

2015

Q2

# QUARTERLY REPORT

BANK of UTAH

## PRESIDENT'S MESSAGE

On behalf BOU Bancorp Inc., (BOU) the holding company of Bank of Utah (Bank), I am pleased to report a cash dividend for the second quarter of 2015 of .55 per share. At book value, the dividend represents approximately 2.8 percent annualized cash return.

For the second quarter in a row, the Bank has achieved strong earnings due to increases in commercial loans, growth in low cost deposits and significant residential mortgage production. There are a few key indicators that long-term investors track over time. If these ratios are consistently above average, they will invest. Some of these indicators are:

- Capital
- Return on Equity (ROE)
- Net income growth
- Consistent dividends
- Steady quality growth

A quality management team has the ability to adjust to the market and make the necessary changes to take advantage of opportunities. In recent days, we have heard about the economic troubles in Greece, Puerto Rico and China. Many ask, what does that mean for me and are my investments secure? Bank of Utah's track record is reflective of what long-term investors like. During the Great Recession, Bank of Utah did not have a losing quarter. As discussed in the 1st quarter earnings report, we are still ranked number 1 on most metrics in our peer group. Listed below are indicators of success. If history is an indication of future outcomes, Bank of Utah is on a secure path.

	Q1-Q2 2015	Q1-Q2 2014	YEAR END 2014	YEAR END 2013	YEAR END 2012
Tier 1 Capital	13.42%	13.46%	13.07%	12.83%	12.85%
ROE	12.60%	10.61%	10.87%	11.50%	12.02%
Cash Dividends (per share)	\$1.05	\$.80	\$1.85	\$1.70	\$1.50
Net Income	\$7.7M	\$6.0M	\$11.9M	\$12.2M	\$11.9M
Loan Growth	16.18%	9.08%	14.04%	14.41%	15.70%

## Commercial Lending

In the second quarter, the Bank continued to increase our loan portfolio with quality loans within a wide range of business segments. The year to date growth

in outstanding loans is 16.2 percent. This has allowed the Bank to replace lower interest rate investments with higher earning loans.

Additionally, commercial lending has increased the efficiency of our operations and developed a new program to improve small business lending. As a result, the Bank has been able to grow the loan portfolio while minimizing costs. The Bank's non-performing asset ratio was .10 percent. Credit quality remains stellar.

## Mortgage Lending

Mortgage production continues to improve with a \$70 million increase in loan volume over the same period last year. This represents \$164.8 million in new production—of which 65 percent is for home purchases. The Bank has developed a model that ensures quality production, proper staffing and great customer service while maintaining profitability. We have added 13 highly productive loan officers and five administrative staff that fit our culture.

## Trust Services

The Trust department has experienced significant growth over the past few years due to the quality of service and the products they provide. In order to maintain this level of service, additional skilled professionals have joined the team to ensure we have the infrastructure necessary to maintain our high standards. The department has the ability to grow the portfolio with minimal increase to expenses.

## Deposit/Funding

The Bank's deposit base continues to see strong growth—7.7 percent year to date. This has allowed the Bank to keep a good source of funding available for our lending activities. This has been accomplished through our employees' attention to our customers. Our employees strive to understand our clients and tailor products to fit their needs. To ensure customer deposits are protected, our IT experts continue to update and improve our cybersecurity defenses. This is a continual process that is critical to safeguard the Bank's customers.

Douglas L. DeFries  
President



*Douglas L. DeFries*



**BANK of UTAH**  
Experience. Service.



# Q2 FINANCIAL ANALYSIS

	YTD 2015	Q2 2015	Q2 2014	Q1 2015
Net Income	\$7,713	\$4,214	\$2,843	\$3,499
Total Interest and Fee Income	\$17,318	\$8,941	\$7,738	\$8,377
Loan Loss Provision	\$1,100	\$300	\$0	\$800
Non-Interest Income	\$10,002	\$5,211	\$4,263	\$4,791

## SELECTED FINANCIAL HIGHLIGHTS

(Dollars in Thousands)

	Q2 2015	Q2 2014	Q1 2015
Total Assets	\$916,112	\$849,931	\$901,815
Total Equity	\$126,385	\$116,032	\$123,445
Gross Loans (ending bal.)	\$680,614	\$577,340	\$658,900
Total Deposits (ending bal.)	\$737,372	\$692,295	\$724,579
Tier 1 Capital	13.42%	13.46%	13.40%
Non-Performing Asset Ratio	0.10%	0.06%	0.03%
ROA	1.74%	1.45%	1.60%
ROE	12.60%	10.61%	11.60%
Loans to Deposits	93.61%	83.96%	92.00%

## SELECTED FINANCIAL HIGHLIGHTS

(Dollars in Thousands)