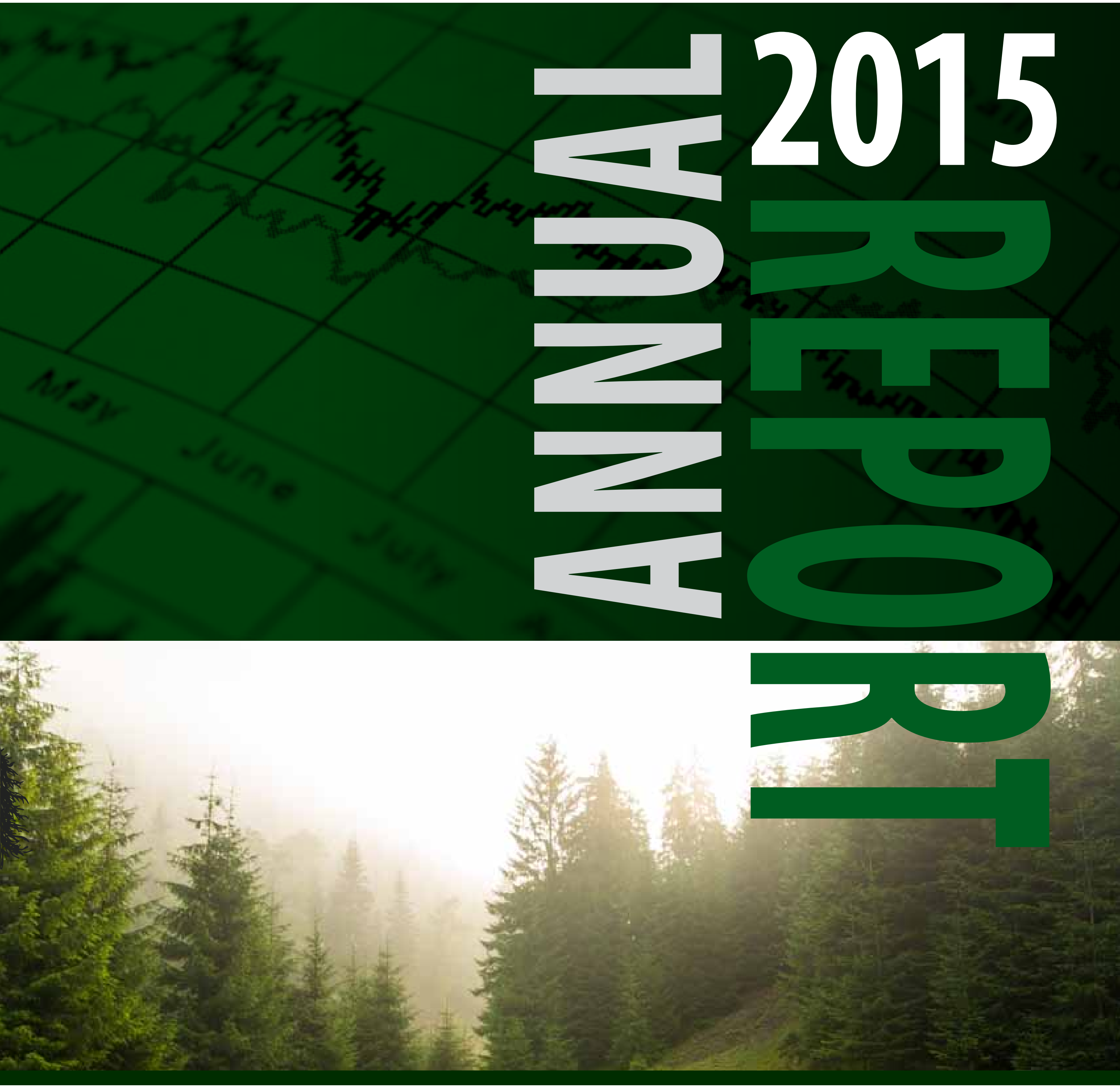
BOU BANCORP, INC.

2015 ANNUAL REPORT



BANK of UTAH

Experience. Service.

BANK OF UTAH BOARD OF DIRECTORS

L-R: Steven M. Petersen, Jonathan W. Browning Benjamin F. Browning
Douglas L. DeFries, Frank W. Browning Marlin K. Jensen
Eugene B. Jones, Gary R. Gibbons, George E. Hall,
H. Dee Hutzley

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LETTER TO SHAREHOLDERS

BOU Bancorp, Inc., the holding company of Bank of Utah and Utah Risk Management, Inc. (Bank) experienced a banner year in 2015 with net income reaching near-record levels. This has allowed us to share more profits with shareholders, expand our product base for customers and reward deserving employees for a job well done.

Over the past five years, tangible book value per share increased by 72 percent. This upward trend continued in 2015 with the tangible book value of $75.50 per share, compared to $68.38 in 2014. This was an increase of 10.4 percent. Cash dividends rose 13.5 percent from $1.85 per share in 2014 to $2.10 in 2015.

We strive to maintain a diverse loan portfolio which enables us to produce the highest returns with minimum risk. This diversity provides balance to better weather periods of decline in the economy and reduce the volatility of our earnings.

Our goal is not to be the biggest bank, but to be the best bank possible for shareholders, customers and employees.

CUSTOMERS

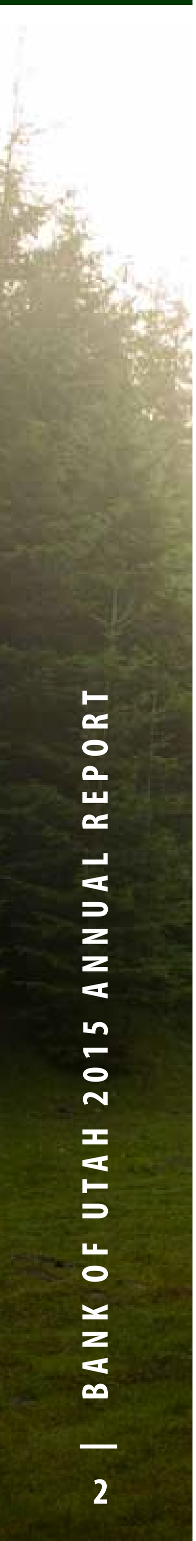
We understand our customers' concern for the security of their accounts and personal information. In an effort to address this concern, we continue to add new systems that enhance our abilities to protect our customers' important information. Our information technology professionals are more focused than ever on fighting cybercriminals and keeping our information safe.

Additionally, we offer workshops and educational seminars to help inform our customers of ways to protect themselves from identity thieves and fraudsters. Our team members know the value of our customers' trust and strive every day to maintain it.

EXPERIENCED EMPLOYEES

Many talented employees joined our team in 2015. The mortgage department hired several individuals as loan officers and support personnel. Because of our success and good reputation in the market, we have been able to hire top producers that want to be part of a well-run bank that can get loans approved and funded quickly.

The senior management team has an average of over 25 years of experience in banking. The accumulated knowledge of this group has enabled us to navigate profitably through the Great Recession. This level of experience also allowed us to achieve substantial growth, without compromising asset quality.



Our high level of experience is also reflected in all lines of business, such as:

Commercial Lending: Our 22 commercial lenders have been in banking on average 26 years. This expertise has enabled our team to give insightful advice to our clients, enabling them to grow their businesses and us to grow our loans.

Personal Banking: Deposit managers have over 25 years of experience on average in the banking industry. They understand their communities and the needs of their clients.

Home Loans: Our 40 loan officers have an average of 23 years of experience in mortgage lending. This expertise has helped first-time buyers purchase a home, larger families to buy bigger homes and others to purchase the home of their dreams.

Wealth Management: We have 10 professionals with an average of 24 years of experience in the industry. This team has grown to be one of the most respected groups in the state.

We are built on the core belief that every party associated with a transaction should benefit, this includes the customer, the Bank and the employee. The customer benefits by obtaining sound business advice from seasoned loan officers and by obtaining a properly-designed loan at a competitive rate. The Bank obtains a profitable, long-term relationship with a sound business. Lastly, employees get to work in a great environment and are rewarded fully for their efforts. This system creates a bank that is built for the future, one that is built to last.

In 2015, we established a new entity called Utah Risk Management, Inc. (URM). URM is a wholly-owned captive insurance company. We have established URM in order to protect us from various risks that are uninsurable through normal insurance markets, better manage our loss-handling process and to improve our overall tax efficiency.

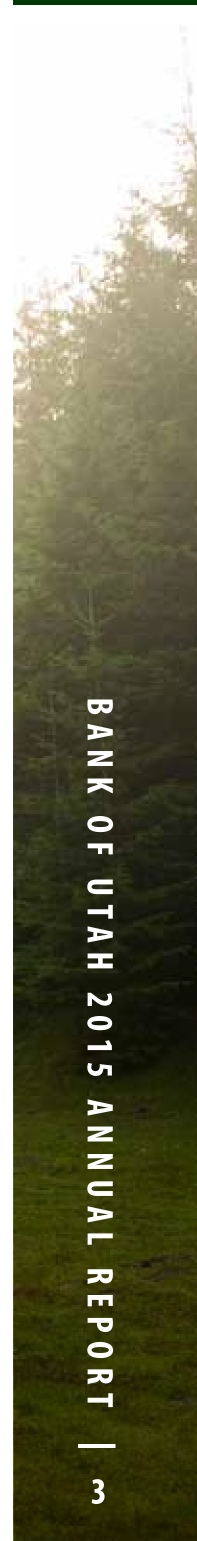
OUR GOAL

The primary goal is to continue to serve all of our customers. We are part of the communities we serve. We don't make decisions from some far-off place. We live where we work. As our marketplace evolves, we will continue to design solid products and services that fit the needs of our clients and their communities. By staying in touch, focusing on the communities we serve and changing with the times, we plan on meeting the needs of our customers for many years to come.

Sincerely,

Frank W. Browning
Chairman, BOU Bancorp, Inc.

Douglas L. DeFries
President & CEO, Bank of Utah

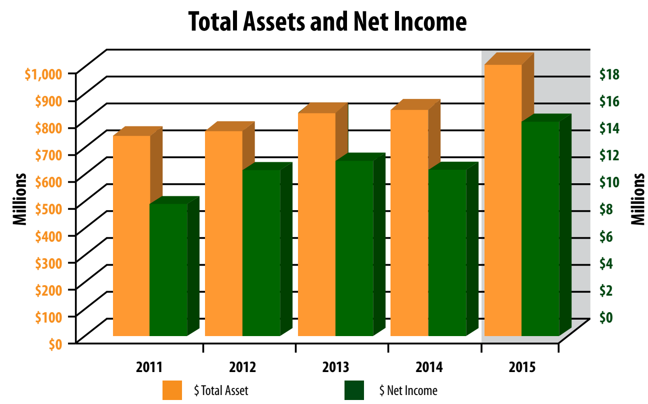


KEY RESULTS

The Bank continues to be profitable and 2015 was another remarkable year. Outstanding profit levels were achieved as a result of double-digit commercial loan growth, an increase in local core deposits, strong residential loan demand and the growth in wealth management and corporate trust. For the past few years, the Bank has been focusing on motivating each employee to be accountable for their job and the customer. Each employee has taken this to heart and the result of their actions has led to another successful year.

PROFITABILITY

Profitability is a key measure to determine the Bank's success. With increased profits, the Bank can reinvest in its products, services, fixed assets and delivery systems used to serve and protect customers. Furthermore, it allows the opportunity to reward employees and shareholders for their commitment to the Bank.



Net income for 2015 was $15.5 million as compared to $11.9 million in 2014. This was an increase of 31 percent. In 2015, net interest income increased to $34.1 million from $29.9 million. Increased loan volume and net interest margin were mainly responsibly for this $4.2 million growth. Also, gain on sale of loans was over $9.0 million as compared with just under $6.0 million in 2014, a $3.0 million increase. This represents income earned primarily from the sale of mortgage loans into the secondary market. Return of average assets (ROA) for 2015 was 1.70 percent as compared to 1.49 percent in 2014, with total assets growing from $857 million in 2014 to $954 million in 2015.

KEY RESULTS

CAPITAL LEVELS

Capital levels continue to be strong with consolidated Tier One capital to quarterly average assets at 13.32 percent. The prior year ended at 13.22 percent. This level of capital allows the Bank to be flexible in its decision-making process. When opportunities arise, this retained capital can be deployed to take advantage of unique situations. Capital levels continue to grow, even after increases in dividends. In 2015, the Bank paid $3.5 million in dividends, which represents $2.10 per share. In comparison, a total of $3.1 million was paid in dividends in 2014, representing $1.85 per share.

2016 INITIATIVES

The Bank will continue to focus on its core business model of acquiring local deposits, funding sound commercial and mortgage loans and protecting assets through trust relationships.

Primary initiatives in 2016 are:

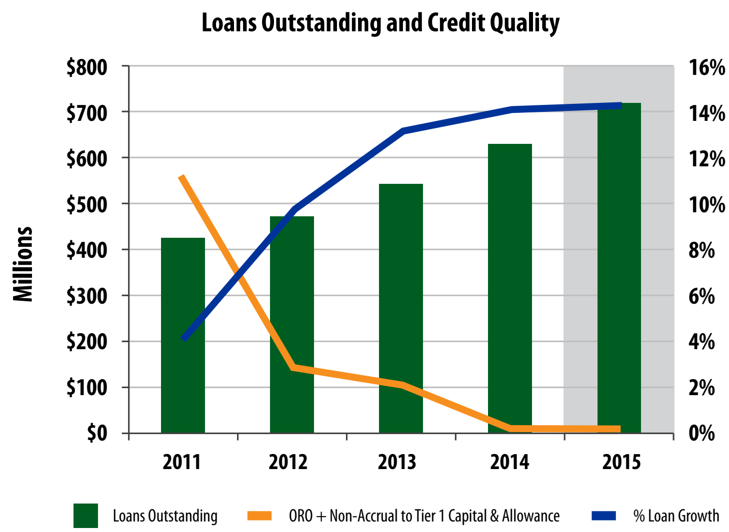
- Grow each business segment at a pace that can be managed appropriately and thereby provide value to customers, shareholders and employees.
- Refine a new web site and internet banking offering.
- Continue to increase security measures to meet the evolving expectations of customers.
- Enhance private banking to ensure clients are receiving all of the services they need to appropriately manage their financial affairs.

KEY RESULTS

Commercial Lending

The continued increase in loan volume helped improve interest income for the Bank. Total loan interest income was up 14.1 percent to $33.3 million. Loan growth was 14.2 percent, which was slightly more than 2014. Though loan growth has been strong, the Bank has kept firm, conservative underwriting standards in place and asset quality continues to remain excellent as compared with its peers. The Bank put $1.3 million in the provision for loan losses during 2015, which was a direct reflection of growth in loans.

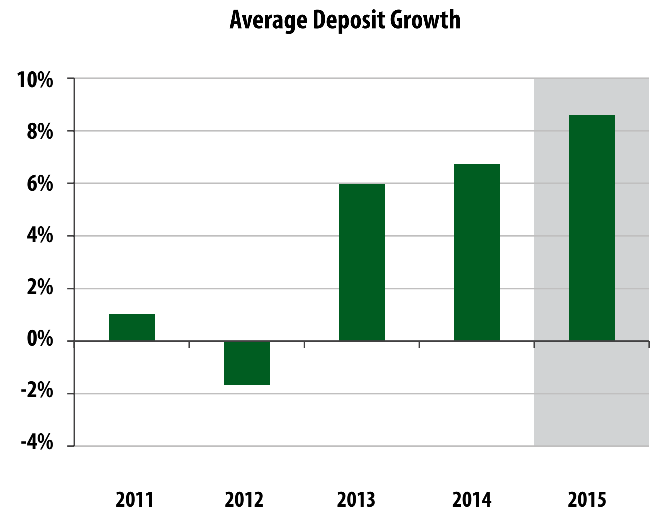
Non-performing loans were 0.13 percent of tangible capital plus allowance. Bank of Utah's practice for credit management starts with the initial customer meeting. Every step of the lending process is carefully underwritten and monitored in order to stay in tune with the customer and deal with any problems that may arise.



KEY RESULTS

Deposits and Treasury Management

In 2015, deposits grew by approximately 11 percent, an increase of over $77 million. Deposits have come as a result of growth with existing and new customers.



Experienced deposit managers understand their communities and the needs of their clients. They have been proactive in visiting customers in their places of business. This has led to improved customer service and more deposits for the Bank.

Treasury management services help business clients manage their money, make transfers, send wires and many other non-credit related functions. The department has seen solid growth through 2015.

KEY RESULTS

Wealth Management

In 2015, the Bank consolidated its personal trust, investments, private banking and insurance into one line of business called wealth management. This will enable the Bank to offer the customer a full range of products that meet their needs.

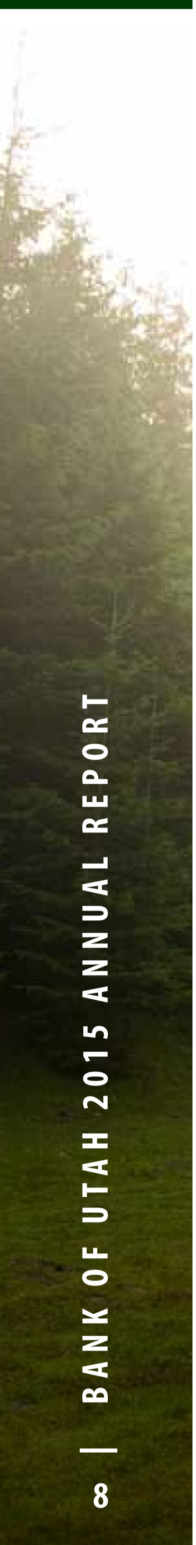
Personal Trust: Personal trust experienced 13 percent growth in assets under management in 2015. This was a result of the group's expertise in managing customer accounts and the referrals received from clients, trust attorneys and employees.

Personal trust services include traditional trust services and products, self-directed IRA's, and administrative and investment management services. Exceptional growth was achieved in self-directed IRA's as the Bank is widely recognized as specialists in this area.

Investments: The Bank's investment department offers a full array of products for retirement and wealth management including 401(k) plans, annuities, mutual funds and securities. Experienced financial advisors design strategies to suit the individual investment needs of each customer. This personal service provides the security and knowledge they need to make wise investments.

Private Banking: The goal of the department is to ensure that clients in this segment get the one-on-one attention that they desire and have the products that fit their needs. Through this approach, the portfolio of satisfied customers will continue to grow.

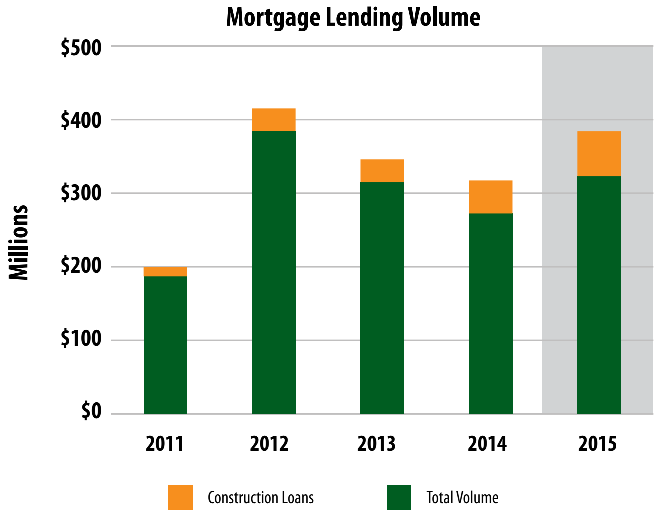
Insurance: During the last quarter of 2015, the Bank reopened Bank of Utah Insurance Agency. This has been carefully planned with the needs of customers in mind. The insurance department is highly motivated, knows the business and is service oriented. Now the Bank can offer all lines of property and casualty, life and disability insurance that protect client's assets.



KEY RESULTS

Mortgage Lending

The mortgage department has continued to grow. Volume and profitability goals were exceeded for the last two years. This has been accomplished through continued refinement of mortgage processes, allowing for quicker turnaround times. Also, several new, highly-productive loan officers were added in 2015.



Consumer Lending

Consumer lending has become an increasingly important part of the loan portfolio. Products such as home equity, auto, and RV loans and unsecured lines of credit are available at competitive rates. These products have been very popular with private banking clients. The portfolio has grown by over 6.5 percent since 2014 and similar growth is expected in the future.

Corporate Trust

The Bank's corporate trust department is a unique enterprise to community banking in the United States. This niche group serves clients in the areas of ownership trust, aircraft owner trust, indenture trust and life settlements. The Bank has become known as an expert in these specialties worldwide. The goal of this division is safety and security for clients and maintaining a low-risk profile for the Bank.

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

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

Report on Financial Statements

We have audited the accompanying consolidated financial statements of BOU Bancorp, Inc. and its subsidiaries, which comprise the consolidated statements of condition as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

(continued)

Opinion

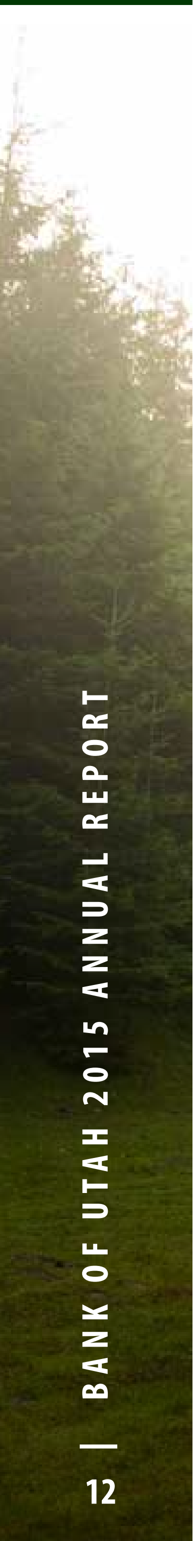
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BOU Bancorp, Inc. and subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule - statement of condition and consolidating schedule - statement of income are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Spokane, Washington
March 11, 2016



BOU BANCORP. INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION
December 31, 2015 and 2014

(dollars in thousands, except share data)

ASSETS		2015	2014
Cash and due from banks (note 2)	$	15,818	15,505
Interest-bearing deposits in banks		47,379	31,499
Federal funds sold		264	14
Investment securities (notes 3 and 8):			
Held to maturity, at cost (fair value of $18,107 and $24,980 respectively)		17,846	24,662
Available for sale, at fair value		97,954	104,219
Total investment securities		115,800	128,881
Loans held for sale		15,333	11,806
Loans (note 4)		718,856	629,120
Less allowance for loan losses (note 5)		8,683	7,281
Net loans		710,173	621,839
Accrued interest receivable		2,986	2,600
Goodwill		5,894	5,894
Bank owned life insurance		19,595	18,954
Premises and equipment, net (note 6)		12,731	12,892
Deferred tax asset		3,184	2,931
Other assets		4,534	4,654
Total assets	$	953,691	857,469
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Non interest-bearing	$	216,004	181,635
Interest-bearing (note 7)		548,367	505,114
Total deposits		764,371	686,749
Securities sold under agreements to repurchase (note 8)		49,020	42,733
Other liabilities		7,496	6,997
Total liabilities		820,887	736,479
Commitments and contingent liabilities (notes 10 and 12)			
Common stock, $1 par value, 5,000,000 shares authorized, 1,683,375 issued and outstanding at December 31, 2015 and 2014, respectively		1,683	1,683
Paid-in capital		4,334	4,334
Accumulated other comprehensive loss		(182)	(15)
Retained earnings		126,969	114,988
Total stockholders' equity		132,804	120,990
Total liabilities and stockholders' equity	$	953,691	857,469

See accompanying notes to consolidated financial statements.

BOU BANCORP. INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
December 31, 2015 and 2014

(in thousands)

		2015	2014
INTEREST INCOME:			
Interest and fees on loans	$	33,286	29,166
Interest on investment securities:			
Taxable		1,435	1,390
Tax-exempt		496	531
Interest on loans held for sale		560	348
Interest on federal funds sold		1	1
Interest on interest-bearing deposits in banks		122	190
Total interest income		35,900	31,626
INTEREST EXPENSE:			
Interest on deposits		1,654	1,623
Interest on securities sold under agreements to repurchase		152	112
Interest on other borrowings		1	1
Total interest expense		1,807	1,736
Net interest income		34,093	29,890
Provision for (reversal of) loan losses (note 5)		1,300	(500)
Net interest income after provision for (reversal of) loan losses		32,793	30,390
OPERATING INCOME:			
Service charges on deposits		1,493	1,575
Gain on sale of loans		9,038	5,997
Trust fees		7,772	7,101
Cash surrender value increase of bank owned life insurance		641	622
Other		1,461	1,421
		20,405	16,716
OPERATING EXPENSES:			
Salaries and employee benefits		19,940	19,562
Net occupancy expense		2,169	2,115
Equipment expense		3,074	2,790
Professional fees and services		1,248	1,379
Other		4,281	4,222
		30,712	30,068
Income before provision for income taxes		22,486	17,038
Provision for income taxes (note 10)		6,970	5,168
Net income	$	15,516	11,870

See accompanying notes to consolidated financial statements.

BOU BANCORP. INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2015 and 2014

(in thousands)

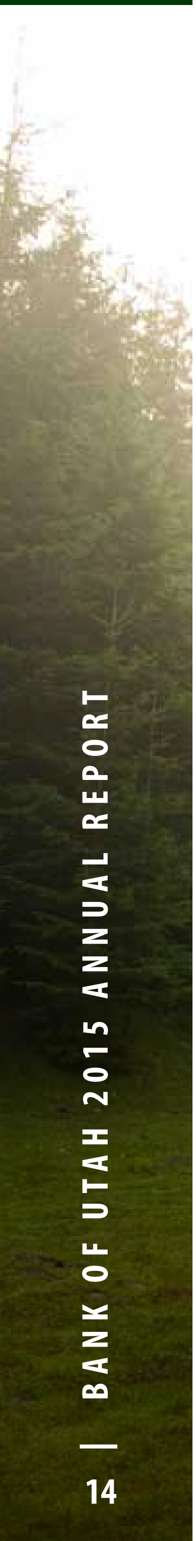
		2015	2014
Net income	$	15,516	11,870
Other comprehensive income:			
Net change in unrealized holding gain (loss) on securities available for sale, net of tax (expense) benefit of $99 and $(341) as of December 31, 2015 and 2014, respectively		(167)	573
Comprehensive income	$	15,349	12,443

BOU BANCORP. INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2015 and 2014

(in thousands)

		Common stock	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
Balances, December 31, 2013	$	1,683	4,334	(588)	106,232	111,661
Net income		-	-	-	11,870	11,870
Other comprehensive income		-	-	573	-	573
Dividends paid		-	-	-	(3,114)	(3,114)
Balances, December 31, 2014	$	1,683	4,334	(15)	114,988	120,990
Net income		-	-	-	15,516	15,516
Other comprehensive loss		-	-	(167)	-	(167)
Dividends paid		-	-	-	(3,535)	(3,535)
Balances, December 31, 2015	$	1,683	4,334	(182)	126,969	132,804

See accompanying notes to consolidated financial statements.



BOU BANCORP. INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

(in thousands)

		2015	2014
OPERATING ACTIVITIES:			
Net income	$	15,516	11,870
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		1,541	1,536
Provision for (reversal of) loan losses		1,300	(500)
Provision for commitments to fund loans		-	200
Deferred income tax (benefit) expense		(155)	114
Increase in cash surrender value of bank owned life insurance		(641)	(622)
Net amortization of investment premiums and discounts		495	491
Gain on sale of loans		(9,038)	(5,997)
Proceeds from sales of loans held for sale		302,680	210,941
Origination of loans held for sale		(297,169)	(208,889)
Gain on sale of premises and equipment		(24)	(2)
Change in accrued interest receivable and other assets		(267)	(567)
Change in other liabilities		499	138
Net cash provided by operating activities		14,737	8,713
INVESTING ACTIVITIES:			
Proceeds from maturities of held to maturity securities		7,715	8,310
Proceeds from maturities of available for sale securities		14,857	18,634
Purchase of held to maturity securities		(1,104)	(6,409)
Purchase of available for sale securities		(9,146)	(25,256)
Net change in loans from loan originations and principal repayments		(89,634)	(78,034)
Net change in interest-bearing deposits in banks		(15,880)	75,460
Net change in federal funds sold		(250)	173
Purchase of bank owned life insurance		-	(625)
Proceeds from sale of premises and equipment		24	26
Purchase of premises and equipment		(1,379)	(1,506)
Net cash used in investing activities		(94,797)	(9,227)
FINANCING ACTIVITIES:			
Increase in demand, savings, and money market deposits		78,231	10,528
Proceeds from issuance of time deposits		11,142	6,703
Payments for maturing time deposits		(11,751)	(11,563)
Net change in securities sold under agreement to repurchase		6,286	7,165
Dividends paid to stockholders		(3,535)	(3,114)
Net cash provided by financing activities		80,373	9,719
Net change in cash and cash equivalents		313	9,205
Cash and cash equivalents, beginning of period		15,505	6,300
Cash and cash equivalents, end of period	$	15,818	15,505
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$	1,799	1,740
Cash paid for income taxes		7,420	5,461

See accompanying notes to consolidated financial statements.

(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 bank holding company formed in 2000. Bank of Utah (the Bank), is a Utah state-chartered commercial bank founded in 1952 wholly owned by the Corporation. Utah Risk Management, Inc. (URM), is a Nevada captive insurance company wholly owned by the Corporation. The Corporation and its wholly-owned subsidiaries are collectively referred to as the Company. The Company, which is centered along Utah's Wasatch Front, focuses on providing community banking services including: 1) attracting deposits from the general public; 2) originating loans including residential mortgage loans; 3) providing treasury cash management products and services; and 4) personal and corporate trust management services.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of BOU Bancorp, Inc., Bank of Utah 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. Such reclassifications had no impact on net income or stockholders' equity.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, income taxes and the fair value of financial assets and liabilities. Management believes the allowance for loan losses, income taxes and the fair value of financial assets and liabilities are adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary, based on changes in economic conditions. Management obtains independent appraisals for significant properties as one of the factors used in the determination of the allowance for loan losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses.

Cash Equivalents

Cash equivalents include cash and due from banks and federal funds sold, all with maturities of three months or less.

Interest-Bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Investment Securities

The Company classifies its investment securities in two categories: held to maturity or available for sale. The Company had no trading securities during 2015 or 2014. Held to maturity securities are stated at cost, net of unamortized premiums and unaccreted 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 income.

Premiums and discounts are amortized or accreted over the life of the related security and recognized in interest income using the effective-interest method. Dividend and interest income are recognized when earned.

Any declines in the values of these securities that are considered to be other-than-temporary-impairment (OTTI) due to declines in credit quality are recognized in earnings. Noncredit-related OTTI on securities not expected to be sold is recognized in OCI. The review for OTTI is conducted on an ongoing basis and takes into account the severity and duration of the impairment, recent events specific to the issuer or industry, fair value in relationship to cost, extent and nature of change in fair value, creditworthiness of the issuer including external credit ratings and recent downgrades, trends and volatility of earnings, current analysts' evaluations, and other key measures. In addition, the Company determines that it does not intend to sell the securities and it is more likely than not that it will not be required to sell the securities before recovery of their amortized cost basis. In making this determination, the Company takes into account its balance sheet management strategy and consideration of current and future market conditions.

Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) 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 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, 2015 and 2014, respectively, was $1.0 million and $1.9 million and is reported on the consolidated statements of condition in other assets.

The Company also holds FRB stock as stipulated in the requirements of the Federal Reserve Act. The carrying amount of FRB stock as of December 31, 2015 and 2014 was $366,000 at cost, and is reported on the consolidated statements of condition in other assets.

The Bank views its investment in FHLB and FRB 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. Loans held for sale are carried at the lower of cost or fair value as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. The amount of the Company's commitments to sell loans approximated the balance of loans held for sale on December 31, 2015 and 2014. 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.

Loans

A substantial portion of the Company's general overall lending territory is focused in Northern Utah 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.

Loans are generally recorded at cost, net of discounts, deferred fees and certain direct origination related costs. Discounts and premiums on purchased loans are amortized using the interest method over the remaining contractual life, adjusted for actual prepayments.

The accrual of interest on loans is discontinued and the loan is considered impaired when, 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 when loans are contractually past due 90-days or more with respect to principal or interest. Thereafter, payments received are generally applied to principal. However, based on management's assessment of the ultimate collectability of an impaired or nonaccrual loan, interest income may be recognized on a cash basis.

Impaired and 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. Loans are placed on nonaccrual or charged off to the allowance for loan losses when, in the opinion of management, it is probable the Company will be unable to collect contractual principal or interest on loans after a reasonable time for collection efforts.

In cases where a borrower experiences financial or legal difficulty and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructuring (TDR). When the Company modifies the terms of an existing loan that is not considered a TDR, the Company accounts for the loan modification as a new loan if the terms of the new loan resulting from a loan refinancing or restructuring are at least as favorable to the Company as the terms for comparable loans to other customers with similar risk characteristics who are not undergoing a refinancing or restructuring. The new loan is excluded from any impairment assessment.

Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring or significant events that coincide with the restructuring, 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 restructuring 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 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.

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 90-day prepayment provisions and 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 from the sale of such loans in 2015 or 2014.

The Company continues to service approximately $181.3 million and $83.9 million in participating interests at December 31, 2015 and 2014, respectively, that have been accounted for as transfers of assets and not included in the Company's statements of condition. The Company's retained portion of participated loans was $112.2 million and $74.5 million respectively, at December 31, 2015 and 2014. The Company recorded approximately $382,000 and $174,000 in servicing fee income during 2015 and 2014, respectively.

A servicing asset is recorded when the Company retains the right to service purchased or originated loans and receives servicing fees that exceed the going market rate. This asset is amortized as a reduction in fee income over the life of the servicing income. The servicing asset was $347,000 as of December 31, 2015. The Company did not have any servicing assets recorded as of December 31, 2014.

The Company holds purchased participating interest in loans of $14.7 million and $16.2 million at December 31, 2015 and 2014, respectively.

Allowance for Loan Losses

The allowance for loan losses is based on management's estimate of probable losses inherent in the loan portfolio. In the opinion of management, the allowance is adequate to absorb estimated losses in the portfolio at the balance sheet date. While management uses available information to analyze 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 loan losses. In analyzing the adequacy of the allowance for loan 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, the loan portfolio is broken into segments 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. 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. In addition to the segment evaluations, impaired loans with a balance of $250,000 or more are individually evaluated based on facts and circumstances of the loan to determine if a specific allowance amount may be necessary. Specific allowances may also be established for loans whose outstanding balances are below the above threshold when it is determined that the risk associated with the loan differs significantly from the risk factor amounts established for its loan segment.

After a preliminary allowance has been established for loan portfolio segments, an additional review is performed on the adequacy of the allowance based on the portion of the loan portfolio collectively evaluated for impairment. This procedure helps to mitigate the imprecision inherent in most estimates of expected credit losses and also supplements the allowance. This supplemental portion of the allowance includes judgmental consideration of any additional amounts necessary for subjective factors such as the economy and loan concentration risks. The credit quality indicators supporting the supplemental portion of the allowance were evaluated at December 31, 2015.

Reserve 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 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 loan losses is employed. Based on historical experience, loss factors adjusted for expected fundings are applied to the Company's off-balance sheet commitments and letters of credit to estimate the potential for 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 fifty years. Depreciation is provided on a straight-line basis. Leasehold improvements are stated at unamortized 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.

Other Real Estate

Other real estate 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 loan losses, if necessary. 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.

Goodwill

Goodwill has an indefinite useful life and is not amortized, but tested for impairment annually. At December 31, 2015 and 2014, the Company's goodwill totaled $5.9 million. There were no changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014. As of December 31, 2015, 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, 2015 and 2014, and determined that no impairment existed. The Company has no other intangible assets.

Bank Owned Life Insurance

The carrying amount of bank owned life insurance approximates its fair value. Fair value of bank owned life insurance is estimated using the cash surrender value, net of surrender charges.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale.

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 transfer surrenders control over those financial assets, are accounted for as sales when control over the assets has been surrendered. 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.

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and commitments under credit card arrangements. 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 are expensed as incurred. Advertising expenses are included in the accompanying financial statements as a component of other expense.

Income Taxes

Deferred income taxes are reported for temporary differences between items of income or expense reported in the 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 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. 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, 2015, 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 State jurisdictions.

Trust Department Assets

The Company acts in various capacities as fiduciary for customers' assets in the Trust department. Such assets are not included in the statements of condition. Trust fees and expenses are reported in the statements of income on an accrual basis.

Employee Stock Ownership Plan with 401(k) Provisions

The Company has an employee stock ownership plan with 401(k) provisions (KSOP) for virtually all full-time Company employees. Eligible employees may contribute up to five percent of compensation upon which the Company makes a 100 percent matching contribution. The Company's contributions are fully vested after six years and are used to purchase Corporation stock. Company contributions were approximately $813,000 and $759,000 for the years ended December 31, 2015 and 2014, respectively. An independent valuation of the BOU Bancorp, Inc.'s stock held by the KSOP is obtained annually and resulted in a valuation of $108.30 per share at December 31, 2015. The KSOP owns 113,044 shares (6.72%) of BOU Bancorp, Inc. stock, all of which are allocated, at December 31, 2015.

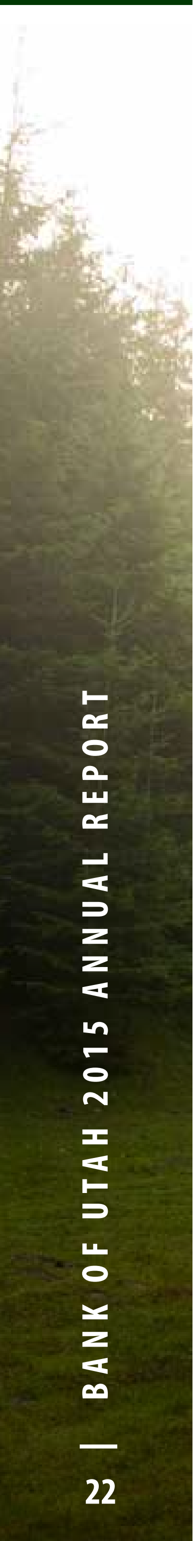
Subsequent Events

Subsequent events are events or transactions that occur after the date of the consolidated statements of condition but before the 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 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 condition but arose after the date of the consolidated statements of condition and before the consolidated financial statements are available to be issued.

Subsequent events have been evaluated through March 11, 2016, the date these financial statements were available to be issued.

(2) CASH AND DUE FROM BANKS

The Company is required to maintain certain daily reserve balances on hand in accordance with Federal Reserve Board requirements. The reserve balance maintained in accordance with such requirements was approximately $28.4 million and $558,000 at December 31, 2015 and 2014, respectively.



(3) INVESTMENT SECURITIES

Investment securities as of December 31, 2015 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
States and political subdivisions	$ 17,846	272	11	18,107

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 72,270	40	374	71,936
U.S. government agency mortgage backed securities	20,652	237	19	20,870
Mutual fund	5,321	-	173	5,148
	$ 98,243	277	566	97,954

Investment securities as of December 31, 2014 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
Corporate bonds	$ 2,500	-	-	2,500
States and political subdivisions	22,162	395	77	22,480
	$ 24,662	395	77	24,980

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 73,427	142	520	73,049
U.S. government agency mortgage backed securities	25,603	497	-	26,100
Mutual fund	5,213	-	143	5,070
	$ 104,243	639	663	104,219

There were no securities sold during the years ended December 31, 2015 or December 31, 2014.

A summary of investment securities with unrealized losses as of December 31, 2015, by the amount of unrealized losses and fair value by length of time that the securities have been in an unrealized loss position, follows:

(in thousands)

	Held to Maturity					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
States and political subdivisions	$ 3	2,626	8	685	11	3,311

	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	$ 229	31,939	145	9,848	374	41,787
U.S. government agency mortgage backed securities	19	8,225	-	-	19	8,225
Mutual fund	-	-	173	5,148	173	5,148
	$ 248	40,164	318	14,996	566	55,160

A summary of investment securities with unrealized losses as of December 31, 2014, by the amount of unrealized losses and the fair value by length of time that the securities have been in an unrealized loss position, follows:

(in thousands)

	Held to Maturity					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
States and political subdivisions	$ 34	6,981	43	2,449	77	9,430

	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	$ 15	10,117	505	27,670	520	37,787
Mutual fund	-	-	143	5,070	143	5,070
	$ 15	10,117	648	32,740	663	42,857

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 their amortized cost basis. The Company reviews these investment securities on an ongoing basis according to the policy described in Note 1. While such a review did not result in an other than temporary impairment adjustment as of December 31, 2015, and 2014, the Company will continue to review these investment securities for possible adjustment in the future. The number of investment securities in an unrealized loss position for securities held to maturity at December 31, 2015 and 2014, respectively, was 9 and 26. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2015, and 2014, respectively, was 13 and 9.

A summary of the amortized cost and fair value of investment securities as of December 31, 2015, by contractual maturity, follows:

(in thousands)

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 3,814	3,857
Due after one year through five years	9,349	9,525
Due after five years through ten years	4,683	4,725
	$ 17,846	18,107

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 15,023	15,038
Due after one year through five years	57,247	56,898
Due after five years through ten years	-	-
U.S. government agency mortgage backed securities	20,652	20,870
Mutual fund	5,321	5,148
	$ 98,243	97,954

U.S. government agency securities with a book value of $55.2 million and $50.1 million at December 31, 2015 and 2014, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $55.0 million and $50.0 million at December 31, 2015 and 2014, respectively. (See note 8.)

(4) LOANS

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

(in thousands)

	2015	2014
Construction & development	$ 139,718	100,091
1-4 family real estate	55,412	54,007
Nonfarm nonresidential real estate	322,494	318,404
Commercial & industrial	64,579	60,230
States & political subdivisions	102,760	79,277
Other	34,522	18,053
	719,485	630,062
Less unearned fees, net	629	942
	$ 718,856	629,120

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.

Loans are made 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 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)

		2015	2014
Balance, beginning of year	$	279	310
New loans and advances		521	287
Payments		(510)	(318)
Balance, end of year	$	290	279

(5) ALLOWANCE FOR LOAN LOSSES, UNFUNDED LENDING COMMITMENTS AND IMPAIRED LOANS

Allowance for loan losses activity is summarized as of December 31 as follows:

(in thousands)

		2015	2014
Balance, beginning of year	$	7,281	8,361
Provision for (reversal of) loan losses		1,300	(500)
Loans charged off		(19)	(977)
Recoveries on loans previously charged off		121	397
Balance, end of year	$	8,683	7,281

The following tables summarize the changes in the allowance for loan losses by portfolio segment.

(in thousands)

As of December 31, 2015: Allowance for loan losses:		Balance, beginning of year	Provision for (reversal of) loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Construction & development	$	2,476	366	-	-	2,842
1-4 family real estate		433	(44)	-	33	422
Nonfarm nonresidential real estate		3,504	639	-	-	4,143
Commercial & industrial		347	(38)	-	80	389
States & political subdivisions		399	180	-	-	579
Other		122	197	(19)	8	308
	$	7,281	1,300	(19)	121	8,683

As of December 31, 2014: Allowance for loan losses:		Balance, beginning of year	Provision for (reversal of) loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Construction & development	$	1,863	614	(1)	-	2,476
1-4 family real estate		759	(360)	-	34	433
Nonfarm nonresidential real estate		4,175	182	(853)	-	3,504
Commercial & industrial		599	(512)	(100)	360	347
States & political subdivisions		409	(10)	-	-	399
Other		556	(414)	(23)	3	122
	$	8,361	(500)	(977)	397	7,281

The following tables summarize the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment.

(in thousands)

As of December 31, 2015: Allowance for loan losses:	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$ -	2,842	2,842
1-4 family real estate	-	422	422
Nonfarm nonresidential real estate	58	4,085	4,143
Commercial & industrial	-	389	389
States & political subdivisions	-	579	579
Other	-	308	308
	$ 58	8,625	8,683

As of December 31, 2015: Outstanding loan balances:	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$ -	139,718	139,718
1-4 family real estate	698	54,714	55,412
Nonfarm nonresidential real estate	4,304	318,190	322,494
Commercial & industrial	-	64,579	64,579
States & political subdivisions	-	102,760	102,760
Other	-	34,522	34,522
	$ 5,002	714,483	719,485

The following tables summarize the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment.

(in thousands)

As of December 31, 2014: Allowance for loan losses:	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$ -	2,476	2,476
1-4 family real estate	1	432	433
Nonfarm nonresidential real estate	97	3,407	3,504
Commercial & industrial	-	347	347
States & political subdivisions	-	399	399
Other	-	122	122
	$ 98	7,183	7,281

As of December 31, 2014: Outstanding loan balances:	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Construction & development	$ -	100,091	100,091
1-4 family real estate	905	53,102	54,007
Nonfarm nonresidential real estate	5,739	312,665	318,404
Commercial & industrial	356	59,874	60,230
States & political subdivisions	-	79,277	79,277
Other	-	18,053	18,053
	$ 7,000	623,062	630,062

Loans are considered to be impaired when it is determined that collection of all contractually owed amounts, including principal and interest, is unlikely. For nonaccrual loans with a balance greater than $250,000 or otherwise determined to be a Troubled Debt Restructure (TDR), the Company considers the loan to be impaired and performs an impairment evaluation to determine the need for a specific reserve. The specific reserve is equal to the portion of the loan found to be impaired based on 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 impaired loans that are accruing are recognized in interest income, according to the loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding.

The following presents a summary of impaired loans as of December 31, 2015:

(in thousands)

	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total Allowance
1-4 family real estate	$ 698	698	-	698	-
Nonfarm nonresidential real estate	4,304	-	4,304	4,304	58
	$ 5,002	698	4,304	5,002	58

The following presents a summary of impaired loans as of December 31, 2014:

(in thousands)

	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total Allowance
1-4 family real estate	$ 905	768	137	905	1
Nonfarm nonresidential real estate	5,739	1,251	4,488	5,739	97
Commercial & industrial	356	287	69	356	-
	$ 7,000	2,306	4,694	7,000	98

The average recorded investment in impaired loans and the related interest income recognized for cash payments received as of December 31 were as follows:

(in thousands)

	2015		2014	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Construction & development	$ -	-	331	38
1-4 family real estate	800	47	539	32
Nonfarm nonresidential real estate	4,957	390	6,123	473
Commercial & industrial	22	1	217	28
	$ 5,779	438	7,210	571

Included in certain loan categories of impaired loans are TDRs on which the Company has granted certain material concessions to the borrower as a result of the borrower experiencing financial difficulties. As of December 31, 2015 and 2014, respectively, none of the Company's loans were modified in TDRs and identified as nonaccrual loans. As of December 31, 2015, there were no additional funds committed to lend to borrowers whose loans have been modified in a troubled debt restructuring. As of December 31, 2014, $2,000 was committed to lend as additional funds to borrowers whose loans have been modified in a troubled debt restructuring. The concessions granted by the Company may include, but are not limited to: (1) a modification in which the maturity date, timing of payments or frequency of payments is modified, (2) an interest rate lower than the current market rate for new loans with similar risk, or (3) a combination of the first two factors.

If a borrower on a restructured accruing loan has demonstrated performance under the previous terms, is not experiencing financial difficulty and shows the capacity to continue to perform under the restructured 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. Loans identified as TDRs are evaluated for impairment 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 loan losses, and as such, may result in increases or decreases to the provision for loan losses in current and future earnings.

There were no new loans identified as TDRs for the year ended December 31, 2015. The following presents a summary of loans identified as TDRs for the year ended December 31, 2014:

(in thousands)

	Number of loans	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
1-4 family real estate	2	$ 768	768
Nonfarm nonresidential real estate	1	727	727
Commercial & industrial	1	51	51
	4	$ 1,546	1,546

Loans modified as TDRs within the previous 12 months and for which there was a payment default, defined as being 30 days or more past due, during the period are summarized for the year ended December 31 as follows:

(in thousands)

	2015		2014	
	Number of loans	Recorded investment	Number of loans	Recorded investment
Nonfarm nonresidential real estate	-	$ -	4	$ 3,898
Commercial & industrial	-	-	1	69
	-	$ -	5	$ 3,967

Loans are generally placed on nonaccrual status when they are past due for over 90 days unless they are adequately collateralized and are in the process of collection. No interest is accounted for as income on nonaccrual loans unless received in cash or until such time as the borrower demonstrates an ability to resume payments of principal and interest. Generally, interest previously accrued but not collected is reversed and charged against income when a loan is placed on nonaccrual.

Nonaccrual loans as of December 31 are summarized as follows:

(in thousands)

		2015	2014
Commercial & industrial	$	178	246

The following tables present an aging analysis of loans as of December 31, 2015 and 2014, respectively. Nonaccrual loans that are current represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected. As of December 31, 2015 there were $178,000 in nonaccrual loans considered current, no nonaccrual loans 30-89 days past due and no nonaccrual loans 90 days or more past due. There are no loans past due more than 90 days still accruing interest as of December 31, 2015 or 2014. As of December 31, 2014 there were $246 in nonaccrual loans considered current, no nonaccrual loans 30-89 days past due and no nonaccrual loans 90 days or more past due.

(in thousands)

As of December 31, 2015:		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	$	69	-	-	69	139,649	139,718
1-4 family real estate		-	-	-	-	55,412	55,412
Nonfarm nonresidential real estate		-	-	-	-	322,494	322,494
Commercial & industrial		-	2	178	180	64,399	64,579
States & political subdivisions		-	-	-	-	102,760	102,760
Other		-	-	-	-	34,522	34,522
	$	69	2	178	249	719,236	719,485

As of December 31, 2014:		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	$	281	-	-	281	99,810	100,091
1-4 family real estate		-	-	-	-	54,007	54,007
Nonfarm nonresidential real estate		106	-	-	106	318,298	318,404
Commercial & industrial		-	-	246	246	59,984	60,230
States & political subdivisions		-	-	-	-	79,277	79,277
Other		1	-	-	1	18,052	18,053
	$	388	-	246	634	629,428	630,062

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 grade, special mention, substandard accruing, and substandard non-accruing categories. The definitions of those categories are as follows:

Pass: Loans that do not fit either of the other two 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 up or down, 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. These loans will require vigorous attention to salvage.

Outstanding loan balances categorized by internal risk grades as of December 31, 2015 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 137,280	-	2,438	-	139,718
1-4 family real estate	55,311	-	101	-	55,412
Nonfarm nonresidential real estate	311,503	-	10,991	-	322,494
Commercial & industrial	64,086	-	315	178	64,579
State & political subdivisions	102,760	-	-	-	102,760
Other	34,522	-	-	-	34,522
	$ 705,462	-	13,845	178	719,485

Outstanding loan balances categorized by internal risk grades as of December 31, 2014 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 98,298	-	1,793	-	100,091
1-4 family real estate	53,242	-	765	-	54,007
Nonfarm nonresidential real estate	305,820	-	12,584	-	318,404
Commercial & industrial	59,186	-	798	246	60,230
State & political subdivisions	79,277	-	-	-	79,277
Other	17,662	-	391	-	18,053
	$ 613,485	-	16,331	246	630,062

(6) PREMISES AND EQUIPMENT

Premises and equipment as of December 31, is summarized as follows:

(in thousands)

	2015	2014
Land	$ 3,597	3,597
Buildings and leasehold improvements	16,324	15,979
Furniture and equipment	11,074	10,496
	30,995	30,072
Less accumulated depreciation and amortization	18,264	17,180
	$ 12,731	12,892

(7) INTEREST-BEARING DEPOSITS

Interest-bearing deposits as of December 31, are summarized as follows:

(in thousands)

	2015	2014
Interest-bearing checking	$ 167,170	155,488
Insured money market	222,415	196,301
Savings accounts	93,983	87,917
Certificates of deposit greater than $100	42,448	40,143
Other certificates of deposit	22,351	25,265
	$ 548,367	505,114

The aggregate amount of time deposits with balances of $250,000 or more was $27.8 million and $23.5 million as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, respectively, overdraft deposits totaling $29,000 and $35,000 were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2015 follows:

(in thousands)

	2015
Year ended December 31:	
2016	$ 37,616
2017	8,763
2018	11,547
2019	1,685
2020	5,188
Total	$ 64,799

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 $4,888,000 and $9,139,000 at December 31, 2015 and 2014, respectively.

(8) 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 0.37 percent and 0.34 percent at December 31, 2015 and 2014, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2015 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 book value of the underlying securities that have been sold under agreements to repurchase were $55.2 million and $50.1 million at December 31, 2015 and 2014, respectively. The fair value of such securities was $55.0 million and $50.0 million at December 31, 2015 and 2014, respectively.

(9) OTHER BORROWINGS

There were no other borrowings outstanding as of December 31, 2015 or December 31, 2014.

(10) INCOME TAXES

The provision for income tax expense for the year ended December 31 is summarized as follows:

(in thousands)

		2015	2014
Current:			
Federal	$	6,169	4,366
State		955	688
Deferred:			
Federal		(140)	95
State		(14)	19
Income tax expense	$	6,970	5,168

A reconciliation of expected tax expense to actual income tax expense based on the federal rate of 35 percent and 34 percent for the years ended December 31, 2015 and 2014, respectively, is summarized as follows:

(in thousands)

		2015	2014
Expected federal tax expense	$	7,870	5,793
Increases (decreases) in taxes resulting from:			
Tax-exempt interest income		(1,027)	(792)
State taxes, net of federal benefit		607	471
Bank owned life insurance		(225)	(212)
Captive insurance		(126)	-
Other		(129)	(92)
Income tax expense	$	6,970	5,168

Temporary differences between the amounts reported in the financial statements and the tax basis of liabilities and assets result in deferred taxes. Deferred tax assets and deferred tax liabilities at December 31 are as follows:

(in thousands)

		2015	2014
Deferred tax liabilities			
Premises and equipment	$	416	163
Deferred loan costs		1,086	901
Deferred income on FHLB stock		208	352
Other		429	243
		2,139	1,659
Deferred tax assets			
Net unrealized loss on investment securities available for sale		108	9
Allowance for loan losses		3,463	2,940
Deferred compensation		1,554	1,460
Other		198	181
		5,323	4,590
Net deferred tax asset	$	3,184	2,931

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 assets. The net deferred tax asset is included on the consolidated statements of condition as a component of other assets.

(11) FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in the underlying methodologies and assumptions used could significantly affect the estimates. Further, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements. Therefore, the fair value amounts shown in the table do not, by themselves, represent the underlying value of the Company as a whole.

This summary excludes financial assets and liabilities for which carrying value approximates fair value. For financial assets, these include cash and due from banks, interest-bearing deposits in banks, federal funds sold, FRB and FHLB stock, bank owned life insurance, available for sale securities, accrued interest receivable and loans held for sale. For financial liabilities, these include non-interest bearing deposits, securities sold under agreements to repurchase and accrued interest payable. The estimated fair value of non-interest bearing deposits is the amount payable on demand at the reporting date because the accounts have no stated maturity and the customer has the ability to withdraw funds immediately. Also excluded from the summary are financial instruments recorded at fair value on a recurring basis, as previously described.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31 are as follows:

(in thousands)

		2015		2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Investment securities, held to maturity	$	17,846	18,107	24,662	24,980
Loans, net		710,173	705,898	621,839	616,747
Financial liabilities:					
Interest-bearing deposits		548,367	561,034	505,114	513,774

The following methods and assumptions were used to estimate the fair values disclosed in the above table:

Investment securities, held to maturity – Fair values are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs for the determination of fair value. Third party pricing services normally derive the security prices through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information.

Loans – The fair value is estimated by discounting future cash flows of certain groups of homogeneous loans using the current market rates. These future cash flows are then reduced by the estimated 'life-of-the-loan' aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are highly judgmental because the Company does not have a validated model to estimate lifetime losses on large portions of its loan portfolio. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

Interest-bearing deposits – The fair value is estimated by discounting future cash flows using rates currently available to the Company for debt with similar terms.

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 securities, available for sale as Level 2.

Impaired loans – The Company evaluates the fair value of impaired loans on a quarterly basis. Fair value applies to loans measured for impairment using the practical expedients, including impaired loans measured at an observable market price (if available) or at the fair value of the loan's collateral (if collateral dependent). Fair value of the loan's collateral is determined by appraisals or independent valuation which is then adjusted for the cost related to liquidation of the collateral. The Company has categorized its impaired loans as Level 3.

There were no transfers between Level 1 and Level 2 during 2015 or 2014.

Financial assets measured at fair value as of December 31 are summarized as follows:

(in thousands)

Description of Financial Instrument		Fair Value	2015 Level 1	Level 2	Level 3
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	71,936	-	71,936	-
U.S. government agency mortgage backed securities		20,870	-	20,870	-
Mutual fund		5,148	-	5,148	-
Nonrecurring:					
Impaired loans with a specific valuation allowance		4,246	-	-	4,246

Description of Financial Instrument		Fair Value	2014 Level 1	Level 2	Level 3
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	73,049	-	73,049	-
U.S. government agency mortgage backed securities		26,100	-	26,100	-
Mutual fund		5,070	-	5,070	-
Nonrecurring:					
Impaired loans with a specific valuation allowance		4,596	-	-	4,596

The following tables present information about significant unobservable inputs related to the Company's categories of Level 3 financial assets measured on a nonrecurring basis:

(dollars in thousands)

As of December 31, 2015:		Fair value	Valuation technique	Unobservable inputs	Range of inputs	Weighted average discount
Impaired loans with a specific valuation allowance:						
Nonfarm nonresidential real estate	$	4,246	Discounted cash flow	Discount rate	0.59% to 0.63%	0.62%

As of December 31, 2014:		Fair value	Valuation technique	Unobservable inputs	Range of inputs	Weighted average discount
Impaired loans with a specific valuation allowance:						
1-4 family real estate	$	136	Discounted cash flow	Discount rate	0.75%	0.75%
Nonfarm nonresidential real estate		4,391	Discounted cash flow	Discount rate	0.87% to 3.87%	2.07%
Commercial & industrial		69	Discounted cash flow	Discount rate	0.21%	0.21%

(12) COMMITMENTS AND CONTINGENT LIABILITIES

The Company is obligated under certain operating lease agreements for the rental of buildings that vary in terms from one to nine years. As of December 31, 2015, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

(in thousands)

Year ended December 31:		
2016	$	348
2017		338
2018		328
2019		201
2020		165
Thereafter		398
	$	1,778

The Company recorded lease expense (net of sublease income of approximately $12,000 and $33,000 for the year ending December 31, 2015 and 2014, respectively) under these agreements of approximately $483,000 and $444,000 in 2015 and 2014, respectively. Of these amounts, $14,000 was paid in both 2015 and 2014, to related parties.

Combined allowances for loan losses and reserve for unfunded lending commitments is summarized as follows:

(in thousands)

		2015	2014
Allowance for loan losses	$	8,683	7,281
Reserve for unfunded lending commitments		600	600
	$	9,283	7,881

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 was calculated, was $218.0 million and $203.0 million as of December 31, 2015 and 2014, respectively. Commitments on letters of credit totaled $5.2 million and $4.1 million as of December 31, 2015 and 2014, respectively, and $212.8 million and $198.9 million respectively, on all other variable rate loan commitments.

The Company has lines of credit established with the FHLB of Des Moines for $335.3 million (35 percent of total assets), Zions First National Bank for $15.0 million and JP Morgan Chase for $10.0 million. The FHLB credit line is limited to the amount of pledged collateral which was $176.4 million as of December 31, 2015. The lines of credit are reviewed on an annual basis and market interest rates are set at the time funds are borrowed. The Company did not have outstanding borrowings from FHLB of Des Moines, Zions First National Bank, or JP Morgan Chase at December 31, 2015 or 2014.

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.

(13) 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.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average quarterly assets (as defined). The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company and the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. As part of the Basel III rules implementation, in March 2015 the Company exercised a one-time irrevocable option to exclude the investment components of accumulated other comprehensive income in the capital calculation. Capital amounts and ratios for December 31, 2015 are calculated using the Basel III rules. Capital amounts and ratios for December 31, 2014 are calculated using the Basel I rules. Management believes, as of December 31, 2015, that the Company meets all minimum capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from the Federal Deposit Insurance Corporation categorized the Corporation as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain certain Total and Tier 1 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 Company's category.

Dividends declared by the Corporation 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, 2015, the Company had approximately $33.6 million available for payment of dividends under the foregoing restrictions.

Capital amounts and ratios as of December 31, 2015 are summarized as follows:

(dollars in thousands)

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)						
Consolidated	$ 136,201	16.96%	64,246	8.0%	N/A	N/A
Bank of Utah	134,008	16.69%	64,234	8.0%	80,292	10.0%
Common Equity Tier 1 Capital (to risk weighted assets)						
Consolidated	126,918	15.81%	36,125	4.5%	N/A	N/A
Bank of Utah	124,725	15.53%	36,141	4.5%	52,203	6.5%
Tier 1 Capital (to risk weighted assets)						
Consolidated	126,918	15.81%	48,166	6.0%	N/A	N/A
Bank of Utah	124,725	15.53%	48,187	6.0%	64,250	8.0%
Tier 1 Capital (to quarterly average assets)						
Consolidated	126,918	13.32%	38,114	4.0%	N/A	N/A
Bank of Utah	124,725	13.17%	37,882	4.0%	47,352	5.0%

Capital amounts and ratios as of December 31, 2014 are summarized as follows:

(dollars in thousands)

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital						
(to risk weighted assets)						
Consolidated	$ 122,848	19.64%	50,033	8.0%	N/A	N/A
Bank of Utah	121,501	19.43%	50,033	8.0%	62,542	10.0%
Tier 1 Capital						
(to risk weighted assets)						
Consolidated	114,967	18.38%	25,017	4.0%	N/A	N/A
Bank of Utah	113,621	18.17%	25,017	4.0%	37,525	6.0%
Tier 1 Capital						
(to quarterly average assets)						
Consolidated	114,967	13.22%	34,781	4.0%	N/A	N/A
Bank of Utah	113,621	13.07%	34,781	4.0%	43,476	5.0%

Schedule 1

BOU BANCORP. INC. AND SUBSIDIARIES

CONSOLIDATING SCHEDULE - STATEMENT OF CONDITION

December 31, 2015

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	15,818	-	-	15,818
Interest-bearing deposits in banks	1,744	46,155	1,224	(1,744)	47,379
Federal funds sold	-	264	-	-	264
Investment securities:					
Held to maturity, at cost	-	17,846	-	-	17,846
Available for sale, at fair value	-	97,954	-	-	97,954
Total investment securities	-	115,800	-	-	115,800
Loans held for sale	-	15,333	-	-	15,333
Loans	-	718,856	-	-	718,856
Less allowance for loan losses	-	8,683	-	-	8,683
Net loans	-	710,173	-	-	710,173
Investment in Bank of Utah	130,611	-	-	(130,611)	-
Investment in Utah Risk Management, Inc.	609	-	-	(609)	-
Accrued interest receivable	-	2,982	4	-	2,986
Goodwill	-	5,894	-	-	5,894
Bank owned life insurance	-	19,595	-	-	19,595
Premises and equipment, net	-	12,731	-	-	12,731
Deferred tax asset	-	3,184	-	-	3,184
Other assets	128	4,955	320	(869)	4,534
Total assets	$ 133,092	952,884	1,548	(133,833)	953,691
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Non interest-bearing	$ -	216,004	-	-	216,004
Interest-bearing	-	550,111	-	(1,744)	548,367
Total deposits	-	766,115	-	(1,744)	764,371
Securities sold under agreements to repurchase	-	49,020	-	-	49,020
Other liabilities	288	7,139	938	(869)	7,496
Total liabilities	288	822,274	938	(2,613)	820,887
Common stock	1,683	3,656	2	(3,658)	1,683
Paid-in capital	4,334	8,534	248	(8,782)	4,334
Accumulated other comprehensive loss	(182)	(182)	-	182	(182)
Retained earnings	126,969	118,602	360	(118,962)	126,969
Total stockholders' equity	132,804	130,610	610	(131,220)	132,804
	$ 133,092	952,884	1,548	(133,833)	953,691

See accompanying report of independent auditors.

BOU BANCORP. INC. AND SUBSIDIARIES

Schedule 1

CONSOLIDATING SCHEDULE - STATEMENT OF CONDITION

December 31, 2014

(in thousands)	BOU Bancorp, Inc.	Bank of Utah	Eliminations	Consolidated
ASSETS				
Cash and due from banks	$ 1,611	15,505	(1,611)	15,505
Interest-bearing deposits in banks	-	31,499	-	31,499
Federal funds sold	-	14	-	14
Investment securities:				
Held to maturity, at cost	-	24,662	-	24,662
Available for sale, at fair value	-	104,219	-	104,219
Total investment securities	-	128,881	-	128,881
Loans held for sale	-	11,806	-	11,806
Loans	-	629,120	-	629,120
Less allowance for loan losses	-	7,281	-	7,281
Net loans	-	621,839	-	621,839
Investment in Bank of Utah	119,643	-	(119,643)	-
Accrued interest receivable	-	2,600	-	2,600
Goodwill	-	5,894	-	5,894
Bank owned life insurance	-	18,954	-	18,954
Premises and equipment, net	-	12,892	-	12,892
Deferred tax asset	-	2,931	-	2,931
Other assets	-	4,654	-	4,654
Total assets	$ 121,254	857,469	(121,254)	857,469
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Non interest-bearing	$ -	181,635	-	181,635
Interest-bearing	-	506,725	(1,611)	505,114
Total deposits	-	688,360	(1,611)	686,749
Securities sold under agreements to repurchase	-	42,733	-	42,733
Other liabilities	264	6,733	-	6,997
Total liabilities	264	737,826	(1,611)	736,479
Common stock	1,683	3,656	(3,656)	1,683
Paid-in capital	4,334	8,534	(8,534)	4,334
Accumulated other comprehensive loss	(15)	(15)	15	(15)
Retained earnings	114,988	107,468	(107,468)	114,988
Total stockholders' equity	120,990	119,643	(119,643)	120,990
	$ 121,254	857,469	(121,254)	857,469

See accompanying report of independent auditors.

Schedule 2

BOU BANCORP. INC. AND SUBSIDIARIES

CONSOLIDATING SCHEDULE - STATEMENT OF INCOME

Year ended December 31, 2015

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	33,286	-	-	33,286
Interest on investment securities:					
Taxable	-	1,435	-	-	1,435
Tax-exempt	-	496	-	-	496
Interest on loans held for sale	-	560	-	-	560
Interest on federal funds sold	-	1	-	-	1
Interest on interest-bearing deposits in banks	3	119	3	(3)	122
Total interest income	3	35,897	3	(3)	35,900
INTEREST EXPENSE:					
Interest on deposits	-	1,657	-	(3)	1,654
Interest on securities sold under agreement to repurchase	-	152	-	-	152
Interest on other borrowings	-	1	-	-	1
Total interest expense	-	1,810	-	(3)	1,807
Net interest income	3	34,087	3	-	34,093
Provision for loan losses	-	1,300	-	-	1,300
Net interest income after provision for loan losses	3	32,787	3	-	32,793
OPERATING INCOME:					
Dividend from Bank of Utah	4,569	-	-	(4,569)	-
Equity in undistributed income of Bank of Utah	11,134	-	-	(11,134)	-
Equity in undistributed income of Utah Risk Management, Inc.	360	-	-	(360)	-
Service charges on deposits	-	1,493	-	-	1,493
Gain on sale of loans	-	9,038	-	-	9,038
Trust fees	-	7,772	-	-	7,772
Cash surrender value increase of life insurance	-	641	-	-	641
Other	-	1,461	489	(489)	1,461
	16,063	20,405	489	(16,552)	20,405
OPERATING EXPENSES:					
Salaries and employee benefits	644	19,296	-	-	19,940
Net occupancy expense	-	2,169	-	-	2,169
Equipment expense	-	3,074	-	-	3,074
Professional fees and services	107	1,116	25	-	1,248
Other	124	4,539	107	(489)	4,281
	875	30,194	132	(489)	30,712
Income before provision for income taxes	15,191	22,998	360	(16,063)	22,486
Provision for income taxes	(325)	7,295	-	-	6,970
Net income	$ 15,516	15,703	360	(16,063)	15,516

See accompanying report of independent auditors.

BOU BANCORP. INC. AND SUBSIDIARIES

Schedule 2

CONSOLIDATING SCHEDULE - STATEMENT OF INCOME

Year ended December 31, 2014

(in thousands)	BOU Bancorp, Inc.	Bank of Utah	Eliminations	Consolidated
INTEREST INCOME:				
Interest and fees on loans	$ -	29,166	-	29,166
Interest on investment securities:			-	
Taxable	-	1,390	-	1,390
Tax-exempt	-	531	-	531
Interest on loans held for sale	-	348	-	348
Interest on federal funds sold	-	1	-	1
Interest on interest-bearing deposits in banks	3	190	(3)	190
Total interest income	3	31,626	(3)	31,626
INTEREST EXPENSE:				
Interest on deposits	-	1,626	(3)	1,623
Interest on securities sold under agreement to repurchase	-	112	-	112
Interest on other borrowings	-	1	-	1
Total interest expense	-	1,739	(3)	1,736
Net interest income	3	29,887	-	29,890
Provision for (reversal of) loan losses	-	(500)	-	(500)
Net interest income after provision for (reversal of) loan losses	3	30,387	-	30,390
OPERATING INCOME:				
Dividend from Bank of Utah	3,930	-	(3,930)	-
Equity in undistributed income of Bank of Utah	8,656	-	(8,656)	-
Service charges on deposits	-	1,575	-	1,575
Gain on sale of loans	-	5,997	-	5,997
Trust fees	-	7,101	-	7,101
Cash surrender value increase of life insurance	-	622	-	622
Other	-	1,421	-	1,421
	12,586	16,716	(12,586)	16,716
OPERATING EXPENSES:				
Salaries and employee benefits	608	18,954	-	19,562
Net occupancy expense	-	2,115	-	2,115
Equipment expense	-	2,790	-	2,790
Professional fees and services	21	1,358	-	1,379
Other	90	4,132	-	4,222
	719	29,349	-	30,068
Income before provision for income taxes	11,870	17,754	(12,586)	17,038
Provision for income taxes	-	5,168	-	5,168
Net income	$ 11,870	12,586	(12,586)	11,870

See accompanying report of independent auditors.

BOU BANCORP. INC.
BOARD OF DIRECTORS

Frank W. Browning
Chairman of the Board
President

Douglas L. DeFries
Vice President

Jonathan W. Browning
Secretary to the Board
Vice President

George E. Hall
General Partner
Elliott-Hall Company

H. Dee Hutzley
Grocer

Dr. Gary R. Gibbons
Physician

OFFICERS

Frank W. Browning
Chairman of the Board
President

Douglas L. DeFries
Vice President

Jonathan W. Browning
Secretary to the Board
Vice President

Nathan L. DeFries
Treasurer

UTAH RISK MANAGEMENT, INC.
BOARD OF DIRECTORS

Larry M. Wood
Chairman of the Board
President

Branden P. Hansen
Vice President

Benjamin F. Browning
Vice President

Colby J. Dustin
Vice President

OFFICERS

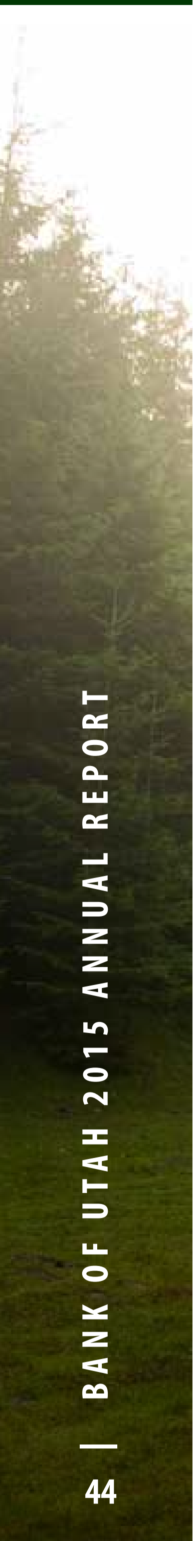
Larry M. Wood
Chairman of the Board
President and Treasurer

Joshua C. Miller
Secretary

Branden P. Hansen
Vice President

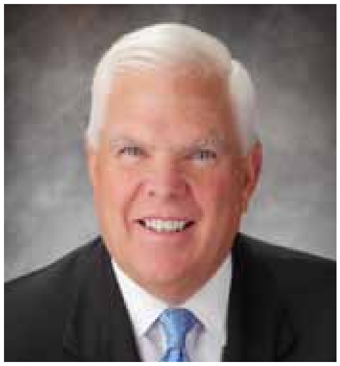
Benjamin F. Browning
Vice President

Colby J. Dustin
Vice President



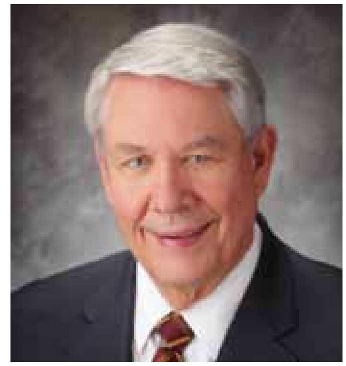
BANK OF UTAH
BOARD OF DIRECTORS

Frank W. Browning
Chairman of the Board

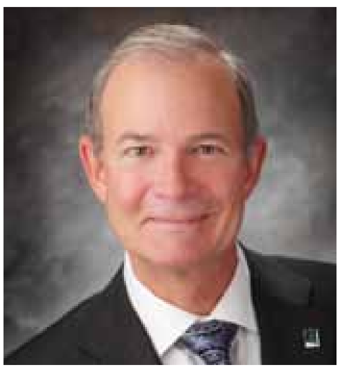


Douglas L. DeFries
President & CEO

Jonathan W. Browning
Secretary to the Board



Dr. Gary R. Gibbons
Physician



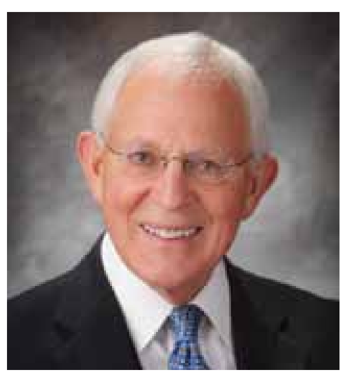
George E. Hall
General Partner
Elliott-Hall Company

H. Dee Hutzley
Grocer

Eugene B. Jones
Certified
Public Accountant

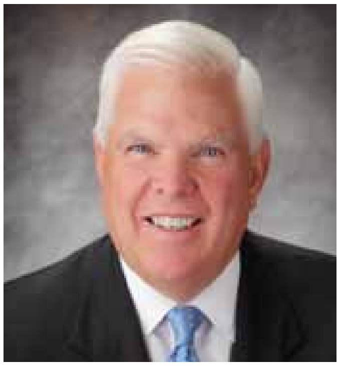
Steven M. Petersen
Chairman
Petersen, Inc.

Benjamin F. Browning
Business Optimization
Manager



Marlin K. Jensen
Attorney

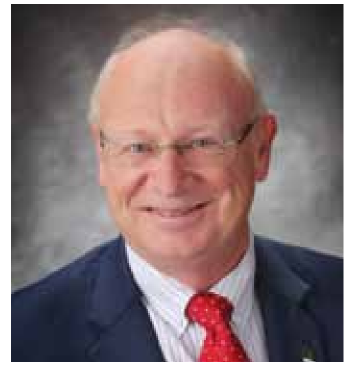
BANK OF UTAH
EXECUTIVE OFFICERS



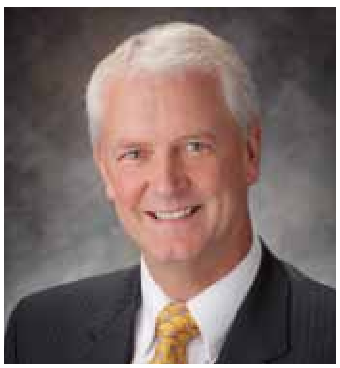
Douglas L. DeFries
President & CEO

Branden P. Hansen
Executive Vice President
Chief Financial Officer

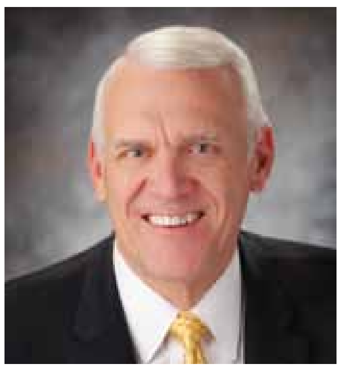
Taft G. Meyer
Executive Vice President
Chief Lending Officer



Roger G. Shumway
Executive Vice President
Chief Credit Officer



Roger L. Christensen
Senior Vice President
Business Development & Communications



K. Darrel May
Senior Vice President
Human Resources

T. Craig Roper
Senior Vice President
Chief Deposit Officer

Menah C. Strong
Senior Vice President
Chief Administrative Officer

Bret J. Wall
Senior Vice President
Residential & Consumer Lending

David B. Guzy
Senior Vice President
Wealth Management

Colby J. Dustin
Vice President
Enterprise Risk

Brian S. Stevens
Vice President
Information Technology

BANK OF UTAH
OFFICERS

LENDING:

Jared M. Anderson	Senior Vice President, Team Leader, Ogden Muni
Robert W. Bunce	Senior Vice President, Credit Administrator
Steven P. Diamond	Senior Vice President, Relationship Manager
Norman G. Fukui	Senior Vice President, Team Leader, Box Elder, Small Business
Cari G. Fullerton	Senior Vice President, Team Leader, Ogden CRE
Corey L. Johnson	Senior Vice President, Team Leader, Orem
Krista L. Lewis	Senior Vice President, Team Leader, Logan
Russell W. Miller	Senior Vice President, Credit Administrator
David K. Snow	Senior Vice President, Team Leader, Redwood
Eric S. Blanchard	Vice President, Relationship Manager
Gregory J. Brown	Vice President, Relationship Manager
Kelly D. Crane-Hale	Vice President, Relationship Manager
M. Brady Fosmark	Vice President, Team Leader, 7th South
Larry R. Hintze	Vice President, Relationship Manager
David E. Mumm	Vice President, Relationship Manager
Spencer R. Richins	Vice President, Relationship Manager
Tiffany S. Hernandez	Assistant Vice President, Credit Analyst
Jeffery L. Norton	Assistant Vice President, Relationship Manager
Blake W. Ostler	Assistant Vice President, Portfolio Manager
Beckie K. Reynosa	Assistant Vice President, Portfolio Manager

BRANCH MANAGEMENT:

Patty K. Frehner	Vice President, Banking Operations
David B. Rusch	Vice President, Retail Banking Manager
Mary M. Ryan	Assistant Vice President, Branch Manager

LENDING ADMINISTRATION:

Daniel S. Boren	Vice President, Collections/Special Assets
Dillon George	Vice President, Portfolio Manager, CRM
Christina L. Thurnwald	Vice President, Loan Documentation Manager
Rachel L. Phillips	Assistant Vice President, Commercial Servicing Manager

BANK OF UTAH
OFFICERS

CORPORATE ADMINISTRATION:

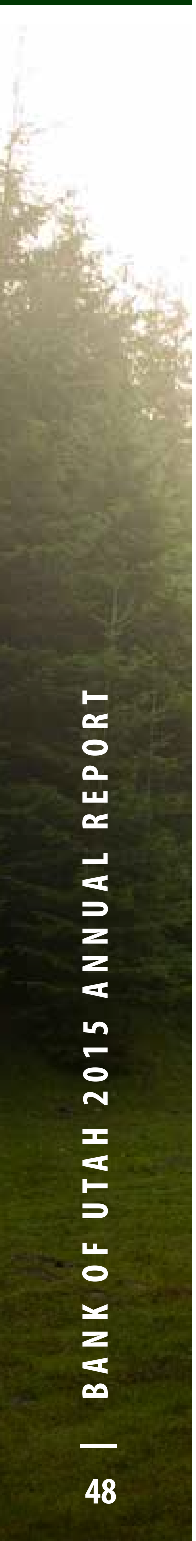
Benjamin F. Browning	Vice President, Business Optimization Director
Nathan L. DeFries	Vice President, Finance
D. Scott Heninger	Vice President, Loan Review
Colleen Schulthies	Vice President, Legal Counsel
Elizabeth N. Warner	Vice President, Lending Compliance Officer
Jay D. Weaver	Vice President, Network Manager
Shanna N. Davis	Assistant Vice President, BSA and Deposit Compliance Officer
Susana K. Feightner	Assistant Vice President, Assistant Controller
Heidi Foust	Assistant Vice President, Lending Compliance Officer
Christopher N. McIntyre	Assistant Vice President, IT Data Center Manager

MORTGAGE & RESIDENTIAL CONSTRUCTION:

Wesley T. Barlow	Vice President, Mortgage Production Area Manager
Jennifer H. Dee	Vice President, Mortgage Production Support
Eric D. DeFries	Vice President, Mortgage and Consumer Finance
W. Dan Farnsworth	Vice President, Mortgage Loan Office Manager, Logan
Michael R. Medsker	Vice President, Mortgage Loan Office Manager, Ogden
Russell G. Piggott	Vice President, Mortgage Loan Office Manager, Logan City Center
Kathy L. Robles	Vice President, Mortgage Operations Supervisor
Linda C. Rose	Vice President, Mortgage Loan Office Manager, South Ogden
Katherine L. Davis	Assistant Vice President, Relationship Manager, Consumer
Shawn A. Hanlin	Assistant Vice President, Secondary Market
Cindee L. Himelright	Assistant Vice President, Consumer Servicing Manager

WEALTH MANAGEMENT:

John W. Walton	Senior Vice President, Private Banking
Paul R. Buchanan	Vice President, Trust Assistant Manager
Brenda L. Lambert	Vice President, Trust Officer
Jodie K. LeBlanc	Vice President, Trust Officer
Lisa K. Mariano	Vice President, Trust Officer
Craig A. Standing	Vice President, Trust Officer
Kristi J. Gardner	Assistant Vice President, Trust Operations Manager



BANK OF UTAH
OFFICES

Ogden (Main)
2605 Washington Blvd.
Ogden UT 84401
801-409-5000

Ben Lomond
115 Washington Blvd.
Ogden, UT 84404
801-399-4425

Brigham City
80 East 800 South
Brigham City, UT 84302
435-723-9313

Layton
717 West Antelope Dr.
Layton, UT 84041
801-773-2221

Logan
5 East 1400 North
Logan, UT 84341
435-752-7102

Logan City Center
45 East 200 North, Ste. 102
Logan, Utah 84321
435-792-4600

Orem
1000 West 800 North
Orem, UT 84057
801-765-4401

Price
475 East Main, Ste. B
Price, UT 84501
435-637-3305

Providence
121 North Gateway Dr.
Providence, UT 84332
435-752-7198

Redwood
2309 South Redwood Rd.
Salt Lake City, UT 84119
801-973-2798

Roy
5741 South 1900 West
Roy, UT 84067
801-825-1647

Salt Lake City
200 East South Temple
Ste. 210
Salt Lake City, 84111
801-924-3690

Sandy
9320 South State
Sandy, UT 84070
801-562-5375

Seventh South
711 South State
Salt Lake City, UT 84111
801-532-7111

South Ogden
4605 Harrison Blvd. Ste100
Ogden UT 84403
801-394-6611

South Towne
11075 South State
Bldg 2
Sandy, UT 84070
801-285-5000

St. George
243 E. St. George Blvd. Ste. 110
St. George, UT 84790
435-986-7221

Tremonton
25 North Tremont St.
Tremonton, UT 84337
435-257-3613

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MORTGAGE LOAN PRODUCTION OFFICE

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