



BOU Bancorp, Inc.

QUARTERLY REPORT

Q1 2018

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 first quarter dividend of \$0.70 per share paid on April 23, 2018. The dividend paid for first quarter of 2017 was \$0.55 per share. Also, the Company declared a nine for one stock dividend that was effective May 1, 2018. We have had significant increases in interest income, primarily due to our commercial loan production over the past year. First quarter 2018 was a continuation of this upward momentum.

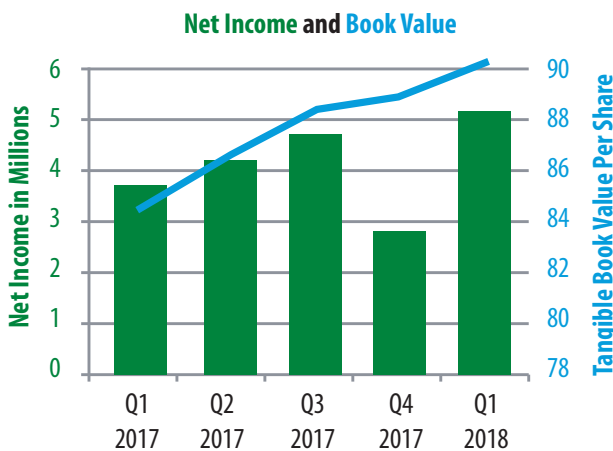
Net income for the first quarter of 2018 was \$5.1 million compared to \$2.7 million for the fourth quarter of 2017 and \$3.7 million for the first quarter of 2017. In terms of net income, this is the highest reported quarterly earnings in the history of the Bank. Deposit gathering efforts have kept pace, enabling the Bank to keep a relatively low cost of funds without borrowing from secondary markets, thus enabling the Bank to fund more loans at a competitive rate. This quarter, the Bank benefited from the lower income tax rate as a result of the new tax reform legislation. The effect of the tax rate change improved net income by \$0.7 million in the first quarter of 2018.

Net interest income for the first quarter of 2018 was \$11.9 million, as compared to \$9.6 million for the first quarter of 2017. Compared to first quarter of 2017, net loans increased 16.7 percent and deposits increased 12.4 percent. In the first quarter of 2017, the net interest margin was 3.89 percent. For

the first quarter of 2018, it increased to 4.17 percent. We expect the Federal Reserve may raise rates at least two more times in 2018. If realized, these rate hikes will increase the amount we are paying for deposits and should increase the interest we receive on the loan portfolio. In addition to lending and deposit gathering, residential real estate lending, wealth management and corporate trust are all exceeding projections for the quarter.

The increase in loans and deposits is a reflection of the Bank's quality employees, innovative products and services, and our ability to meet and exceed our customers' needs. We are also benefiting from one of the strongest local economies in the nation. Since 2005, permits for commercial construction projects in Utah have doubled from \$1.2 trillion to \$2.4 trillion per year. Most of these permits have been issued along the Wasatch Front and Washington County. The current job growth rate for Utah is 3.3 percent, which is more than double the national average of 1.6 percent. This represents 41,300 new jobs in the past year. The state's unemployment rate is 3.1 percent. In a normal, sustainable economy, the unemployment rate would be approximately 4.8 percent. This growth can only be sustained by having enough skilled workers to fill the available jobs. The Kem Gardner Policy Institute reports that Utah's population will reach 4 million in the next 17 years. Unfortunately, the demand for housing has not kept pace with the growth in households. In fact, this is the first time in over 40 years that households are increasing faster than household units. Therefore, the price of housing has increased significantly. Utah has experienced a 276 percent increase in home prices since 1991, the fourth largest increase in the nation. Utah has been discovered, people and businesses want to be here.

As a community bank, we need to be proactive in helping build a state that will continue to attract quality businesses and people. Our role is to be involved in community organizations and participate in worthy causes to help develop our neighborhoods and business centers.



Douglas L. DeFries

Douglas L. DeFries

BANK-PRESIDENT AND CEO
COMPANY-VICE PRESIDENT



Q1 2018 BANK FINANCIAL ANALYSIS

COMMERCIAL LENDING

Commercial lending continued to experience high loan growth during the first quarter of 2018, increasing loans outstanding by 6.7 percent from the previous quarter. Loans outstanding were \$861.8 million at the end of 2017 and \$919.3 million at the end of the first quarter of 2018. Loan quality remained exceptional as measured by a 1.66 percent Texas ratio. This is up from 0.27 percent from the previous quarter, but still well below the national average. Commercial real estate transactions on existing buildings and new construction are still driving the market.

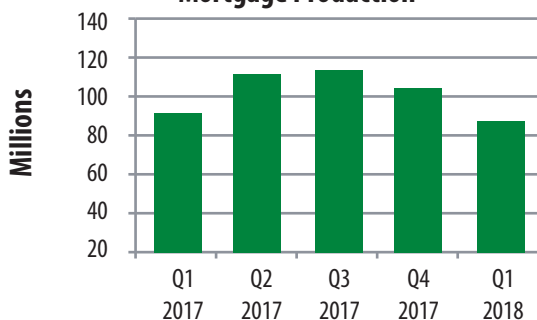
Period End Loans, Net of Unearned Income



RESIDENTIAL LENDING

Residential loan production was \$86 million for the first quarter of 2018, an 18.3 percent decrease from the previous quarter and a 6.7 percent decrease from the first quarter of 2017. This is due to increased competition from local and national lenders, increasing rates and a shortage of available homes. However, the Bank continues to be one of the top 10 banks in Utah for loan production. Results remain within the Bank's expectations.

Mortgage Production



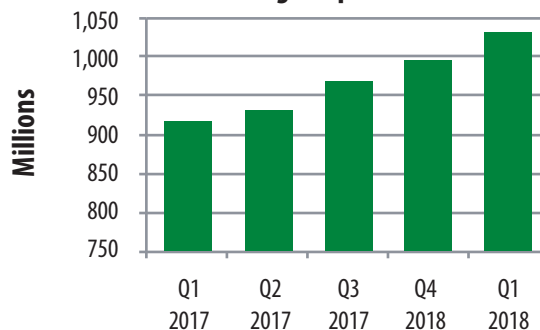
CORPORATE TRUST

Corporate trust production was ahead of goals for the first quarter of 2018. This was helped by strong performance in debt trust products and in the core aviation portfolio. Corporate trust continues to work at the front of industry trends to find solutions for customer and market needs. High quality clients throughout an international market help ensure strong results. Life settlement trusts saw growth as the group remains focused on customer service. Because of lower oil prices, strong economic growth and increased efficiencies, commercial aircraft continue to perform aggressively.

DEPOSITS

Average deposits achieved a milestone at the end of the first quarter of 2018, exceeding \$1 billion. This is a 3.6 percent increase from the previous quarter and a 12.4 percent increase from the first quarter of 2017. Deposit growth for the quarter is directly related to the Bank's brand recognition and customer satisfaction. The Bank has put additional emphasis on deposit growth as the demand for loans in the market increases.

Average Deposits



WEALTH MANAGEMENT

Personal trust assets under management continued to see solid increases with \$440.8 million under management, a 5.4 percent increase from the previous quarter and a 12.7 percent increase from the first quarter of 2017. The Bank's trust officers have earned the respect of many of attorneys in Utah and continually receive many referrals from them.

COMPANY NOTABLE POINTS

	Q1 2018	Q4 2017*	Q1 2017
Return of Average Assets	1.66%	1.41%	1.35%
Return on Average Equity	13.29%	10.99%	10.24%
Net Interest Margin	4.17%	4.21%	3.89%
Earnings Per Share	\$3.05	\$2.56	\$2.20
Total Assets	\$1.31B	\$1.21B	\$1.15B

*Excludes a \$1.6M write down of the deferred tax asset upon passage of tax reform legislation.

Net interest income (fully taxable equivalent basis) was \$12.2 million in the first quarter of 2018, which was a 0.6 percent increase from the previous quarter. This was due to an increase in loan volume and maintaining a low cost of funds.

Tier 1 leverage ratio in the first quarter of 2018 was 12.1 percent, compared to 12.2 percent in the previous quarter. Deposit growth has been strong with more efficient uses of capital.

Salaries expense increased by 2.1 percent from the fourth quarter of 2017. Low unemployment rates have necessitated increased wages in certain areas to maintain a quality workforce.