understanding and providing for these communities requires a collaborative approach. This year, Bank of Utah, in partnership with the Federal Home Loan Bank of Des Moines, stepped up to answer the call.

Through the FHLB's Member Impact Fund, Bank of Utah provided $124,800 in grants to 12 vital nonprofit organizations across Utah. These critical funds help local heroes working tirelessly to address a wide range of community needs, including:

EDUCATION:

- Davis Teen Resource Center – Building safe, temporary housing for displaced students
- EnableUtah – Expanding skills development programs and job placement support for individuals with disabilities
- English Language Center of Cache Valley – Supporting refugees by teaching English, job and tech skills, and facilitating access to education
- Youth Impact – Providing after-school programming and career assistance to underserved youth



FAMILY SUPPORT:

- Carbon County Family Support and Children's Justice Center – Delivering vital child abuse prevention and treatment services
- Family Promise of Ogden – Providing shelter, meals and essential life skills training for families experiencing homelessness
- Prevent Child Abuse Utah – Improving child well-being and programs to prevent abuse
- YCC Family Crisis Center – Helping those experiencing domestic violence and sexual assault

HOUSING:

- NeighborWorks Mountain Country Home Solutions – Aiding low-to-moderate income families achieve homeownership or maintaining their current homes
- SwitchPoint Community Resource Center – Offering a comprehensive range of services to address the root causes of homelessness

BASIC NEEDS:

- Catholic Community Services of Utah – Upgrading their day shelter in Salt Lake City to better serve those experiencing homelessness and hunger
- The William A. Burnard Warming Center – Providing crucial winter shelter and support for individuals and families facing homelessness

Bank of Utah's "Where's the Wallet" Cash Quest Ignites Community Spirit

Bank of Utah fostered a spirit of adventure and community engagement with its first "Where's the Wallet" cash quest. Clues were unveiled throughout the campaign, leading participants on a treasure hunt across Utah.

The excitement culminated in the discovery of a wallet, strategically placed in a public location, with a note to call Bank of Utah to claim a prize — $10,000 for the lucky person who found the wallet and $10,000 to award to a charity of their choice.

After a suspenseful five weeks, a hiker found the hidden wallet perched above the breathtaking Beus Canyon in Ogden, Utah, during Labor Day weekend. She chose to gift part of the money to YCC Family Crisis Center, an organization that supports individuals and families impacted by domestic and sexual violence, a cause that was near and dear to her heart.

More than just a treasure hunt, Bank of Utah's "Where's the Wallet" campaign ignited a spirit of exploration across Utah's stunning landscapes. It fostered a sense of community involvement and culminated in a charitable act, exemplifying Bank of Utah's strong dedication to supporting Utahns and worthy causes.

Partnering with Customers to Achieve Dreams

BRAEMAR CONSTRUCTION

“MY UTAH IS A FAMILY BUSINESS. MY BANK IS FAMILY OWNED.”

In the heart of the Browns Meadow development in Eagle Mountain, Utah, Howard Schmidt and his son, Garrett, stand amidst the picturesque landscape, embodying a testament to family legacy and community connection. As they admire the stunning surroundings, Howard, a seasoned developer dedicated to meeting the diverse housing needs of Utah residents, reflects on the area’s allure: “It’s a little remote, but it’s some of the most beautiful scenery in Utah.”

Howard’s journey traces back to his upbringing on a West Jordan family farm, where he and his brother identified a burgeoning demand for housing as their hometown expanded. In response, they founded Braemar Construction in 1977, laying the groundwork for a family legacy focused on thoughtful development.

Over the past 46 years, Howard estimates they’ve developed 400-600 lots.

Integral to the Schmidt family’s success is their relationship with Bank of Utah. This connection, initially forged with a small bank in Draper, has blossomed into a longstanding collaboration marked by mutual respect and shared values. Kelly Hale, SVP team leader and commercial lender, has been a steadfast presence, transitioning with them and becoming an key part of the Schmidt family story.

“When Kelly went to work at Bank of Utah, we felt it was worth moving with her because we enjoyed working with her so much. She’s smart and reliable, and we’ve had a great relationship with her for close to 40 years now,” Howard said.

Howard extols Bank of Utah’s unwavering support, emphasizing the Bank’s genuine commitment to community building. From navigating financial intricacies to commemorating milestones, the Bank has stood by the Schmidts, aligning perfectly with their vision of fostering vibrant communities.

KYCO SERVICES

"MY UTAH NEVER STOPS. MY BANK IS ALWAYS THERE."

In the construction industry, drywall may not always take center stage, but its crucial role in shaping our living and working environments cannot be understated. Scott Porray, director of operations for Kyco Services, a Utah-based, family-owned drywall company, attests to the artistry involved: "It's something we take pride in and enjoy," he said.

Established in 2004 by Kyle Morris, Kyco Services has evolved from a modest home renovation business to a thriving enterprise, completing approximately 350 projects monthly across Utah and Idaho.

Brandon McFerren, Kyco's general manager, stresses the importance of strong partnerships. Steven Drakulich, a commercial lender at the Bank, stands as a vital ally. "Steven has been Kyco's guy for around six years. I trust him implicitly. I know he's always looking out for us," he said.

Managing cash flow remains a constant concern in the industry. Bank of Utah has played a supportive role helping Kyco navigating these challenges.

The relationship between Kyco and Bank of Utah is built on trust and mutual respect. Both locally owned family businesses, they prioritize collaboration and support, epitomizing the essence of a meaningful banker-customer relationship.

"It's a level of collaboration impossible with larger, corporate, nationally owned entities with stockholders," Brandon explained. "They operate on a different model. We truly appreciate Bank of Utah's relationship-oriented approach, where we can see the people we're working with on a daily basis or at least often, where we can grow together, leverage our business and both have success."

GREAT DANE OF UTAH

"MY UTAH IS CONSTANT MOTION. MY BANK IS A STEADY HAND."

Located in the bustling commerce hub of Salt Lake City, Great Dane of Utah embodies entrepreneurial spirit, family values and community generosity. Founded in 2001 by Bill Nehmer, the dealership has evolved from a modest doublewide to a state-of-the-art facility, that specializes in new and used trailers, leasing, rentals, parts and repairs.

"We exclusively represent Great Dane — unique in the U.S.," Bill proudly stated, highlighting the dealership's distinct market presence.

Bill's journey began in 1982 as a parts delivery driver for Salt Lake Great Dane. His dedication propelled him from deliveries to parts sales, earning widespread trust within the Great Dane community. By the early 1990s, Bill ventured into entrepreneurship, starting his leasing company before establishing the dealership in 2001.

Today, Great Dane of Utah sprawls expansively over 11 acres and employs over 50 dedicated individuals, including Bill's children — a testament to its familial legacy and enduring vision.

At the heart of Great Dane of Utah's ethos lies the mantra, "Good isn't good enough," emblematic of its relentless pursuit of excellence. Bank of Utah shares this commitment, offering comprehensive banking services.

Bill has fostered a strong partnership with Bank of Utah's chief lending officer, Brady Fosmark, and has leveraged a variety of banking products to fuel growth. "Our relationship with Bank of Utah isn't just transactional — it's a partnership," Bill said. "They're there for me if I need them. I can get quick answers. They care about my success. I have relationships with people at Bank of Utah who I feel comfortable listening to — if they say, 'Here's a potential problem or issue,' I respect that. They have to do what's good for the Bank, of course, but they really work hard to always do what's best for me, too."

In Bill's words, "My Bank is reliable."

Utah's mountains might be majestic, but for Conner Atkin and Quinn Allgood, the real beauty of the Beehive State lies in the lasting connections they build. Their company, Tagg-N-Go, goes beyond your traditional car wash setup — it's a reflection of community and entrepreneurial spirit.

Conner and Quinn's childhood bond fueled their journey into car wash ownership, crafting a business that now extends into Idaho and Nevada. Tagg-N-Go not only offers employment to 300+ community members but also fosters solidarity and purpose among its employees.

"Tagg-N-Go is more than just a business; it's a family," Conner said. "We're not just washing cars; we're building relationships and making a difference in people's lives."

Bank of Utah and relationship manager Mike Wells have been instrumental in Tagg-N-Go's success, providing seamless construction loans and personalized service. Conner's decision to partner with the Bank stems from their shared community-centric values.

"We said yes to Bank of Utah because their community-focused mission aligns perfectly with how we set ourselves apart as a business," Conner explained. "It's all about the local feel. There are other car washes and banks in the area with a more national focus, but some things get lost with that. We're deeply rooted in Utah, and Bank of Utah is too. Their name says it all. That really resonated with us."

In a business that values personal connections, Conner credits Mike with going the extra mile, with regular check-ins, calls and a genuine interest in Tagg-N-Go. "It's nice that Mike's right here in our community, not in New York or Florida or a different part of the world. It's just another part of that personal touch."

TAGG-N-GO

"MY UTAH IS GROWING. MY BANK KEEPS ME GOING."

Department Highlights

A 33.2% SURGE TO $2.3 BILLION

COMMERCIAL LENDING

Commercial lending experienced exceptional growth, with period-end loans surging by an impressive 33.2 percent compared to the previous year, reaching $2.3 billion. This achievement reflects the dynamic needs of the Utah community and the outstanding efforts of the Bank's commercial lending team. The stability of deposits also played a role in facilitating the growth, enabling the Bank to meet the increased demands for lending.

Interest rates and fees on loans steadily increased throughout the year, culminating in a total of $115.9 million for 2023. This financial success underscores the trust local businesses place in our lending services, setting the stage for a promising future.

CORPORATE TRUST

Bank of Utah finished 2023 on a high note. This positive performance was driven by consistent month-over-month growth.

Building strong relationships with key clients proved to be instrumental in achieving this sustained organic growth. Notably, the Bank saw a 5.4 percent increase in the total number of accounts, a 4 percent rise in the number of aircraft held in trust, and a 4 percent increase in fee revenue. Equipment trusts, aircraft trusts and life settlements were the primary drivers of this growth, further solidifying Bank of Utah's position as a global leader in the aircraft trust business.

AN UPWARD TRAJECTORY

A HARD-WON RISE TO $2.1 BILLION

DEPOSITS

Bank of Utah's dedication to customer loyalty and innovative initiatives, including increasing core deposit rates and rolling out new CD campaigns, proved fruitful in 2023. Amidst the vulnerable deposits landscape of 2023, marked by bank failures and other challenges, any increase in deposits is noteworthy. Depositors demonstrated their trust with a 5.8 percent year-over-year increase in average deposits, reaching $2.2 billion.

While increasing core deposit rates may lead to higher total interest expenses, the long-term benefits include stronger customer relationships and enhanced lending capabilities.

MORTGAGE PRODUCTION

In 2023, Utah's mortgage market mirrored the national trend of persistently rising interest rates, leading to a slowdown in demand. The production volume settled at $342.8 million, reflecting a 31.7 percent year-over-year decrease indicative of prevailing conditions.

Looking ahead, experts anticipate a gradual decline in interest rates throughout 2024, potentially breathing new life into market activity. Acknowledging this potential shift, the mortgage team is taking proactive measures to prepare. Their strategy focuses on two crucial areas: nurturing long-term relationships and equipping loan officers with new resources to navigate the evolving interest rate landscape.

AN EVOLVING MARKET, PREPARING FOR CHANGE

A FOCUS ON CLIENTS PAYS OFF

PERSONAL TRUST

The personal trust department successfully navigated the dynamic market in 2023, achieving a robust 6.2 percent year-over-year increase in assets under management. While individual quarters fluctuated, the overall trend reflects consistent growth, solidifying the department's strength. A wholehearted commitment to providing clients with reliable and comprehensive trust solutions resonates across all market conditions.

Looking ahead, the department plans to implement internal optimizations and streamlined processes to further enhance efficiency and client experiences.

Financial Analysis

Bank of Utah's thoughtful approach to risk management and strong 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.

YEARLY COMPARISONS	YEAR END 2023	YEAR END 2022
Return on Average Assets	1.57%	1.49%
Return on Average Equity	11.27%	13.03%
Net Income	$40.7M	$33.6M
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
Dividends Per Share	$0.40	$2.40*
Equity	$377.0MM	$348.0MM
Tangible Book Value Per Share	$15.97	$14.52
Total Assets	$2.9B	$2.4B

*Special dividend of $2.00 Issued on December 13, 2022

CAPITAL

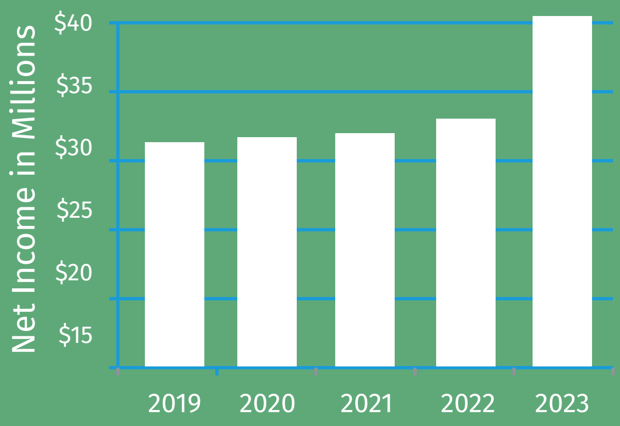
While 2022 benefited from unique investor participation, the Bank's Tier 1 leverage ratio in 2023 remains comfortably above regulatory requirements at 13.66 percent, down from 15.06 percent the previous year. This demonstrates the Bank's steadfast commitment to maintaining a strong capital position.

RESERVE

The loan loss reserve increased to 1.39 percent in 2023, up from 1.16 percent in 2022. This reflects a cautious approach due to the Bank's larger loan portfolio, economic concerns and the adoption of a new accounting standard. This proactive measure strengthens the Bank's financial resilience and safeguards its ability to support customers in challenging times.

EFFICIENCY

The Bank's efficiency ratio improved to 52.42 percent in 2023 compared to 58.20 percent in 2022. This decrease indicates enhanced cost management and resource optimization. The ratio remains well within expected benchmarks, underscoring the Bank's commitment to financial efficiency and responsible resource allocation.



RECORD NET INCOME

Bank of Utah capped off 2023 with unprecedented performance, cementing its long-standing reputation as a trusted financial partner. For the remarkable fifth consecutive year, the Bank achieved record-breaking net income, reaching an impressive $40.7 million. This 21 percent year-over-year increase reflects the Bank's commitment to sound financial management, diverse income streams and exceptional customer focus.

PRIMARY CHANGES TO NET INCOME

NET INTEREST INCOME AND NET INTEREST MARGIN

The Bank generated significantly more income from interest in 2023. Net interest income (FTE) rose to $100.7 million from $81.4 million in 2022. This translates to a stronger net interest margin of 4.09 percent, up from 3.82 percent the previous year.

GAIN ON SALE OF LOANS

Gain on sale of loans decreased from $5.2 million in 2022 to $3.0 million in 2023. Factors such as rising interest rates and economic slowdowns influence the overall demand for mortgage loans, impacting the profitability of selling them in the secondary market.

INTEREST ON DEPOSITS

Interest on deposits experienced a significant increase in 2023, rising from $4.6 million to $26.2 million. This primarily stems from the need for liquidity to fund the tremendous loan growth the Bank experienced in 2023.

QUARTER-TO-QUARTER HIGHLIGHTS

Q1 The Bank's conservative approach proved crucial. While major industry players faced collapse, Bank of Utah's conservative risk management, including a capital position three times greater than regulatory requirements, positioned it for success. Net income, total stockholders' equity, and total interest and fee income all saw significant growth.

Q2 Despite a challenging economic climate, the Bank maintained an exceptionally strong capital position, allowing active lending within its communities. This resulted in an increase in loans compared to the previous quarter and year, highlighting the Bank's commitment to supporting businesses and individuals through loan programs.

Q3 The Bank continued to support Utah's economy by directly investing in the state's well-being. Through commercial lending, Bank of Utah fostered job creation and economic development, and through meaningful tools, the Bank empowered individuals financially. This dedication was evident in the rise of both commercial lending and deposits.

Q4 In a year marked by economic and industry difficulties, the Bank continued to prioritize customer success. Strategic deposit initiatives secured funding, while careful lending practices met customer needs. This focus yielded impressive results with increases in assets and net income.

MOSSADAMS

Report of Independent Auditors

The Board of Directors and Stockholders
BOU Bancorp, Inc., and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of BOU Bancorp, Inc., and Subsidiaries, which comprise the consolidated statement of financial condition as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, retained earnings, 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 BOU Bancorp, Inc., and Subsidiaries as of December 31, 2023 and 2022, 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 (U.S. 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 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.

Emphasis of Matter- Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023, BOU Bancorp, Inc., and Subsidiaries adopted new accounting guidance Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

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 Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be 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 U.S. 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 U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 consolidated 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 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 Information

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

Spokane, Washington
March 19, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data) Years ended December 31, 2023 and 2022

ASSETS		2023	2022
Cash and due from banks	$	19,514	19,294
Interest-bearing deposits in banks		108,926	180,725
Federal funds sold		407	111
Investment securities (Notes 2 and 12):			
Equity securities, at fair value		6,846	6,582
Debt securities available for sale, at fair value		233,463	265,371
Debt securities held to maturity, at amortized cost (fair value of $101,286 and $97,996 as of December 31, 2023 and 2022, respectively)		116,612	115,298
Total investment securities		356,921	387,251
Loans held for sale		3,682	2,523
Loans (Note 3)		2,286,005	1,715,800
Less allowance for credit losses (Note 4)		31,717	19,940
Net loans		2,254,288	1,695,860
Accrued interest receivable		12,381	7,774
Bank owned life insurance, net		43,156	36,477
Investment in affordable housing tax credits, net		29,169	24,779
Goodwill (Note 5)		8,903	8,903
Premises and equipment, net (Note 7)		39,935	29,532
Other assets		35,224	20,956
Total assets	$	2,912,506	2,414,185
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$	768,406	903,216
Interest-bearing (Note 8)		1,340,542	1,038,812
Total deposits		2,108,948	1,942,028
Securities sold under agreements to repurchase (Note 9)		99,081	84,927
FHLB advances (Note 10)		285,000	-
Other liabilities		42,463	39,229
Total liabilities		2,535,492	2,066,184
Commitments and contingent liabilities (Note 13)			
Common stock, $1 par value, 50,000,000 shares authorized, 17,563,021 shares issued and outstanding at December 31, 2023 and 17,684,371 shares issued and outstanding at December 31, 2022.		17,563	17,684
Common stock, non-voting, $1 par value, 20,000,000 shares authorized, 5,625,611 shares issued and outstanding at December 31, 2023 and 2022, respectively.		5,626	5,626
Paid-in capital		122,025	122,025
Accumulated other comprehensive loss, net of tax		(14,629)	(18,466)
Retained earnings		246,429	221,132
Total stockholders' equity		377,014	348,001
Total liabilities and stockholders' equity	$	2,912,506	2,414,185

See accompanying footnotes

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data) Years ended December 31, 2023 and 2022

		2023	2022
INTEREST INCOME:			
Interest and fees on loans	$	115,856	74,530
Interest on investment securities:			
Taxable		9,972	6,610
Tax-exempt		24	42
Interest and fees on loans held for sale		342	351
Interest on cash and cash equivalents		2,978	2,609
Total interest income		129,172	84,142
INTEREST EXPENSE:			
Interest on deposits		26,167	4,608
Interest on securities sold under agreements to repurchase and other borrowings		7,128	373
Total interest expense		33,295	4,981
Net interest income		95,877	79,161
Provision for credit losses (Note 4)		7,191	1,100
Net interest income after provision for credit losses		88,686	78,061
NONINTEREST INCOME:			
Service charges on deposits		732	849
Gain on sale of loans		3,036	5,166
Trust fees		14,727	14,132
Increase in cash surrender value of bank owned life insurance		1,162	987
Other		3,119	2,000
		22,776	23,134
NONINTEREST EXPENSES:			
Salaries and employee benefits		39,679	38,695
Net occupancy expense		3,448	3,130
Equipment expense		7,216	6,156
Professional fees and services		3,860	4,780
Advertising and business development expense		1,939	1,770
Office expense		1,657	1,444
Other		4,402	3,562
		62,201	59,537
Income before provision for income taxes		49,261	41,658
Provision for income taxes (Note 11)		8,599	8,050
Net income	$	40,662	33,608
Basic and diluted earnings per common share	$	1.75	1.96

See accompanying footnotes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2023 and 2022

(in thousands)

	2023	2022
Net income	$ 40,662	33,608
Other comprehensive income:		
Net change in unrealized holding loss on securities available for sale, net of tax expense of $ (1,256) and $6,034 as of December 31, 2023 and 2022, respectively	3,837	(18,188)
Realized gain on sale of securities, net of tax	(1)	-
Comprehensive income	$ 44,498	15,420

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2023 and 2022

(dollars in thousands)

	Common Stock	Amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock	Total stockholders' equity
Balances, December 31, 2021	16,688,317	$ 16,900	5,271	(278)	230,146	(2,637)	249,402
						-	
Net income	-	-	-	-	33,608	-	33,608
Other comprehensive loss, net of tax	-	-	-	(18,188)	-	-	(18,188)
Repurchase of common stock	(13,130)	-	-	-	-	(189)	(189)
Issuance of common stock	6,634,795	6,635	116,754	-	-	-	123,389
Retirement of treasury stock	-	(225)	-	-	(2,601)	2,826	-
Dividends paid	-	-	-	-	(40,021)	-	(40,021)
Balances, December 31, 2022	23,309,982	$ 23,310	122,025	(18,466)	221,132	-	348,001
Cumulative change in accounting principal, net of tax	-	-	-	-	(4,191)	-	(4,191)
Balance at January 1, 2023 (as adjusted)	23,309,982	$ 23,310	122,025	(18,466)	216,941	-	343,810
Net income	-	-	-	-	40,662	-	40,662
Other comprehensive income, net of tax	-	-	-	3,836	-	-	3,836
Repurchase of common stock	(121,350)	(121)	-	-	(1,871)	-	(1,992)
Dividends paid	-	-	-	-	(9,301)	-	(9,301)
Balances, December 31, 2023	23,188,632	$ 23,189	122,025	(14,630)	246,431	-	377,015

See accompanying footnotes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and 2022

(in thousands)		2023	2022
OPERATING ACTIVITIES:			
Net income	$	40,662	33,608
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense		2,314	2,156
Right of use asset amortization expense		852	813
Provision for credit losses		7,191	1,100
Provision for commitments to fund loans		400	100
Deferred income tax (benefit)/expense		(1,507)	249
Changes in fair value of equity investments		(95)	852
Net gain on other real estate sold		(110)	-
Increase in cash surrender value of bank owned life insurance		(1,162)	(987)
Net amortization of investment premiums and discounts		(490)	777
Net gain on sale of investment securities		(2)	-
Gain on sale of loans		(3,036)	(5,166)
Proceeds from sales of loans held for sale		56,529	149,785
Origination of loans held for sale		(54,653)	(128,053)
Gain on sale or disposal of premises and equipment		(28)	(26)
Change in accrued interest receivable and other assets		(15,357)	(5,847)
Change in lease liability		(763)	(753)
Change in other liabilities		(456)	2,767
Net cash provided by operating activities		30,289	51,375
INVESTING ACTIVITIES:			
Proceeds from maturities of held to maturity securities		8,826	8,485
Proceeds from maturities of available for sale securities		48,865	35,018
Proceeds from sales of investment securities		7,550	-
Purchase of held to maturity securities		(10,220)	(5,740)
Purchase of available for sale securities		(18,781)	(145,409)
Purchase of equity securities		(1,807)	(605)
Net change in loans from loan originations and principal repayments		(530,700)	(183,798)
Purchase of loan pools		(39,528)	(24,261)
Purchase of bank owned life insurance		(5,516)	-
Purchase of affordable housing tax credits		(5,354)	(4,274)
Proceeds from sale of premises and equipment		29	52
Proceeds from sale of other real estate		1,545	-
Purchase of premises and equipment		(11,262)	(3,041)
Net cash used in investing activities		(556,353)	(323,573)
FINANCING ACTIVITIES:			
Net change in deposits		166,920	110,749
Net change in securities sold under agreement to repurchase		14,153	39,863
Proceeds from issuance of FHLB advances		285,000	-
Issuance of common stock		-	123,389
Repurchase of common stock		(1,992)	(189)
Dividends paid to stockholders		(9,301)	(40,021)
Net cash provided by financing activities		454,780	233,791
Net change in cash and cash equivalents		(71,284)	(38,407)
Cash and cash equivalents, beginning of period		200,131	238,538
Cash and cash equivalents, end of period	$	128,847	200,131

See accompanying footnotes

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$	35,261	5,033
Cash paid for income taxes, net of refund		10,133	7,372
Supplemental Disclosure of Non-Cash Transactions			
Impact of adoption of ASC 326	$	4,191	-
Initial recognition of right-of-use asset		-	5,674
Initial recognition of lease liability for new leases		-	5,674
Transfers from loans to real estate owned		-	1,435
Loans provided for sales of real estate owned		750	-

See accompanying footnotes

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

(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 was wholly owned by the Corporation until its dissolution in December 2023. 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 to customers across the State of Utah, 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 credit 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 credit 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 19, 2024, 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.

Debt 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 2023 or 2022. 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 unaccredited 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.

Allowance for Credit Losses for Debt Securities

The Company no longer evaluates securities for other-than-temporary impairment, as ASC Subtopic 326-30, Financial Instruments - Credit Losses - Available for Sale Debt Securities changes the accounting for recognizing impairment on available for sale and held to maturity debt securities. Each reporting period the Company evaluates impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value. The Company considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral among other factors. For available for sale securities in an unrealized loss position, the Company first assesses whether it intends to sell, or is more likely than not to be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available for sale securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. If this assessment indicates that a credit loss exists, an allowance for credit losses is recorded for the credit loss.

Equity Securities

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 Home Loan Bank (FHLB) Stock

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 that includes asset size and level of borrowings 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, 2023 and 2022 was $16.2 million and $3.5 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, 2023 and 2022. 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 $30,000 and $47,000 as of December 31, 2023 and 2022, respectively, 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 premiums or discounts on acquired loans, deferred fees and certain direct origination related costs. Discounts and premiums on amortizing purchased loans are amortized using the interest method over the remaining contractual life, adjusted for actual prepayments. Discounts and premiums on non-amortizing loans are amortized using a straight line method over the expected life of the loan.

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.

The accrual of interest on loans is discontinued 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 a nonaccrual loan, interest income may be recognized on a cash basis.

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 the Company may make certain concessionary modifications to contractual terms. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses. If a borrower on a modified accruing loan has demonstrated performance under the previous terms, is not experiencing financial difficulty and shows the capacity to continue to perform under the modified 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 modification or significant events that coincide with the modification, 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 modification 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 2023 or 2022.

The Company continues to service approximately $389.4 million and $312.9 million in participating interests at December 31, 2023 and 2022, 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 $332.4 million and $276.9 million at December 31, 2023 and 2022, respectively. The Company recorded approximately $904,000 and $826,000 in servicing fee income during 2023 and 2022, respectively.

The Company holds purchased participating interests in loans of $99.7 million and $51.0 million at December 31, 2023 and 2022, 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 Credit Losses for Loans

The allowance for credit losses for loans is a valuation account that is deducted from the amortized cost basis of loans and is based on management's estimate of expected credit losses over the contractual term of the loans. In the opinion of management, the allowance for credit losses is adequate to absorb estimated losses in the portfolio, at the balance sheet date. While management uses available information to analyze potential losses on loans, future additions to the allowance for credit 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 credit losses. In analyzing the adequacy of the allowance for credit 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 credit losses for loans, the loan portfolio is segmented 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 and adjusted using reasonable and supportable forecast estimates. 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, 2023. Loans that do not share risk characteristics are individually evaluated based on facts and circumstances of the loan to determine if a specific allowance amount may be necessary. Individually evaluated loans are evaluated 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 credit losses, and as such, may result in increases or decreases to the provision for credit losses in current and future earnings.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

Allowance for Credit Losses 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 credit losses for loans 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.

The Company enters into leases in normal course of business for certain locations, all of which are classified as operating leases. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum lease payments under the lease term and a right-of-use asset equal to the lease liability. The discount rate used in determining the lease liability is based upon the incremental borrow rate the Company could obtain as of the date of commencement or renewal. The Company does not record leases on the consolidated balance sheets that are classified as short-term (less than one year).

At lease inception, the Company determines the lease term by considering the minimum lease term and all optional renewal periods that the Company is reasonably certain to renew. The least term is used to calculate the straight line rent expense. Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense, variable lease expense, and amortization of the right-of-use asset is expensed through occupancy expense on the Company's consolidated statements of income.

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 credit 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 held no ORE at December 31, 2023 and $1.4 million at December 31, 2022.

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, 2023 and 2022. As of December 31, 2022, 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, 2023 and 2022, and determined that it is more likely than not that no impairment existed. A core deposit intangible is recorded on acquired deposits and amortized over the estimated life of the deposits using an accelerated amortization method. The Company's net core deposit intangible totaled $46,000 and $154,000 at December 31, 2023 and 2022, 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.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

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, 2023 and December 31, 2022, the balance of the investment for qualified affordable housing projects was $29.2 million and $24.8 million, respectively. The total unfunded commitments related to the investments in qualified affordable housing projects was $16.8 million and $17.7 million, respectively. The Company recognized tax credits of $948,000 and amortization of $845,000 in 2023. There were no material tax credits or amortization recognized in 2022.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income or loss. Other comprehensive income or loss 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 net deferred tax asset or liability is included in the consolidated statements of financial condition as a component of other assets or other liabilities. 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, 2023, 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, 2023 and 2022 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:

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

(dollars in thousands, except share and per share data)

		2023	2022
Numerator			
Net income	$	40,662	33,608
Denominator			
Weighted average number of common voting shares outstanding		17,627,617	16,734,466
Weighted average number of common non-voting shares outstanding		5,625,611	369,903
Total weighted average number of common shares outstanding		23,253,228	17,104,369
Basic and diluted earnings per common share	$	1.75	1.96

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 $1.1 billion and $1.2 billion at December 31, 2023 and 2022, 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, 2023 and 2022 the Company had fulfilled all repurchase requests as required under the terms of the KSOP. Company contributions were approximately $1.2 million and $2.1 million for the years ended December 31, 2023 and 2022, 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 shares (5.81%) of BOU Bancorp, Inc. stock, all of which are allocated at December 31, 2023.

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (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. On January 1, 2023, the Company adopted this new accounting requirement using the modified retrospective method for financials assets measured at amortized cost and off-balance sheet credit exposures. Results for periods beginning after December 15, 2022 are presented under Topic 326, while prior amounts continue to be reported in accordance with previously applicable GAAP. The adoption resulted in an increase of $4.6 million to the allowance for credit losses on loans, an increase of $900,000 to the reserve for unfunded commitments, and an increase of $23,000 to the allowance for held to maturity debt securities. And a net-of-tax cumulative effect adjustment of $4.2 million to decrease the beginning balance of retained earnings. The following table illustrates the impact of Topic 326.

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December 31, 2023 and 2022

(in thousands)	January 1, 2023		
	As Reported under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Investments			
Held-to-maturity			
U.S. government agency	$ -	-	-
U.S. government agency mortgage backed securities	-	-	-
States and political subdivisions	1	-	1
U.S. treasury securities	-	-	-
Corporate bonds	22	-	22
U.S. treasury securities	-	-	-
Total allowance for credit losses on debt securities	$ 23	-	23
Loans			
Construction & development	$ 5,265	6,487	(1,222)
1-4 family real estate	4,208	2,198	2,010
Commercial real estate	10,368	8,095	2,273
Commercial & industrial	1,413	908	505
States & political subdivisions	2,597	1,668	929
Other	689	584	105
Total allowance for credit losses on loans	$ 24,540	19,940	4,600
Liabilities:			
Total reserve for credit losses on unfunded commitments	$ 2,100	1,200	900

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. This ASU is not expected to have a material impact on the Company's financial condition or results of operations.

In March 2023, the FASB issued ASU 2023-04, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* The amendments in the ASU permit reporting entities to elect to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. This ASU also eliminates guidance specific to low income housing tax credit investments to align more closely with other equity investments in tax credit structures. The amendments in this ASU are effective for the Company for fiscal years beginning after December 15, 2024. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

(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, 2023 and 2022 was $6.8 million and $6.6 million, respectively. The Company recognized gross unrealized holding gains on equity securities of approximately $95,000 during the year ended December 31, 2023 and unrealized holding losses on equity securities of approximately $852,000 during the year ended December 31, 2022.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

Debt securities as of December 31, 2023 are summarized as follows:

(in thousands)

		Held to Maturity				
		Amortized cost	Unrealized gain	Unrealized loss	Fair value	Allowance for credit losses
U.S. government agency	$	12,700	-	(1,425)	11,275	-
U.S. government agency mortgage backed securities		87,283	-	(13,337)	73,946	-
States and political subdivisions		647	-	(169)	478	1
U.S. treasury securities		4,982	-	(355)	4,627	-
Corporate bonds		11,014	-	(54)	10,960	13
	$	116,626	-	(15,340)	101,286	14

		Available for Sale			
		Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$	163,760	-	(13,029)	150,731
U.S. government agency mortgage backed securities		87,439	179	(6,549)	81,069
U.S. treasury securities		1,685	-	(21)	1,663
	$	252,884	179	(19,599)	233,463

Debt securities as of December 31, 2022 are summarized as follows:

(in thousands)

		Held to Maturity			
		Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$	12,727	-	(1,769)	10,958
U.S. government agency mortgage backed securities		82,213	-	(14,510)	67,703
States and political subdivisions		1,230	-	(197)	1,033
U.S. treasury securities		4,975	-	(492)	4,483
Corporate bonds		14,153	-	(334)	13,819
	$	115,298	-	(17,302)	97,996

		Available for Sale			
		Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$	174,662	52	(16,644)	158,070
U.S. government agency mortgage backed securities		93,640	79	(7,860)	85,859
U.S. treasury securities		21,614	-	(172)	21,442
	$	289,916	131	(24,676)	265,371

The proceeds from the sale of securities was $7.5 million during the year ended December 31, 2023. The gross gains on sales was $64,000 and the gross losses on sale was $62,000 on those sales. The tax provision related to these sales was less than $1,000. There were no securities sold during the year ended December 31, 2022.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

A summary of investment securities with unrealized losses as of December 31, 2023, 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	$ -	-	1,425	11,275	1,425	11,275
U.S. government agency mortgage backed securities	168	9,253	13,169	64,693	13,337	73,946
States and political subdivisions	-	-	169	478	169	478
U.S. treasury securities	-	-	355	4,627	355	4,627
Corporate bonds	-	-	54	6,960	54	6,960
	$ 168	9,253	15,172	88,033	15,340	97,286

	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	$ 112	13,727	12,917	137,003	13,029	150,731
U.S. government agency mortgage backed securities	51	4,681	6,498	67,661	6,549	72,341
U.S. treasury securities	-	-	21	1,663	21	1,663
	$ 163	18,408	19,436	206,327	19,599	224,735

A summary of investment securities with unrealized losses as of December 31, 2022, 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	$ -	-	1,770	10,958	1,770	10,958
U.S. government agency mortgage backed securities	261	3,453	14,249	64,250	14,510	67,703
States and political subdivisions	3	581	194	451	197	1,032
U.S. treasury securities	-	-	492	4,483	492	4,483
Corporate bonds	107	3,923	227	5,897	334	9,820
	$ 371	7,957	16,932	86,039	17,303	93,996

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

	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	$ 5,230	95,317	11,414	58,164	16,644	153,481
U.S. government agency mortgage backed securities	3,045	52,247	4,815	28,718	7,860	80,965
U.S. treasury securities	172	21,442	-	-	172	21,442
	$ 8,447	169,006	16,229	86,882	24,676	255,888

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. As of December 31, 2023 there was no credit adjustment for available for sale securities and the allowance for credit losses for held to maturity securities was $14,000.

The number of investment securities in an unrealized loss position for securities held to maturity was 38 at December 31, 2023, and 2022, respectively. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2023, and 2022 was 75 and 81, respectively.

A summary of the amortized cost and fair value of investment securities as of December 31, 2023, by contractual maturity, follows:

(in thousands)

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 5,009	4,990
Due after one year through five years	21,154	19,753
Due after five years through ten years	2,534	2,119
Due after ten years	646	478
U.S. government agency mortgage backed securities	87,283	73,946
	$ 116,626	101,286

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 25,709	25,434
Due after one year through five years	60,540	56,390
Due after five years through ten years	74,209	65,621
Due after ten years	4,986	4,949
U.S. government agency mortgage backed securities	87,440	81,069
	$ 252,884	233,463

U.S. government agency securities with a book value of $356.2 and $104.3 million at December 31, 2023 and 2022, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $321.6 and $93.8 million at December 31, 2023 and 2022, respectively. (See Note 9.)

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

The activity in the allowance for credit losses for held to maturity securities is summarized as follows:

(in thousands)

As of December 31, 2023: Allowance for credit losses:		Balance, beginning of year	Impact of adopting ASC 326	Provision for (reversal of) credit losses	Securities charged off	Recoveries on securities previously charged off	Balance, end of year
U.S. government agency	$	-	-	-	-	-	-
U.S. government agency mortgage backed securities		-	-	-	-		-
States and political subdivisions		-	1	-	-	-	1
U.S. treasury securities		-	-	-	-	-	-
Corporate bonds		-	22	(9)	-	-	13
	$	-	23	(9)	-	-	14

The Company monitors the credit quality of held to maturity securities through the use of credit ratings. As of December 31, 2023, all held to maturity securities were rated AAA/AA/A or were guaranteed by the U.S. government.

(3) LOANS

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

(in thousands)

		2023	2022
Construction & development	$	365,183	358,826
1-4 family real estate		226,904	149,068
Commercial real estate		799,565	641,838
Commercial & industrial		164,577	119,403
States & political subdivisions		653,489	414,812
Other		79,627	34,761
		2,289,345	1,718,708
Less unearned fees, net		3,340	2,908
	$	2,286,005	1,715,800

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 Company 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

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

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)

		2023	2022
Balance, beginning of year	$	264	40
New loans and advances		90	251
Payments		(50)	(27)
Balance, end of year	$	304	264

(4) ALLOWANCE FOR CREDIT LOSSES FOR LOANS AND UNFUNDED LENDING COMMITMENTS

The activity in the allowance for credit losses for loans is summarized as follows:

(in thousands)

As of December 31, 2023: Allowance for credit losses:		Balance, beginning of year	Impact of adopting ASC 326	Provision for (reversal of) credit losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Construction & development	$	6,487	(1,222)	965	-	-	6,230
1-4 family real estate		2,198	2,010	(309)	-	1	3,900
Commercial real estate		8,095	2,273	5,736	-	-	16,104
Commercial & industrial		908	505	1,433	-	-	2,846
States & political subdivisions		1,668	929	(1,574)	-	-	1,023
Other		584	105	949	(33)	9	1,614
	$	19,940	4,600	7,200	(33)	10	31,717

As of December 31, 2022: Allowance for credit losses:		Balance, beginning of year	Provision for credit losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Construction & development	$	5,566	921	-	-	6,487
1-4 family real estate		838	1,359	-	1	2,198
Commercial real estate		8,939	(722)	(122)	-	8,095
Commercial & industrial		871	37	-	-	908
States & political subdivisions		2,090	(422)	-	-	1,668
Other		682	(73)	(33)	8	584
	$	18,986	1,100	(155)	9	19,940

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December 31, 2023 and 2022

The following table summarizes the allowance for credit losses for loans and outstanding loan balances, which were evaluated individually and collectively for impairment as of December 31, 2023:

(in thousands)

	Loans individually evaluated	Loans collectively evaluated	Total
Allowance for credit losses:			
Construction & development	$ -	6,230	6,230
1-4 family real estate	-	3,900	3,900
Commercial real estate	-	16,104	16,104
Commercial & industrial	-	2,846	2,846
States & political subdivisions	-	1,023	1,023
Other	-	1,614	1,614
	$ -	31,717	31,717
Outstanding loan balances:			
Construction & development	$ -	365,183	365,183
1-4 family real estate	-	226,904	226,904
Commercial real estate	-	799,565	799,565
Commercial & industrial	-	164,577	164,577
States & political subdivisions	-	653,489	653,489
Other	-	79,627	79,627
	$ -	2,289,345	2,289,345

The following table summarizes the allowance for credit losses and outstanding loan balances, which were evaluated individually and collectively for impairment as of December 31, 2022:

(in thousands)

	Loans individually evaluated	Loans collectively evaluated	Total
Allowance for credit losses:			
Construction & development	$ -	6,487	6,487
1-4 family real estate	-	2,198	2,198
Commercial real estate	-	8,095	8,095
Commercial & industrial	-	908	908
States & political subdivisions	-	1,668	1,668
Other	-	584	584
	$ -	19,940	19,940
Outstanding loan balances:			
Construction & development	$ -	358,826	358,826
1-4 family real estate	-	149,068	149,068
Commercial real estate	-	641,838	641,838
Commercial & industrial	-	119,403	119,403
States & political subdivisions	-	414,812	414,812
Other	-	34,761	34,761
	$ -	1,718,708	1,718,708

Loans are placed in nonaccrual status when it is determined that collection of all contractually owed amounts, including principal and interest, is unlikely. For nonaccrual loans, the Company performs an individual evaluation to determine the need for a specific reserve. The specific reserve is equal to the difference between the book value of the loan and 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 nonaccrual loans are not recognized in interest income, but are applied as a reduction to the principal outstanding.

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There were no nonaccrual loans as of December 31, 2023, and 2022.

The following tables present an aging analysis of loans as of December 31, 2023 and 2022, respectively. There was one loan past due more than 90 days still accruing interest as of December 31, 2023. There were no loans past due more than 90 days still accruing interest as of December 31, 2022.

(in thousands)

As of December 31, 2023:	Accruing loans 30-59 days past due	Accruing loans 60-89 days past due	Total nonaccrual loans and loans 90 plus day past due	Total past due and nonaccrual loans	Current	Total loans
Construction & development	$ -	1,224	125	1,349	363,834	365,183
1-4 family real estate	796	-	-	796	226,108	226,904
Commercial real estate	-	-	-	-	799,565	799,565
Commercial & industrial	-	-	-	-	164,577	164,577
States & political subdivisions	-	-	-	-	653,489	653,489
Other	18	-	-	18	79,609	79,627
	$ 814	1,224	125	2,163	2,287,182	2,289,345

As of December 31, 2022:	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	$ -	-	-	-	358,826	358,826
1-4 family real estate	-	-	-	-	149,068	149,068
Commercial real estate	-	3,411	-	3,411	638,427	641,838
Commercial & industrial	-	-	-	-	119,403	119,403
States & political subdivisions	-	-	-	-	414,812	414,812
Other	-	-	-	-	34,761	34,761
	$ -	3,411	-	3,411	1,715,297	1,718,708

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.

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December 31, 2023 and 2022

Outstanding loan balances categorized by internal risk grades as of December 31, 2023 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 362,173	-	3,009	-	365,183
1-4 family real estate	226,835	-	70	-	226,904
Commercial real estate	787,166	-	12,399	-	799,565
Commercial & industrial	163,393	-	1,184	-	164,577
State & political subdivisions	653,489	-	-	-	653,489
Other	72,523	-	7,104	-	79,627
	$ 2,265,579	-	23,766	-	2,289,345

Outstanding loan balances categorized by internal risk grades as of December 31, 2022 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 358,826	-	-	-	358,826
1-4 family real estate	149,056	-	12	-	149,068
Commercial real estate	629,418	-	12,420	-	641,838
Commercial & industrial	118,918	-	485	-	119,403
State & political subdivisions	414,812	-	-	-	414,812
Other	34,603	-	158	-	34,761
	$ 1,705,633	-	13,075	-	1,718,708

(5) GOODWILL AND INTANGIBLES

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

(in thousands)

	2023		2022	
	Goodwill	Core deposit intangible	Goodwill	Core deposit intangible
Balance, beginning of year	$ 8,903	154	8,903	325
Amortization	-	108	-	171
Balance, end of year	$ 8,903	46	8,903	154

As of December 31, 2023, the future expected amortization expense on intangible assets are as follows:

(in thousands)

Year ended December 31:	
2024	$ 45
2025	1
	$ 46

(6) OTHER REAL ESTATE OWNED

During the year ended December 31, 2023, there were no loans transferred to OREO. The book value of OREO sold was $1.4 million and the net gain on sale of OREO totaled approximately $109,000. During the year ended December 31, 2022, loans transferred to OREO totaled $1.4 million.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

(7) PREMISES AND EQUIPMENT

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

(in thousands)

	2023	2022
Land	$ 9,078	5,724
Buildings and leasehold improvements	29,661	27,028
Furniture and equipment	18,343	17,960
	57,082	50,712
Accumulated depreciation and amortization	(23,463)	(26,040)
	$ 33,619	24,672

At December 31, 2023 and 2022 premises and equipment subject to lease agreements in which the Company acts as lessor were as follows:

(in thousands)

	2023	2022
Land	$ 1,500	1,000
Buildings and leasehold improvements	5,779	3,848
Furniture and equipment	14	14
Accumulated depreciation and amortization	(322)	(114)
	$ 6,971	4,748

The Company had operating leases at December 31, 2023 and December 31, 2022. In the year ending December 31, 2022 the Company adopted ASC 2016-02 and has recorded a right-of-use asset and lease liability at December 31:

	2023	2022
Total right-of-use assets	$ 6,316	4,860
Total lease liabilities	6,464	4,920

As of December 31, 2023 the weighted average discount rate and the weighted average term for right of use asset was 2.79% and 116 months, respectively.

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, 2023, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

(in thousands)

Year ended December 31:	
2024	$ 843
2025	833
2026	799
2027	823
2028	852
Thereafter	2,870
	$ 7,020

The Company recorded lease expense (net of sublease income of approximately $13,000 and $36,000 for the years ending December 31, 2023 and 2022, respectively) under these agreements of approximately $843,000 and $1.1 million in the year ended December 31, 2023 and 2022, respectively. Of these amounts, $14,000 was paid to related parties in both 2023 and 2022.

(8) INTEREST-BEARING DEPOSITS

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

(in thousands)

	2023	2022
Interest-bearing checking	$ 283,058	301,843
Insured money market	455,763	427,887
Savings accounts	246,512	237,046
Certificates of deposit	355,209	72,036
	$ 1,340,542	1,038,812

The aggregate amount of time deposits with balances of $250,000 or more was $126.5 million and $42.1 million as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022 overdraft deposits totaling $46,900 and $84,900, respectively, were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2023 follows:

(in thousands)

Year ended December 31:	
2024	$ 275,498
2025	44,813
2026	29,857
2027	1,848
2028	3,193
Total	$ 355,209

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 $17.4 million and $32.6 million at December 31, 2023 and 2022, respectively.

(9) 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 3.75 percent and 0.61 percent at December 31, 2023 and 2022, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2022 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 $356.2 million and $104.3 million at December 31, 2023 and 2022, respectively. The fair value of the underlying pledged securities was $321.6 million and $93.8 million at December 31, 2023 and 2022, respectively.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

(10) FEDERAL HOME LOAN BANK ADVANCES

The following table summarizes Federal Home Loan Bank advances as of December 31:

(in thousands)

	2023	2022
Overnight advance at fixed rate of 5.64%	$ 135,000	-
Maturities December 2024 through November 2028, fixed rate at rates from 4.13% to 5.18%, averaging 4.79%	150,000	-
Total	$ 285,000	-

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were collateralized by $457.8 million and $369.8 million of real estate loans under a blanket lien arrangement at year-end 2023 and 2022. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $312.0 million at year-end 2023.

Payments over the next five years are as follows:

(in thousands)

Year ended December 31:	
2024	$ 137,500
2025	52,500
2026	52,500
2027	7,500
2028	35,000
Total	$ 285,000

(11) INCOME TAXES

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

(in thousands)

	2023	2022
Current:		
Federal	$ 7,614	5,955
State	2,490	1,846
Deferred:		
Federal	(1,221)	200
State	(284)	49
Provision for income taxes	$ 8,599	8,050

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:

(in thousands)

	2023	2022
Expected federal tax expense	$ 10,345	8,748
Increases (decreases) in taxes resulting from:		
Tax-exempt interest income	(3,058)	(1,386)
State taxes, net of federal benefit	1,752	1,523
Captive insurance	(291)	(338)
Bank owned life insurance	(244)	(207)
Other	95	(290)
Provision for income taxes	$ 8,599	8,050

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

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)

		2023	2022
Deferred tax assets			
Allowance for credit losses	$	8,445	5,327
Deferred compensation		1,655	1,641
Net unrealized loss on investment securities available for sale		4,791	6,123
Lease liability		1,595	1,685
Other		554	578
		17,040	15,354
Deferred tax liabilities			
Premises and equipment		2,477	2,148
Deferred loan costs		1,873	1,592
Deferred income on FHLB stock		214	139
Intangible assets		19	50
Right of use asset		1,558	1,668
Other		93	457
		6,234	6,054
Net deferred tax asset	$	10,806	9,300

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.

(12) 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 in US Treasuries as Level 1 and all other investments is securities, available for sale as Level 2.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

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 2023 or 2022.

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	2023 Level 1	2023 Level 2	2023 Level 3
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	150,731	-	150,731	-
U.S. government agency mortgage backed securities		81,069	-	81,069	-
U.S. treasury		1,663	1,663	-	-
Equity securities		6,845	-	6,845	-

Description of Financial Instrument		Fair Value	2022 Level 1	2022 Level 2	2022 Level 3
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	158,070	-	158,070	-
U.S. government agency mortgage backed securities		85,859	-	85,859	-
U.S treasury		21,442	21,442	-	-
Equity securities		6,582	-	6,582	-

(13) COMMITMENTS AND CONTINGENT LIABILITIES

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 $2.5 million and $1.2 million at December 31, 2023 and 2022, 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 $547.1 million and $485.6 million as of December 31, 2023 and 2022, respectively. Commitments on letters of credit totaled $3.4 million and $1.5 million as of December 31, 2023 and 2022, respectively, and $543.7 million and $484.1 million respectively, on all other loan commitments.

The Company has lines of credit established with the FHLB of Des Moines for $1,274 million (45 percent of total bank assets), Federal Reserve Bank through the Discount Window and Bank Term Funding Program for $546.8 million, Zions First National Bank for $15 million, JP Morgan Chase for $10 million, and Pacific Coast Bankers' Bank for $50 million. The FHLB credit line is limited to the amount of pledged collateral, which was $457.8 million as of December 31, 2023. 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, 2023, the Company's credit enhancement obligation as part of our participation in the FHLB Mortgage Partnership Finance program was approximately $1.2 million, which reduces the available line of credit with the FHLB by that amount. The Federal Reserve credit lines are limited to the assessed value of pledged collateral which was $780.4 million at December 31, 2023. The Company did not have any outstanding borrowings from unaffiliated banks at December 31, 2023 or 2022.

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

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.

(14) 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, 2023, 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, 2023, the Company had approximately $60 million available for payment of dividends under the aforementioned restrictions.

Capital amounts and ratios as of December 31, 2023 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	$ 410,483	18.53%	232,656	10.50%	N/A	N/A
Bank of Utah	406,800	18.35%	232,747	10.50%	221,664	10.00%
Tier 1 Capital						
(to risk weighted assets)						
Consolidated	382,695	17.27%	188,341	8.50%	N/A	N/A
Bank of Utah	379,012	17.10%	188,414	8.50%	177,331	8.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Consolidated	382,695	17.27%	155,104	7.00%	N/A	N/A
Bank of Utah	379,012	17.10%	155,164	7.00%	144,081	6.50%
Tier 1 Capital						
(to quarterly average assets)						
Consolidated	382,695	13.78%	180,538	6.50%	N/A	N/A
Bank of Utah	379,012	13.66%	180,355	6.50%	138,734	5.00%

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2023 and 2022

Capital amounts and ratios as of December 31, 2022 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	$ 378,517	20.97%	189,562	10.50%	N/A	N/A
Bank of Utah	372,117	20.64%	189,342	10.50%	180,326	10.00%
Tier 1 Capital (to risk weighted assets)						
Consolidated	357,377	19.80%	153,455	8.50%	N/A	N/A
Bank of Utah	350,977	19.46%	153,277	8.50%	144,261	8.00%
Common Equity Tier 1 Capital (to risk weighted assets)						
Consolidated	357,377	19.80%	126,375	7.00%	N/A	N/A
Bank of Utah	350,977	19.46%	126,228	7.00%	117,212	6.50%
Tier 1 Capital (to quarterly average assets)						
Consolidated	357,377	15.28%	152,021	6.50%	N/A	N/A
Bank of Utah	350,977	15.06%	151,498	6.50%	116,537	5.00%

Schedule 1 **CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL CONDITION**

December 31, 2023

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ -	19,514	-	19,514
Interest-bearing deposits in banks	4,484	108,781	(4,339)	108,926
Federal funds sold	-	407	-	407
Investment securities:				
Equity securities, at fair value	-	6,846	-	6,846
Available for sale, at fair value	-	233,463	-	233,463
Held to maturity, at amortized cost	-	116,612	-	116,612
Total investment securities	-	356,921	-	356,921
Loans held for sale	-	3,682	-	3,682
Loans	-	2,286,005	-	2,286,005
Less allowance for credit losses	-	31,717	-	31,717
Net loans	-	2,254,288	-	2,254,288
Investment in Bank of Utah	373,331	-	(373,331)	-
Accrued interest receivable	-	12,381	-	12,381
Bank owned life insurance	-	43,156	-	43,156
Investment in affordable housing tax, net credits	-	29,169	-	29,169
Goodwill	-	8,903	-	8,903
Premises and equipment, net	-	39,935	-	39,935
Other assets	34	35,217	(27)	35,224
Total assets	$ 377,849	2,912,354	(377,697)	2,912,506
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	$ -	768,406	-	768,406
Interest-bearing	-	1,344,881	(4,339)	1,340,542
Total deposits	-	2,113,287	(4,339)	2,108,948
Securities sold under agreements to repurchase	-	384,081	-	99,081
FHLB advances	-	285,000	-	285,000
Other liabilities	834	41,656	(28)	42,463
Total liabilities	834	2,539,024	(4,367)	2,535,492
Common stock	23,189	3,656	(3,656)	23,189
Paid-in capital	122,025	117,706	(117,706)	122,025
Accumulated other comprehensive loss, net of tax	(14,629)	(14,629)	14,629	(14,629)
Retained earnings	246,430	266,598	(266,598)	246,429
Total stockholders' equity	377,015	373,331	(373,331)	377,014
	$ 377,849	2,912,355	(377,698)	2,912,506

Schedule 1 **CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL CONDITION**

December 31, 2022

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	19,278	16	-	19,294
Interest-bearing deposits in banks	4,248	174,592	2,346	(461)	180,725
Federal funds sold	-	111	-	-	111
Investment securities:					
Equity securities, at fair value	-	6,582	-	-	6,582
Available for sale, at fair value	-	263,503	1,868	-	265,371
Held to maturity, at amortized cost	-	115,298	-	-	115,298
Total investment securities	-	385,383	1,868	-	387,251
Loans held for sale	-	2,523	-	-	2,523
Loans	-	1,715,800	-	-	1,715,800
Less allowance for credit losses	-	19,940	-	-	19,940
Net loans	-	1,695,860	-	-	1,695,860
Investment in Bank of Utah	341,601	-	-	(341,601)	-
Investment in Utah Risk Management, Inc.	2,662	-	-	(2,662)	-
Accrued interest receivable	-	7,762	12	-	7,774
Goodwill	-	8,903	-	-	8,903
Bank owned life insurance	-	36,477	-	-	36,477
Premises and equipment, net	-	29,532	-	-	29,532
Investment in affordable housing tax credits	-	24,779	-	-	24,779
Other assets	438	21,532	691	(1,705)	20,956
Total assets	$ 348,949	2,406,732	4,933	(346,429)	2,414,185
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Noninterest-bearing	$ -	903,216	-	-	903,216
Interest-bearing	-	1,039,273	-	(461)	1,038,812
Total deposits	-	1,942,489	-	(461)	1,942,028
Securities sold under agreements to repurchase	-	84,927	-	-	84,927
Other liabilities	948	37,715	2,271	(1,705)	39,229
Total liabilities	948	2,065,131	2,271	(2,166)	2,066,184
Common stock	23,310	3,656	2	(3,658)	23,310
Paid-in capital	122,025	115,309	248	(115,557)	122,025
Accumulated other comprehensive loss	(18,466)	(18,433)	(33)	18,466	(18,466)
Retained earnings	221,132	241,069	2,445	(243,514)	221,132
Total stockholders' equity	348,001	341,601	2,662	(344,263)	348,001
	$ 348,949	2,406,732	4,933	(346,429)	2,414,185

Schedule 2

CONSOLIDATING SCHEDULE - STATEMENT OF INCOME

Year ended December 31, 2023

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	115,856	-	-	115,856
Interest on investment securities:					
Taxable	-	9,906	66	-	9,972
Tax-exempt	-	24	-	-	24
Interest on loans held for sale	-	342	-	-	342
Interest on cash and cash equivalents	77	2,871	49	(19)	2,978
Total interest income	77	128,999	115	(19)	129,172
INTEREST EXPENSE:					
Interest on deposits	-	26,186	-	(19)	26,167
Interest on securities sold under agreement to repurchase and other borrowings	-	7,128	-	-	7,128
Total interest expense	-	33,314	-	(19)	33,295
Net interest income	77	95,685	115	-	95,877
Provision for credit losses	-	7,191	-	-	7,191
Net interest income after provision for credit losses	77	88,494	115	-	88,686
NONINTEREST INCOME:					
Dividend from Bank of Utah	10,784	-	-	(10,784)	-
Equity in undistributed income of Bank of Utah	29,720	-	-	(29,720)	-
Dividend from Utah Risk Management, Inc.	-	-	-	-	-
Equity in undistributed income of Utah Risk Management, Inc.	1,474	-	-	(1,474)	-
Service charges on deposits	-	732	-	-	732
Gain on sale of loans	-	3,036	-	-	3,036
Trust fees	-	14,727	-	-	14,727
Cash surrender value increase of bank owned life insurance	-	1,162	-	-	1,162
Other	-	3,119	1,281	(1,281)	3,119
	41,978	22,776	1,281	(43,259)	22,776
NONINTEREST EXPENSES:					
Salaries and employee benefits	1,618	38,061	-	-	39,679
Net occupancy expense	11	3,437	-	-	3,448
Equipment expense	-	7,216	-	-	7,216
Professional fees and services	13	3,755	92	-	3,860
Advertising expense	-	1,939	-	-	1,939
Office expense	-	1,657	-	-	1,657
Other	339	5,535	(191)	(1,281)	4,402
	1,981	61,600	(99)	(1,281)	62,201
Income before provision for income taxes	40,074	49,670	1,495	(41,978)	49,261
(Benefit from)/provision for income taxes	(588)	9,166	21	-	8,599
Net income	$ 40,662	40,504	1,474	(41,978)	40,662

Schedule 2

CONSOLIDATING SCHEDULE - STATEMENT OF INCOME

Year ended December 31, 2022

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	74,530	-	-	74,530
Interest on investment securities:					
Taxable	-	6,582	28	-	6,610
Tax-exempt	-	42	-	-	42
Interest on loans held for sale	-	351	-	-	351
Interest on cash and cash equivalents	71	2,514	25	(1)	2,609
Total interest income	71	89,019	53	(1)	84,142
INTEREST EXPENSE:					
Interest on deposits	-	4,609	-	(1)	4,608
Interest on securities sold under agreement to repurchase and other borrowings	-	373	-	-	373
Total interest expense	-	4,982	-	(1)	4,981
Net interest income	71	79,037	53	-	79,161
Provision for credit losses	-	1,100	-	-	1,100
Net interest income after provision for credit losses	71	77,937	53	-	78,061
NONINTEREST INCOME:					
Dividend from Bank of Utah	6,032	-	-	(6,032)	-
Equity in undistributed income of Bank of Utah	28,455	-	-	(28,455)	-
Dividend from Utah Risk Management, Inc.	1,220	-	-	(1,220)	-
Equity in undistributed income of Utah Risk Management, Inc.	421	-	-	(421)	-
Service charges on deposits	-	849	-	-	849
Gain on sale of loans	-	5,166	-	-	5,166
Trust fees	-	14,132	-	-	14,132
Cash surrender value increase of bank owned life insurance	-	987	-	-	987
Other	-	2,000	1,881	(1,881)	2,000
	36,128	23,134	1,881	(38,009)	23,134
NONINTEREST EXPENSES:					
Salaries and employee benefits	1,574	37,121	-	-	38,695
Net occupancy expense	11	3,119	-		3,130
Equipment expense	-	6,156	-	-	6,156
Professional fees and services	1,684	3,003	93	-	4,780
Advertising expense	-	1,770	-	-	1,770
Office expense	-	1,443	1	-	1,444
Other	301	4,953	189	(1,881)	3,562
	3,570	57,565	283	(1,881)	59,537
Income before provision for income taxes	32,629	43,506	1,651	(36,128)	41,658
(Benefit from)/provision for income taxes	(979)	9,020	9	-	8,050
Net income	$ 33,608	34,486	1,642	(36,128)	33,608

BOU Bancorp, Inc.
Board of Directors

Frank W. Browning
Chairman of the Board

Benjamin F. Browning
Vice Chairman, CEO

Branden P Hansen
President

Jonathan W. Browning
Secretary to the Board

Douglas L. DeFries
Banker, Retired

Tai S. Bright
Investment Advisory

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
Manufacturing, Retired

Christopher R. Sorenson
Investment Advisory

Bank of Utah

Senior Management


Frank W. Browning
Chairman of the Board


Benjamin F. Browning
Vice Chairman, CEO


Branden P Hansen
President


Nathan L. DeFries
Executive Vice President,
Chief Financial Officer


M. Brady Fosmark
Executive Vice President,
Chief Lending Officer


Cari G. Fullerton
Executive Vice President,
Chief Credit Officer


Brian S. Stevens
Executive Vice President,
Chief Information 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


Menah C. Strong
Senior Vice President,
Chief Deposit Officer

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

DEPOSIT OPERATIONS

David B. Rusch Senior Vice President, Retail Banking
Melissa V. Bernson Vice President, Regional Retail Banking Manager
Susana K. Feightner Vice President, Central Operations Manager
Stacey K. Mackay Vice President, Branch Manager, Heber City
Jessica H. Orme Vice President, Treasury Management Operations Manager
Haley N. Petersen Vice President Branch Operations Manager
Lacey B. Sansavera Vice President, Systems and Operations Integration Manager
David P. Kuhni Assistant Vice President, Branch Manager, Lindon and Orem
Sherri A. Webb Assistant Vice President, Branch Manager, South Ogden

RESIDENTIAL LENDING

Kathy L. Robles Senior Vice President, Mortgage Operations
Wesley T. Barlow Vice President, Mortgage Area Manager
Michael Child Vice President, Residential Construction Sales 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
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
John R. Serfustini Vice President, Secondary Marketing Manager
Angela L. Vause Vice President, Mortgage Processing Manager
Katherine L. Davis Assistant Vice President, Consumer Lending Manager
Tiffany A. Flint Assistant Vice President, Mortgage Loan Closing & Post Closing Manager
Cynthia Lee Assistant Vice President, Senior Mortgage Underwriter

TREASURY MANAGEMENT

Trevor L. Austin Vice President, Treasury Management Team Leader
Sarah V. Carver Vice President, Specialty Banking Team Leader
Brittany M. Heal Vice President, Treasury Management Team Leader
Matthew K. Linford Vice President, Treasury Management Team Leader
Jodi L. Miller Vice President, Treasury Management Team Leader
Jillian L. Weadock Vice President, Private Banking Manager
Adam Wicker Vice President, Relationship Banking Program Development Manager
Ashley F. Cornejo Assistant Vice President Relationship Banking Operations Manager

PERSONAL TRUST

Dillon Schmutz Vice President, Trust Manager
Jodie K. Buckner Vice President, Senior Trust Officer
Michael D. Dustin Vice President, Trust Officer
Jeff Kahn Vice President, Trust Officer
Brenda L. Lambert Vice President, Personal Trust Manager
Kyle R. Brown Assistant Vice President, Trust Officer
Janna Coley Assistant Vice President, Trust Officer

CORPORATE TRUST

Michael R. Arsenault Senior Vice President, Corporate Trust Counsel
Jodie B. Curtis Senior Vice President, Senior Corporate Trust Officer, Assistant Secretary
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