

2015

Q1

# 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 first quarter of 2015 of \$.50 per share. At book value, the dividend represents approximately 2.7% percent annualized cash return.

In today's challenging banking environment, it is no longer adequate for us to evaluate bank performance by just comparing it to our past performance. To get an accurate understanding of the Bank's challenges and opportunities, it is also important to compare our performance against our peers. Therefore, we hired an independent company (Banker's Caddy, LLC) to critique our performance against 46 other comparable banks in our region that make up our peer group. The key components for ratings were: Total Capital, Total Asset Quality, Total Earnings, Total Liquidity and Total Growth. A score is given to each of these components, all scores are then added together and each bank is ranked accordingly. Due to the strength of our overall performance, Bank of Utah ranked number 1 in 2014, 2013 and 2012. We ranked 11th in 2011, 10th in 2010 and 8th in 2009. Through the first quarter of 2015, we have maintained the top spot.

The sustained strong performance in comparison to our peers for the past few years is the result of the following:

- Utah's economy has been one of the nation's strongest for the past three years.
- The Bank's understanding of our customers and the development of new products to meet their needs.
- Hiring motivated and experienced people who understand the market and the Bank and work to fulfil the objectives of both.
- Focusing on those companies and consumers that meet the Bank's profile.
- Each employee has a clear understanding of the Banks' goals and culture and they understand their role.

As I have stated in previous publications, the success of the Bank is built upon the pillars of our diverse product mix, listening to our customers and paying attention to detail. This enables the Bank to produce the highest returns to our shareholders while controlling risk.

### Business Lending

In the first quarter of 2015, Business Lending achieved the highest production level in its history. Over \$115 million in commercial loans were produced. The Bank funded municipalities, farms, apartments, hotels, medical offices, auto dealerships, retail centers and more. This was accomplished through the expertise of our lenders and the systems built within the Bank to generate and fund loans in a timely manner.

### Mortgage Lending

Mortgage Lending production in the first quarter of 2015 nearly doubled the production of the same period of 2014. This greatly exceeded the expectations set in the budget. This was accomplished by strong production from existing personnel and by hiring new, quality producers and production assistants. Our goal is to ensure that loans are closed in accordance with customer's expectation.

### Trust Services

On the heels of a strong 2014, Personal and Corporate Trust began 2015 in a similar fashion with positive results for the first quarter. Both departments are on target to exceed goal. Personal Trust has seen increasing interest and growth in Self-Directed IRA accounts. Corporate Trust continues to see increasing market share in aircraft owner trusts. The life settlement business is also strengthening. We have been able to hire excellent people to meet the growing needs of our customers. New business has been coming in for all lines of business for both departments.

### Deposits/Funding

Deposit gathering continues to be a priority at the Bank. In the first quarter of 2015, we experienced growth of nearly 5% in deposits. This is a result of new deposits brought in through our Branch network, Treasury Management and Private Banking. To ensure that our customers can access their funds as they desire, we continue to enhance our internet banking, mobile banking and website. One of these new technologies is the recently-launched Apple Pay. Our commitment is to provide our customers with quality products and services so that we remain their bank of choice.

### Private Banking

Our Private Banking group has continued to bring in new customers and deposits to the Bank. This exceptional growth is the result of referrals from both employees and existing Private Banking customers.

Our customers motivate us to keep innovating. Their valuable feedback, through face to face interactions and online surveys, helps us to produce more efficient systems within the Bank and creates an excellent customer experience. As a result, we are headed toward another excellent year and are exceeding our growth goals.

Douglas L. DeFries  
President



*Douglas L. DeFries*



**BANK of UTAH**  
Experience. Service.



# Q1 FINANCIAL ANALYSIS

Bank of Utah begins 2015 with what appears to be a fourth year in a row wherein the Bank will significantly outperform the market and its peer banks. For the first quarter of 2015, Bank of Utah continued its regularity of exceptional success.

For many analysts, net income represents the best measure of success. However, in the context of banking, it is not only important to have net revenue growth, but to have that growth in a prudent manner. It is important that the appropriate amount of risk is taken to achieve the right result. With this in mind, it is pleasing to report net income growth from \$3.2 million in the year ago period to \$3.5 million in net income for the first quarter of 2015. This corresponds to an ROA of 1.52% to 1.61%, respectively. In addition to the income growth, asset quality also improved. Real estate owned and non-accrual loans to total capital (otherwise known as the Texas Ratio) fell from 2.73% in Q1 2014 to .18% in 2015. Non-accrual loans went from .56% of loans to .03% of loans or just \$226 thousand on a loan portfolio of \$659 million.

Also remarkable is that net income grew even with additional loss provision of \$800 thousand that was provided for as a result of over 18.5% growth in outstanding loan balances.

The Bank's non-interest income areas had an excellent first quarter as well. Mortgage loan production grew 95% over the year ago period, increasing from \$37.8 million in production to \$73.7 million.

Corporate and Personal Trust also performed well the first quarter of 2015, adding to the Bank's revenues and helping highlight the results the Bank can achieve when all of its business lines are working together to accomplish optimal performance.

	Q1 2015	Q1 2014		Q1 2015	Q1 2014
<b>Net Income</b>	\$3,499	\$3,122	<b>Tier 1 Capital to Quarterly Average Assets</b>	13.4%	13.1%
<b>Total Interest and Fee Income</b>	\$8,377	\$7,457	<b>Non-Accrual Loans to Loans</b>	0.03%	0.56%
<b>Loan Loss Provision</b>	\$800	(\$700)	<b>ROA Return on Assets</b>	1.6%	1.5%
<b>Non-Interest Income</b>	\$4,791	\$3,436	<b>ROE Return on Equity</b>	11.6%	11.3%
<b>Total Assets</b>	\$901,815	\$823,599	<b>Loans to Deposits</b>	92.0%	82.7%
<b>Total Equity</b>	\$123,445	\$113,721			
<b>Gross Loans</b>	\$658,900	\$554,96			
<b>Total Deposits</b>	\$724,579	\$672,622			
<b>SELECTED FINANCIAL HIGHLIGHTS</b> (Dollars in Thousands)			<b>KEY RATIOS</b>		