



BOU Bancorp, Inc.

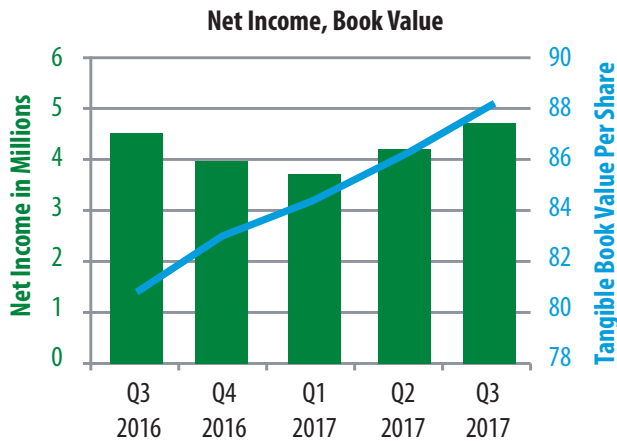
# QUARTERLY REPORT

Q3 2017

## PRESIDENT'S MESSAGE

On behalf of BOU Bancorp, Inc., the holding company of Bank of Utah (Bank) and Utah Risk Management, Inc. (URM), collectively known as the Company, I am pleased to report a third quarter dividend of \$1.15 per share was paid on October 20, 2017. The dividend paid for the second quarter of 2017 was \$0.60 per share. The dividend paid for the third quarter of 2016 was \$0.65 per share. The large increase in the dividend was due to a \$0.85 million return of capital from URM, our captive insurance company.

Net income for the third quarter of 2017 was \$4.6 million compared to \$4.2 million for the second quarter of 2017, an increase of 9.5 percent and \$4.4 million for the third quarter of 2016, a 4.6 percent increase. Consolidated net income for the nine months ending September 30, 2017 was \$12.6 million compared to \$12.7 million for the comparable 2016 period.



The Company continues to produce strong growth and income results for 2017. We have benefited from a robust local economy and our markets exceed national averages in many key areas. According to the Kem Gardner Institute at the University of Utah, Utah's personal income in 2017 has grown by 4.4 percent and is ranked second in the nation. Additionally, the state ranks first in population growth, providing a steady supply of future workers and consumers.

Utah is also the youngest state in the nation with a median age of 31 and its population is highly educated. Many new companies have been attracted to Utah because of these factors. In addition, our housing prices are low compared to Southern California and Seattle markets, from which we are getting in-migration. Although the Utah economy is strong, we cannot predict what may happen nationally or internationally that may affect our market. The Bank has worked diligently to prepare for any economic situation.

## LOOKING TO THE FUTURE

People expect the Bank to keep their assets safe, to have easy and diverse ways to access accounts and have knowledgeable, friendly people who can aid them while making financial decisions. Our goal is to meet and exceed these expectations.

Last month, we held information security conferences in four of our markets to educate our customers on cyber-attacks. Like the Bank, it is important for individuals and businesses to invest in protecting accounts and identities. Obtaining personal information is the new trading commodity among thieves. At Bank of Utah, we are continually updating our systems to keep your information as safe as possible and yet still allow you the ease of access that you need for your financial endeavors.

Additionally, if you have a financial need, such as a business loan, home purchase, personal or corporate trust, checking or savings—or even a simple question—we have experienced employees that will help you find what is best for you and for your company.

**Douglas L. DeFries**

BANK-PRESIDENT AND CEO  
COMPANY-VICE PRESIDENT

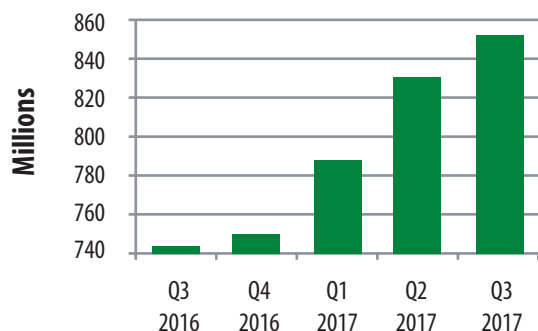


# Q3 2017 BANK FINANCIAL ANALYSIS

## COMMERCIAL LENDING

The loan portfolio, net of unearned income, grew to \$854.0 million, an increase of 2.8 percent compared to the previous quarter and a 14.8 percent increase from third quarter 2016. Large loans and a significant volume of small business loans from well-established customers with excellent track records primarily attributed to this increase. Loan quality remains exceptional as measured by a 0.06 percent Texas ratio. Non-performing assets were 0.02 percent of the total loan portfolio.

Period End Loans, Net of Unearned Income

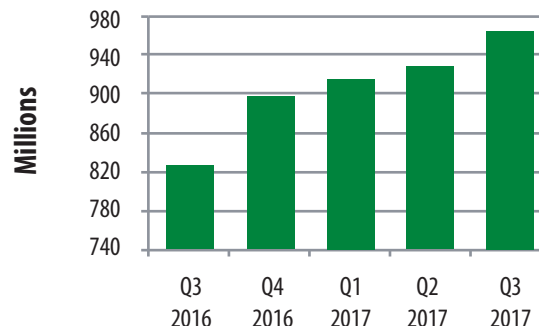


## DEPOSITS

Average deposits were \$965.3 million, a 3.8 percent increase from the previous quarter and a 16.5 percent increase from third quarter 2016. The growth can be attributed to the Company's successful branch personnel training program and improved efficiencies in deposit processes.

In addition, the Treasury Management department has acquired several new business customers.

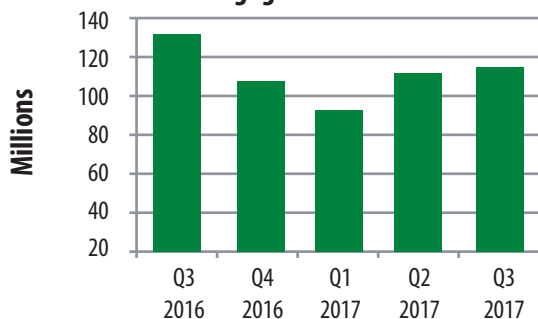
Average Deposits



## MORTGAGE LENDING

Mortgage loan production was \$116.8 million, an increase of 3.1 percent from the previous quarter and an 11.2 percent decrease from third quarter 2016. The year-over-year decrease is attributed to the lack of housing inventory. The Bank continues to finance new construction loans for personal residences. This increase in housing should ease any lack of demand going forward.

Mortgage Production



## WEALTH MANAGEMENT

Wealth Management continues to maintain the stability of previous quarters. Personal trusts under management were \$431.8 million, a 2.1 percent increase from the previous quarter and a 12.7 percent increase from third quarter 2016. Increased referrals from bank employees, attorneys and customers attributed to the growth.

## CORPORATE TRUST

Total assets under management were \$172.5 million, a 17.7 percent increase from the previous quarter and a 35.2 percent increase from third quarter 2016. September was a record month, with more active transactions than any prior month and strong revenue from all sources of business: aircraft owner trusts, security trusts and life settlement trusts. Business aviation has been a strong growth area this quarter by establishing new relationships through active marketing efforts and loyal referral sources. A culture of responsible and timely responses to customer needs keeps them coming back with new transactions.

## COMPANY NOTABLE POINTS

	Q3 2017	Q2 2017	Q3 2016
Return of Average Assets	1.57%	1.51%	1.72%
Return on Average Equity	11.97%	11.33%	12.42%
Net Interest Margin	4.22%	4.14%	4.05%
Earnings per Share	\$2.76	\$2.52	\$2.64

Net interest income (fully taxable equivalent basis) was \$11.8 million, a 7.3 percent increase from the previous quarter and a 19.3 percent increase from the third quarter 2016. Net interest income has seen a steady rise this year.

Tier 1 leverage ratio was 12.45 percent, compared to 12.66 percent for the previous quarter and 13.13 percent for the third quarter 2016.

Non-interest expense has increased 10.3 percent year-over-year due to investments in employees, technology and equipment. A continued focus on cyber security is a priority.