BOU BANCORP, INC.

ANNUAL REPORT

2017

BANK OF UTAH®

CONTENTS

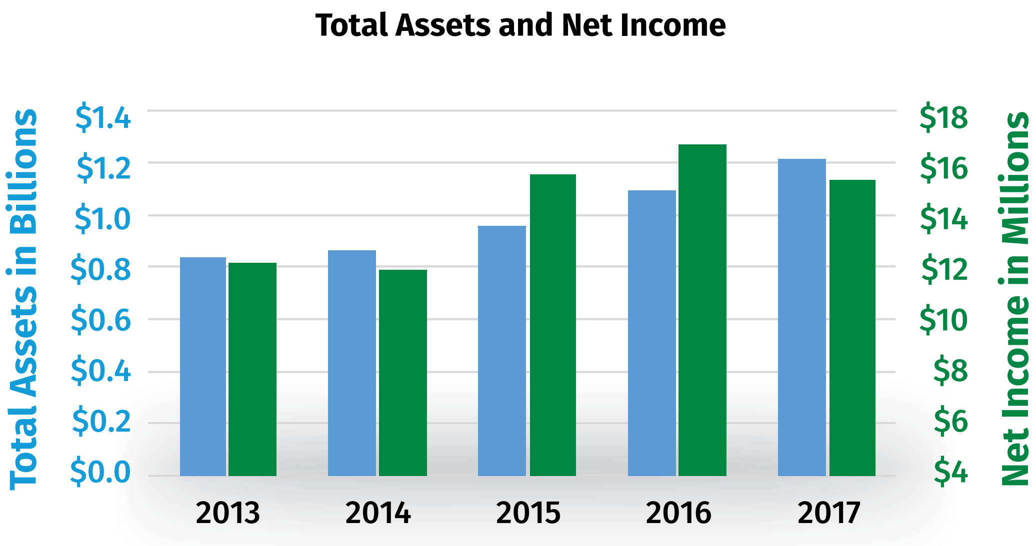
Letter to Shareholders	2
Key Results	5
Report of Independent Auditors	14
Consolidated Financial Statements	16
Notes to Consolidated Financial Statements	20
Consolidating Schedules	44
Officers and Board of Directors	48

PERFORMING AT OPTIMUM LEVELS

Letter to the Shareholders

2017 Annual Report

On behalf of BOU Bancorp, Inc., the holding company of Bank of Utah (Bank) and Utah Risk Management, Inc., collectively referred to as the "Company", we are pleased to report another year of stellar earnings in 2017, with a net income of $15.3 million. These earnings were achieved despite a write down of $1.6 million of our deferred tax asset. The write down was in response to the passage of the Tax Cuts and Jobs Act of 2017, which will benefit us by lowering the federal corporate tax rate in the future. We continue to perform well by paying attention to the needs of our customers, shareholders and employees.



In addition to our excellent earnings, our assets increased by over 11 percent in 2017, from $1.1 billion to $1.2 billion. Assets have grown by 60 percent over the past five years. Our tangible net worth grew from $139.3 million in 2016 to $149.5 million in 2017. This steady increase in capital is a source of strength and gives us flexibility to pursue future opportunities. Cash dividends rose 28.9 percent from $2.25 per share in 2016 to $2.90 per share in 2017. The large increase in dividends was partially attributed to the distribution of $850,000 in return of capital from Utah Risk Management to shareholders. Dividends are an important element of our overall shareholder return strategy and we will continue to evaluate further increases as our earnings grow.

Key Accomplishments in 2017:

- The addition of talented bankers across our commercial, mortgage and deposit teams.
- Opening a new banking center in Bountiful.
- Re-building the Roy branch.
- The addition of a new commercial lending team in Utah County.
- Delivering strong loan and deposit growth.

Bountiful Branch Grand Opening

Roy Branch Grand Re-Opening

We will continue to make prudent investments where we see opportunities to generate additional revenue and improve client access and experience.

In 2017, we took advantage of many opportunities to give back to the communities where we live and work with both financial and service commitments. Some of our charitable endeavours include our *Shower Them With Love* baby item drive, *Warm Bodies Warm Souls* winter clothing drive, numerous scholarships, volunteer service projects and community events. Giving back is an intricate part of who we are and who we plan to be in the future.

Bridging The Gap Food Distribution

Shower Them With Love Baby Drive

We are excited for the future of both our Company and our community. We would not be able to accomplish any of our objectives without the effort and dedication of our Board of Directors, our senior management team and especially our dedicated employees. Together, we are building a stronger future for our customers, communities and shareholders.

Frank W. Browning

Frank W. Browning
Chairman of the Board

Douglas L. DeFries

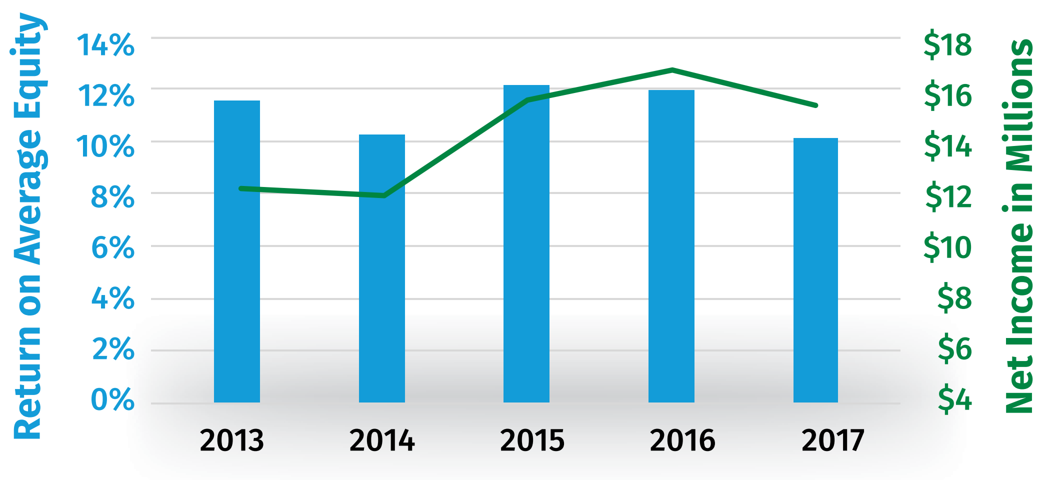
Douglas L. DeFries
President & CEO

EXCEEDING PERFORMANCE GOALS

Key Results
2017 Annual Report

The Company has steadily increased its assets since 2013, with a compound annual growth rate of 9.8 percent. At year-end 2017, assets grew by 11.4 percent with the strongest growth category in commercial loans. Net interest income surpassed 2016 by $5.6 million. This growth is a result of increased demand for loans and higher consumer deposits. In addition, all major business lines added to the value of the Company. The Company's growth is consistent with the long-term performance goals set by management.

Return on Average Equity and Net Income



PROFITABILITY

At year-end 2017, earnings were $15.3 million. This was down from $16.7 million earned in 2016. The reduction in income was due to a write down of $1.6 million in the Company's deferred tax asset. This was in response to the passage of the Tax Cuts and Jobs Act of 2017, which will lower the federal corporate tax rate in the future. Before the write down, consolidated net income for the year was $16.9 million, an increase of 1.3 percent over the prior year. The change in the maximum federal corporate tax rate from 35 percent to 21 percent bodes well for earnings in 2018 and will add value to shareholders in the long run.

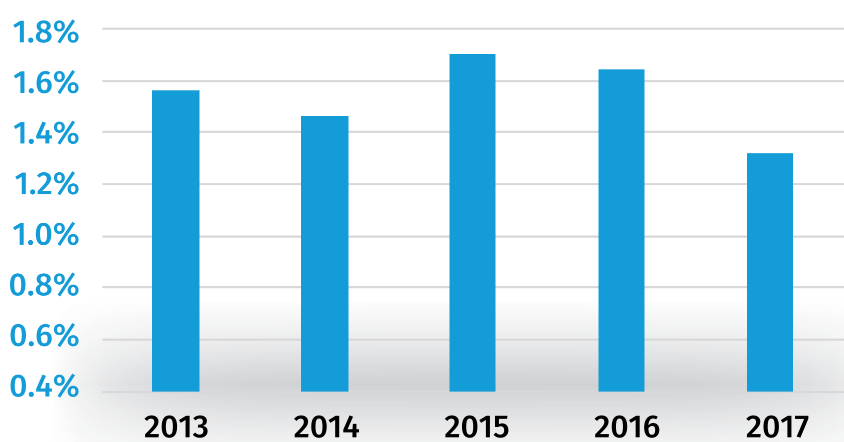
Primary changes to income:

- Net Interest Income and fees on loans increased to $42.8 million in 2017 from $37.2 million in 2016. The change was primarily due to increased interest income from loan growth and an increase in non-interest bearing demand deposits.
- Gain on sales of loans decreased by $1.3 million due to narrowing margins in the secondary market and a reduction in closed loans for the year.

Primary changes to expenses:

- $1.6 million write down of the deferred tax asset account.
- Salaries and employee benefits grew by $2.0 million.
- Increase in professional fees and services of $0.6 million.

Return on Average Assets

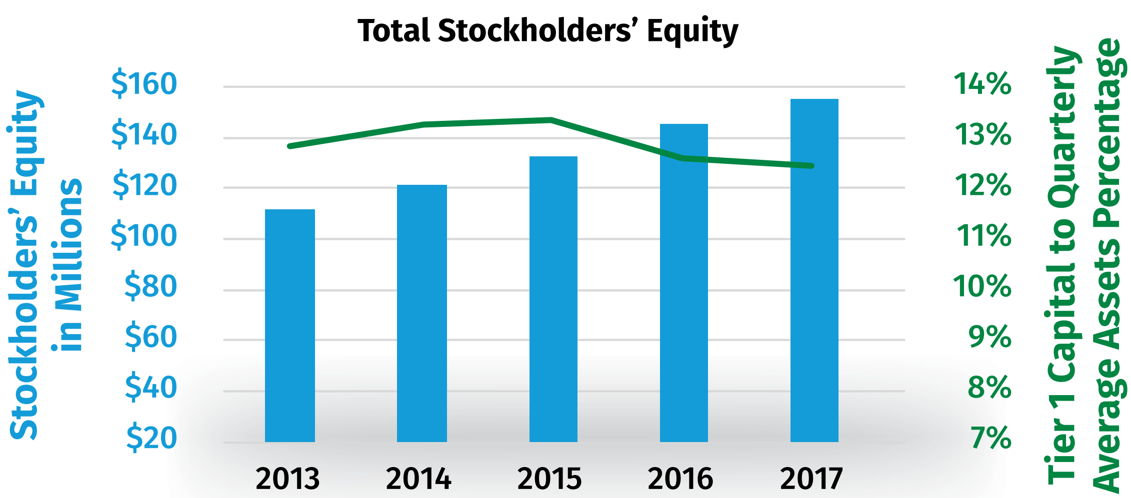


Company Notable Points	YE 2017 Adjusted*	YE 2017	YE 2016
Return of Average Assets	1.46%	1.32%	1.63%
Return on Average Equity	11.15%	10.10%	11.90%
Net Interest Margin	4.12%	4.12%	4.06%
Earnings Per Share	$10.03	$9.09	$9.90
Total Assets	$1.21B	$1.21B	$1.09B

**Results without the $1.6M write down in deferred tax asset.*

CAPITAL LEVELS

Consolidated Tier 1 capital to quarterly average assets was 12.5 percent for year-end 2017. The prior year ended at 12.7 percent. Total consolidated Tier 1 capital grew from $139.7 million in 2016 to $150.3 million in 2017, an increase of $10.6 million. This capital, along with the allowance for loan losses, serves many purposes. It is a reserve to act as a safety net when there are economic downturns in the market. Additionally, the excess capital can be used for dividends to shareholders, future investments in the Company and possible market opportunities that would add value. In 2017, the Company paid $4.9 million in dividends, which represented $2.90 per share. In comparison, a total of $3.8 million was paid in dividends in 2016, which represented $2.25 per share.



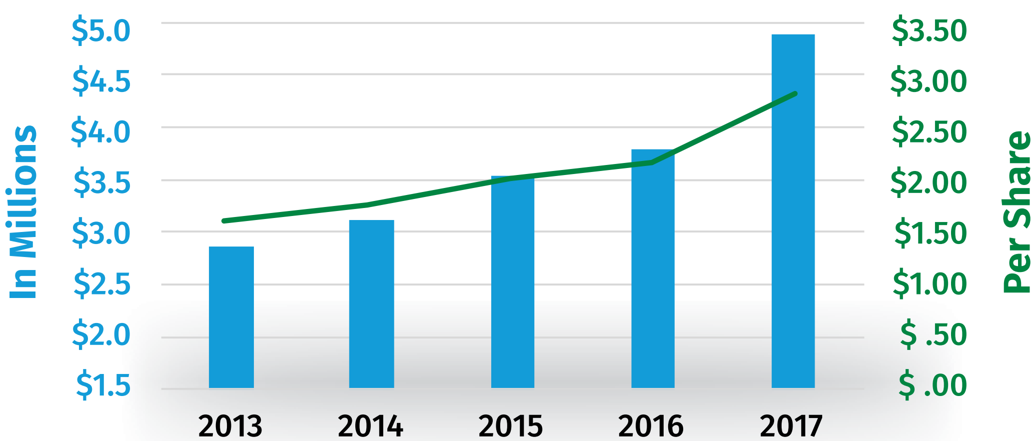
FUTURE INITIATIVES

Enhancing core lines of business will continue to be a focus for 2018. In addition, the Company will fund key areas of operations to ensure it offers the most up-to-date products and services available.

Other initiatives include:

- Enhancing customer banking experiences with improved customer service and innovative money management processes.
- Investing in education and infrastructure to keep banking systems and customer information secure from fraudulent activity.
- Implementation of a new commercial banking platform to improve productivity of lending teams and better serve customers.
- Upgrade in digital banking to better utilize customer data and enhance product targeting and messaging.

Cash Dividends Paid



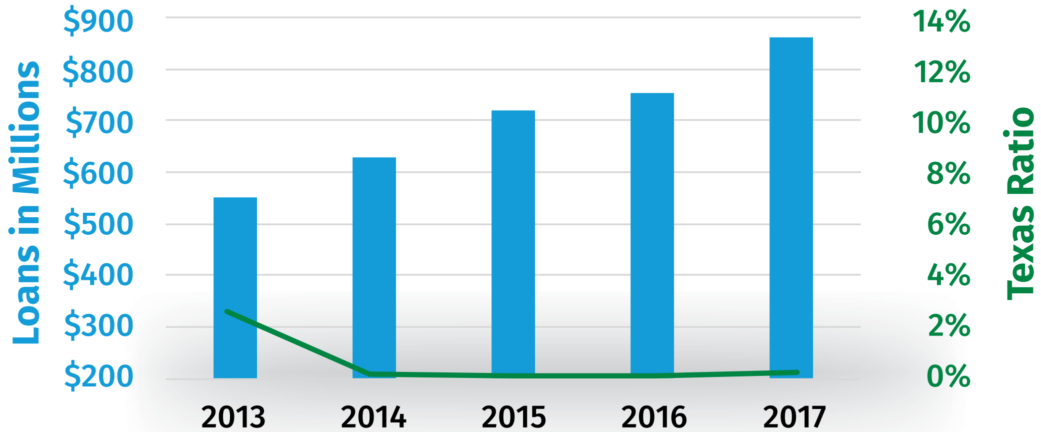
Commercial Lending

Orem Commercial Lending Team

In November of 2017, Forbes rated the State of Utah as the third best state for business. Utah occupied the top spot by Forbes six times in the past seven years. This is due to the pro-business climate and the low cost of energy. In addition, Utah's annual employment growth rate is among the strongest in the nation. The Bank has taken advantage of the opportunities presented in this economic climate and has continued to grow the loan portfolio in all areas of lending, such as equipment, commercial real estate, income property, revolving lines of credit, leasing and municipal lending. Loan growth was 14.5 percent in 2017, which was a significant increase over the 4.7 percent increase in 2016.

The Bank's non-performing loans plus other real estate owned (OREO) was 0.27% of tangible capital plus allowance (Texas Ratio). This measure is still among the lowest in the industry. This is partially due to the strong economy in which the Bank conducts business. It is also due to the detailed underwriting of loans, the quality of its customers and the expertise of lenders to properly structure loans so that they meet the needs of both the customer and the Bank.

Loans Outstanding and Texas Ratio



Treasury Management

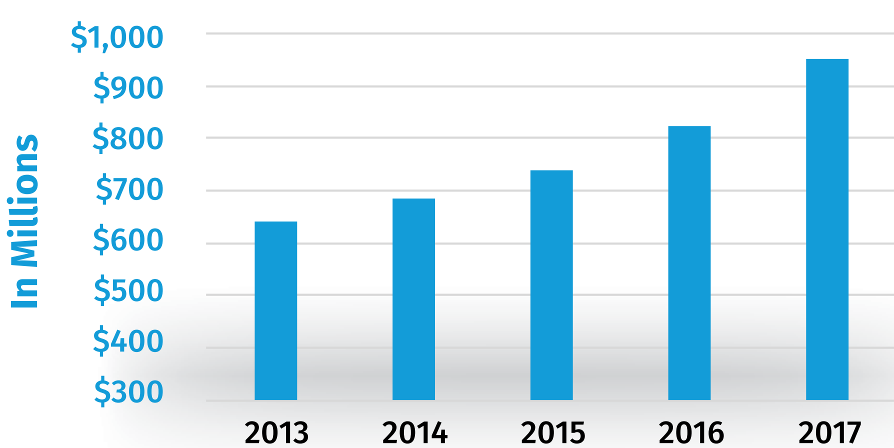
Deposits and Treasury Management

In 2017, average deposits grew by 15.4%, an increase of $126.6 million. The growth came from additional business and personal accounts opened by new and existing customers. Funds from the corporate trust division also added to the growth.

Over the past three years, the Bank has put significant efforts into enhancing the deposit platform by offering more money management tools and resources to customers. These include upgrades to online banking and improved training for employees. In addition, a new full-service banking center opened in Bountiful, Utah. This will add additional depository and lending operations to help those in Davis County.

The treasury management team continues to focus on improving business customers' profitability with products and services that can increase funds availability, enhance security and deliver streamlined electronic processes.

Average Deposits



Wealth Management

Personal Trust: Recurring fee revenue from personal trust accounts is a constant income source for the Bank. Fee revenue was $2.5 million at year end. Assets under management grew to $418.1 million in 2017 from $392.2 in 2016, a 6.6 percent increase. The growth is a result of the group's expertise in managing customer accounts and the referrals received from clients, trust attorneys and employees.

Investments: The financial advisors with the Bank's investment center offer a full suite of products for retirement and wealth management, such as 401(k) plans, annuities, mutual funds and securities.

Private Banking: The primary objective of the private banking team is to increase and protect clients' wealth. Each account receives the highest level of personal attention for any cash management need.

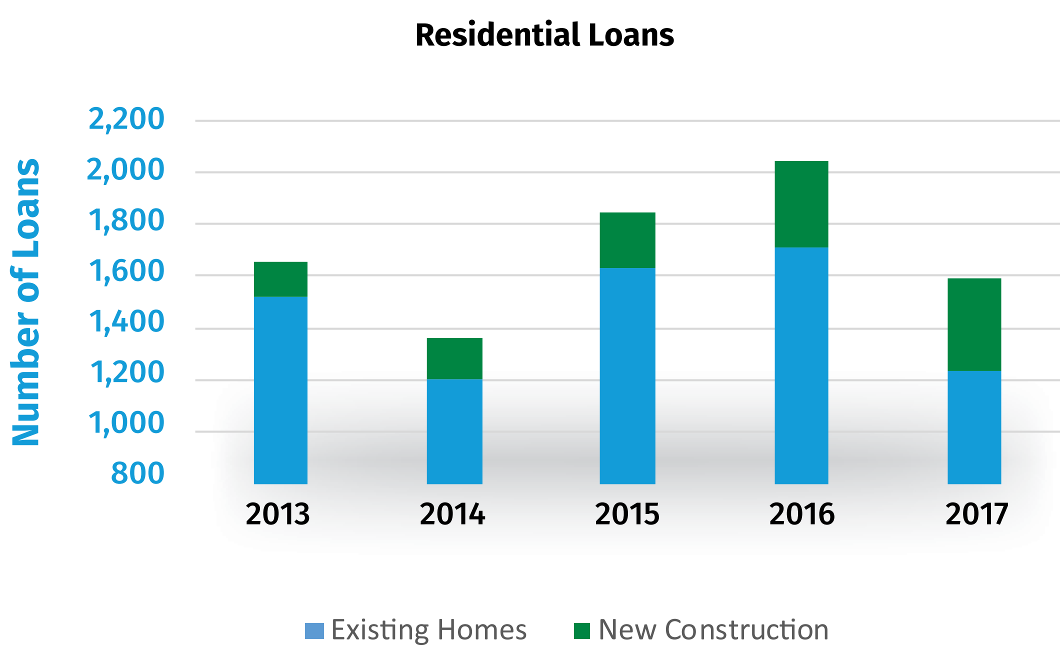
Insurance: The Bank offers a comprehensive range of insurance solutions including property, casualty, life and disability to help customers create a more secure financial future.

Residential Lending

The Bank had another great year in residential lending for existing homes and new construction. The number of new construction loans increased from 333 in 2016 to 355 in 2017. Production should continue, as there is a limited supply of single-family residences to meet the needs of the growing population. Loans for existing homes saw a decrease from 1,711 in 2016 to 1,234 in 2017. This decline was caused primarily from narrowing margins in the secondary market and a reduction in closed loans for the year. Bank of Utah funded over $426 million in new loans. In terms of production, the Bank is one of the top 10 banks in Utah for residential loans.

Consumer Lending

The Bank has $49 million in consumer loans, this represents over 5.7 percent of the total loan portfolio. The goal is to grow this portfolio through making the product more readily available. In 2017, the Bank launched an online application, making it easier for customers to apply in the comfort of their home or office.



Corporate Trust

The number of accounts held in corporate trust at year-end 2016 was 1,735—which was primarily composed of 1,577 aircraft accounts and a small number of life settlement and other accounts. Fee income grew by 3.1 percent from 2016 to $6.8 million in 2017. The increase in revenue is attributed to additional business from existing customers and sourcing new business through referrals and networking within the aircraft industry. The Bank continually updates the qualification standards to ensure those who seek to obtain a trust account for their aircraft meet the guidelines set by the Bank and the Federal Aviation Administration. The Bank's professional team of attorneys and bankers is a leader in this industry.

MOSSADAMS

Report of Independent Auditors

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

Report on Financial Statements

We have audited the accompanying consolidated financial statements of BOU Bancorp, Inc. and subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2017 and 2016, 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 consolidated the 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. 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BOU Bancorp, Inc. and subsidiaries, as of December 31, 2017 and 2016, and the 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.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Bank of Utah's internal control over financial reporting as of December 31, 2017, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 28, 2018, expressed an unmodified opinion.

Other Matter

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 28, 2018

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2017 and 2016

(in thousands, except share data)

ASSETS		2017	2016
Cash and due from banks (note 2)	$	20,214	14,874
Interest-bearing deposits in banks		125,973	117,413
Federal funds sold		3,611	2,005
Investment securities (notes 3 and 10):			
Held to maturity, at cost (fair value of $11,147 and $13,901 respectively)		11,139	13,878
Available for sale, at fair value		127,996	127,706
Total investment securities		139,135	141,584
Loans held for sale		13,787	13,041
Loans (note 4)		861,762	752,415
Less allowance for loan losses (note 5)		10,914	9,653
Net loans		850,848	742,762
Accrued interest receivable		3,988	3,041
Goodwill		5,894	5,894
Bank owned life insurance, net		25,952	25,194
Premises and equipment, net (note 6)		14,800	13,332
Deferred tax asset (note 9)		2,965	4,079
Other assets		4,542	4,217
Total assets	$	1,211,709	1,087,436

LIABILITIES AND STOCKHOLDERS' EQUITY		2017	2016
Deposits:			
Non interest-bearing	$	375,747	310,009
Interest-bearing (note 7)		605,682	572,369
Total deposits		981,429	882,378
Securities sold under agreements to repurchase (note 8)		65,658	50,982
Other liabilities		9,216	8,883
Total liabilities		1,056,303	942,243
Commitments and contingent liabilities (note 11)			
Common stock, $1 par value, 5,000,000 shares authorized, 1,683,375 issued and outstanding at December 31, 2017 and 2016, respectively		1,683	1,683
Paid-in capital		4,334	4,334
Accumulated other comprehensive loss		(1,080)	(677)
Retained earnings		150,469	139,853
Total stockholders' equity		155,406	145,193
Total liabilities and stockholders' equity	$	1,211,709	1,087,436

See accompanying notes to consolidated financial statements.

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2017 and 2016

(in thousands, except per share data)

		2017	2016
INTEREST INCOME:			
Interest and fees on loans	$	40,999	36,299
Interest on investment securities:			
Taxable		2,180	1,642
Tax-exempt		262	355
Interest on loans held for sale		536	540
Interest on federal funds sold		3	2
Interest on interest-bearing deposits in banks		1,201	456
Total interest income		45,181	39,294
INTEREST EXPENSE:			
Interest on deposits		2,262	1,960
Interest on securities sold under agreements to repurchase		152	157
Interest on other borrowings		-	2
Total interest expense		2,414	2,119
Net interest income		42,767	37,175
Provision for loan losses (note 5)		1,200	900
Net interest income after provision for loan losses		41,567	36,275
NONINTEREST INCOME:			
Service charges on deposits		1,315	1,383
Gain on sale of loans		8,557	9,833
Trust fees		9,181	8,826
Increase in cash surrender value of bank owned life insurance		758	703
Other		1,535	1,597
		21,346	22,342
NONINTEREST EXPENSES:			
Salaries and employee benefits		24,517	22,530
Net occupancy expense		2,424	2,209
Equipment expense		4,063	3,538
Professional fees and services		2,246	1,660
Advertising expense		1,258	1,235
Office expense		1,070	995
Other		2,690	2,208
		38,268	34,375
Income before provision for income taxes		24,645	24,242
Provision for income taxes (note 9)		9,338	7,570
Net income	$	15,307	16,672
Basic and diluted earnings per common share	$	9.09	9.90

See accompanying notes to consolidated financial statements.

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2017 and 2016

(in thousands)

		2017	2016
Net income	$	15,307	16,672
Other comprehensive loss:			
Net change in unrealized holding loss on securities available for sale, net of tax benefit of $249 and $307 as of December 31, 2017 and 2016, respectively		(212)	(495)
Comprehensive income	$	15,095	16,177

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2017 and 2016

(dollars in thousands)

	Common Stock		Amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
Balances, December 31, 2015	1,683,375	$	1,683	4,334	(182)	126,969	132,804
Net income	-		-	-	-	16,672	16,672
Other comprehensive loss	-		-	-	(495)	-	(495)
Dividends paid	-		-	-	-	(3,788)	(3,788)
Balances, December 31, 2016	1,683,375	$	1,683	4,334	(677)	139,853	145,193
Net income	-		-	-	-	15,307	15,307
Other comprehensive loss	-		-	-	(212)	-	(212)
Reclassification of stranded tax effect of accumulated other comprehensive loss to retained earnings	-		-	-	(191)	191	-
Dividends paid	-		-	-	-	(4,882)	(4,882)
Balances, December 31, 2017	1,683,375		1,683	4,334	(1,080)	150,469	155,406

See accompanying notes to consolidated financial statements.

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

(in thousands)

		2017	2016
OPERATING ACTIVITIES:			
Net income	$	15,307	16,672
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense		1,821	1,638
Provision for loan losses		1,200	900
Provision for commitments to fund loans		100	100
Deferred income tax expense/(benefit)		1,245	(584)
Increase in cash surrender value of bank owned life insurance		(758)	(704)
Net amortization of investment premiums and discounts		516	542
Gain on sale of loans		(8,557)	(9,833)
Proceeds from sales of loans held for sale		301,331	309,294
Origination of loans held for sale		(293,520)	(297,169)
Loss/(gain) on sale or disposal of premises and equipment		5	(3)
Change in accrued interest receivable and other assets		(1,272)	263
Change in other liabilities		232	1,286
Net cash provided by operating activities		17,650	22,402
INVESTING ACTIVITIES:			
Proceeds from maturities of held to maturity securities		2,590	3,805
Proceeds from maturities of available for sale securities		20,565	19,640
Purchase of available for sale securities		(21,564)	(50,577)
Net change in loans from loan originations and principal repayments		(109,286)	(33,489)
Net change in interest-bearing deposits in banks		(8,560)	(70,034)
Net change in federal funds sold		(1,606)	(1,741)
Purchase of bank owned life insurance		-	(4,895)
Proceeds from sale of premises and equipment		-	74
Purchase of premises and equipment		(3,294)	(2,310)
Net cash used in investing activities		(121,155)	(139,527)
FINANCING ACTIVITIES:			
Increase in demand, savings, and money market deposits		101,870	128,002
Proceeds from issuance of time deposits		9,337	13,414
Payments for maturing time deposits		(12,155)	(23,409)
Net change in securities sold under agreement to repurchase		14,675	1,964
Dividends paid to stockholders		(4,882)	(3,788)
Net cash provided by financing activities		108,845	116,183
Net change in cash and cash equivalents		5,340	(944)
Cash and cash equivalents, beginning of period		14,874	15,818
Cash and cash equivalents, end of period	$	20,214	14,874
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$	2,400	2,109
Cash paid for income taxes		8,294	7,515

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 financial holding company formed in 2000. Bank of Utah (the Bank) is a Utah state-chartered commercial bank founded in 1952 which is wholly owned by the Corporation. Utah Risk Management, Inc. (URM) is a Nevada captive insurance company founded in 2015 which is wholly owned by the Corporation. The Corporation and its wholly-owned subsidiaries are collectively referred to as the Company. The Company, which is primarily centered along Utah's Wasatch Front, focuses on providing community banking services including: 1) deposits accounts for the general public; 2) loan origination, including residential mortgage loans; 3) treasury cash management products and services; 4) personal and corporate trust management services; and 5) wealth management and advisory 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, deferred 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. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses.

Subsequent Events

Subsequent events are events or transactions that occur after the date of the consolidated statement 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 financial 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 financial condition but arose after the date of the consolidated statements of financial condition and before the consolidated financial statements are available to be issued. The Company has evaluated events and transactions subsequent to December 31, 2017 for potential recognition or disclosure.

Cash Equivalents

Cash equivalents include cash and due from banks and federal funds sold, all with maturities of three months or less, some of which may be in excess of federally insured amounts.

Interest-Bearing Deposits

Interest-bearing deposits include amounts due from the Federal Reserve Bank and other depository institutions 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 2017 or 2016. 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, 2017 and 2016 was $1.3 million and $1.1 million, respectively, and is reported on the consolidated statements of financial condition as 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, 2017 and 2016 was $366,000 at cost, and is reported on the consolidated statements of financial condition as 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, generally with servicing released. Loans held for sale are carried at the lower of cost or fair market 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, 2017 and 2016. 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.

When mortgage loans are sold with servicing retained, servicing rights are initially recorded in gain on sale of loans at fair value based on the present value of estimated future net servicing income. This asset is subsequently amortized as a reduction in noninterest income over the estimated life of the servicing income. The servicing asset was $178,000 and $286,000 as of December 31, 2017 and 2016 and is included in the accompanying financial statements as a component of other assets.

Loans

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.

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.

Impaired Loans

The accrual of interest on loans is discontinued and the loan is considered impaired when (1) 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 (2) when loans are contractually past due 90-days or more with respect to principal or interest, unless they are adequately collateralized and are in the process of collection. Generally, interest previously accrued but not collected is reversed and charged against income when a loan is placed on nonaccrual. 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.

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). 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. When the Company modifies the terms of an existing loan and the terms of the restructured loan 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 loan is accounted for as a new loan and is not considered a TDR. The new loan is generally not considered impaired and is excluded from any impairment assessment at the restructuring date.

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. 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 Participations

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 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 2017 or 2016.

The Company continues to service approximately \$228.3 million and \$178.0 million in participating interests at December 31, 2017 and 2016, respectively, that have been accounted for as transfers of assets and not included in the

Company's consolidated statements of financial condition. The Company's retained portion of participated loans was $151.9 million and $104.9 million, respectively, at December 31, 2017 and 2016. The Company recorded approximately $461,000 and $451,000 in servicing fee income during 2017 and 2016, respectively.

The Company holds purchased participating interest in loans of $20.7 million and $25.5 million at December 31, 2017 and 2016, respectively.

Concentration of Credit Risk

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

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 for loan losses 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 for loan losses 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 Bank'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 for loan losses, 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. These credit quality indicators and their impact on the adequacy of the allowance were evaluated as of December 31, 2017. 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. 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.

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 financial condition, with any related provisions to the reserve included in non-interest expense in the consolidated statement 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 funding, are applied to the Company's off-balance sheet commitments and letters of credit to estimate probable 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 forty 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 (ORE) 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. 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, 2017 and 2016, the Company's goodwill totaled $5.9 million. There were no changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016. As of December 31, 2017, 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, 2017 and 2016, and determined that no impairment existed. The Company has no other intangible assets other than the loan servicing asset noted above.

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract, which is 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, net of taxes.

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 transferor surrenders control over those financial assets, are accounted for as sales. 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 10). 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 include marketing and business development costs and are expensed as incurred.

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 of such change in tax rates. 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, 2017, 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.

Earnings per Share

Basic and diluted earnings per common share are calculated by dividing net income by the average number of common shares outstanding during the year. During the years ended December 31, 2017 and 2016, respectively, there were no preferred shares outstanding and no potential common shares issued, such as stock options or restricted share rights. The calculation of earnings per common share is as follows:

(in thousands, except per share data)

		2017	2016
Numerator			
Net income	$	15,307	16,672
Denominator			
Average common shares outstanding		1,683	1,683
Earnings per common share	$	9.09	9.90

Operating Segments

Operating segments are determined by the products and services offered and the information provided to the chief operating decision maker. Senior management generally reviews segments based on direct income and expense allocations. As such, certain overhead and income tax expenses are not allocated. Segment results are determined based on the Company's management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP. Changes in management structure and allocation estimates may impact operating segment results.

Trust Department Assets

The Bank acts in various capacities as a trustee for customers' assets in the Trust department. Such assets are not included in the statements of financial condition. Trust fees and expenses are reported in the statements of income when earned in accordance with applicable guidance.

Employee Stock Ownership Plan with 401(k) Provisions

The Company has an employee stock ownership plan with 401(k) provisions (KSOP) for eligible full-time Company employees. Eligible employees may make contributions per the IRS limits and the Company generally makes a 100 percent matching contribution up to five percent of the employee's compensation. The Company's contributions to the employee are fully vested after six years of employment and are used to purchase Company stock. KSOP participants have the right, after termination, retirement or disability, to require the Company to repurchase shares that are distributed to them by the KSOP. The participant may make a repurchase request only during a specified period each year. Such repurchase obligation payments can be made over a 5-year period, if the distribution is a total distribution of the participant's account under the KSOP. As of December 31, 2017 and 2016, respectively, the Company had fulfilled all repurchase requests as required under the terms of the KSOP. Company contributions were approximately $921,000 and $734,000 for the years ended December 31, 2017 and 2016, respectively, and were used to purchase Company stock from former employees as they requested or were required to take distributions. An independent valuation of the BOU Bancorp, Inc.'s stock held by the KSOP is obtained annually. The KSOP owns 113,044 shares (6.72%) of BOU Bancorp, Inc. stock, all of which are allocated, at December 31, 2017. Additionally, at December 31, 2017 the KSOP held $1.5 million in cash and equivalents.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* The ASU supersedes and replaces nearly all existing revenue recognition guidance, including industry-specific guidance, and establishes a new control-based revenue recognition model for revenue from contracts with customers. The revenue line items in scope of this ASU have been identified and final assessment is pending, however the majority of the Company's financial instruments are not within the scope of Topic 606. Material revenue streams within the scope of Topic 606 include trust fees and service charges on deposits. The guidance in the ASU is effective for reporting periods beginning after December 15, 2018. Based on the revenue streams impacted, this ASU is not expected to have a material impact on the Company's financial condition or results of operation.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The ASU requires certain equity investments to be measured at fair value with changes recognized in net income. It also requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purpose and eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value disclosed for financial instruments measured at amortized cost. The guidance in the ASU is effective for reporting periods beginning after December 15, 2018. This ASU is not expected to have a material impact on the Company's financial condition or results of operation, however it will impact the fair value disclosures included in footnote 10.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU requires lessees recognize a lease liability and a right-of use asset for all leases, excluding short-term leases, at the commencement date. The guidance in the ASU is effective for reporting periods beginning after December 15, 2019. Additionally, a modified retrospective transition approach is required for a leases existing at the earliest comparative period presented. The Company is assessing the impact of this ASU, however it is not expected to have a material impact on the Company's financial condition, results of operation, or capital position, but will impact the presentation on the statement of condition of the Company's current operating leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU requires the replacement of the current incurred loss model with an expected loss model, referred to as the current expected credit loss (CECL) model. The guidance in the ASU is effective for reporting periods beginning after December 15, 2020 with a cumulative-effect adjustment to retained earnings required for the first reporting period. Management is still assessing the impact of this ASU, however it is expected that it will have some impact on the Company's financial condition and results of operations as this modifies calculation of the allowance for loan losses by accelerating the recognition of losses.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU amends existing guidance to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The guidance in the ASU is effective for reporting periods beginning after December 15, 2021 with prospective application. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects for Accumulated Other Comprehensive Income*. The ASU requires a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted Tax Cut and Jobs Act of 2017 which lowered corporate tax rates to 21%. The guidance in the ASU is effective for reporting periods beginning after December 15, 2018 with early adoption permitted. The Company has adopted this ASU as of December 31, 2017 which impacted the statements of financial condition and changes in stockholders' equity presented herein.

(2) CASH AND DUE FROM BANKS & INTEREST-BEARING DEPOSITS IN 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 $45.3 million and $38.2 million at December 31, 2017 and 2016, respectively.

(3) INVESTMENT SECURITIES

Investment securities as of December 31, 2017 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
States and political subdivisions	$ 11,139	36	28	11,147

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 92,432	-	1,074	91,358
U.S. government agency mortgage backed securities	29,936	58	151	29,843
Mutual fund	7,067	-	272	6,795
	$ 129,435	58	1,497	127,996

Investment securities as of December 31, 2016 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
States and political subdivisions	$ 13,878	81	58	13,901

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 97,771	47	859	96,959
U.S. government agency mortgage backed securities	25,593	149	165	25,577
Mutual fund	5,438	-	268	5,170
	$ 128,802	196	1,292	127,706

There were no securities sold during the year ended December 31, 2017 or 2016.

BOU BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

A summary of investment securities with unrealized losses as of December 31, 2017, 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	$ 28	6,709	-	-	28	6,709

	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	$ 364	41,710	710	49,648	1,074	91,358
U.S. government agency mortgage backed securities	79	22,394	72	4,248	151	26,642
Mutual fund	-	-	272	6,795	272	6,795
	$ 443	64,104	1,054	60,691	1,497	124,795

A summary of investment securities with unrealized losses as of December 31, 2016, 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	$ 58	8,323	-	-	58	8,323

	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	$ 846	71,858	13	4,992	859	76,850
U.S. government agency mortgage backed securities	165	18,240	-	-	165	18,240
Mutual fund	-	-	268	5,170	268	5,170
	$ 1,011	90,098	281	10,163	1,292	100,260

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 its 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 OTTI adjustment as of December 31, 2017 or 2016, 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, 2017 and 2016 was 21 and 25, respectively. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2017, and 2016 was 29 and 23, respectively.

A summary of the amortized cost and fair value of investment securities as of December 31, 2017, by contractual maturity, follows:

(in thousands)

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 3,012	3,023
Due after one year through five years	7,511	7,500
Due after five years through ten years	616	624
	$ 11,139	11,147

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 28,066	27,921
Due after one year through five years	59,328	58,488
Due after five years through ten years	5,038	4,949
U.S. government agency mortgage backed securities	29,936	29,843
Mutual fund	7,067	6,795
	$ 129,435	127,996

U.S. government agency securities with a book value of $73.2 million and $58.2 million at December 31, 2017 and 2016, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $72.3 million and $57.9 million at December 31, 2017 and 2016, 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)

	2017	2016
Construction & development	$ 171,932	140,458
1-4 family real estate	67,052	62,292
Nonfarm nonresidential real estate	404,476	333,633
Commercial & industrial	67,278	65,823
States & political subdivisions	121,489	108,391
Other	31,338	42,655
	863,565	753,252
Less unearned fees, net	1,803	837
	$ 861,762	752,415

The following is a summary of each of the Company's loan classes:

Construction & development: Loans for the construction of, and secured by, commercial real estate, residential real estate, and tracts of land for development.

1-4 family real estate: Loans secured by mortgages on one-to-four-family residences, including home equity lines of credit.

Nonfarm nonresidential real estate: Loans secured by commercial real estate, including both owner occupied and non-owner occupied properties.

Commercial & industrial: Loans to local small- and medium-sized businesses that are secured primarily by accounts receivable, inventory, or personal property, plant and equipment.

States & political subdivisions: Loans made to municipalities within the State of Utah.

Other: Loan classes individually insignificant for disclosure, including multifamily, agriculture, and loans to individuals.

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 by the Bank 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)

	2017	2016
Balance, beginning of year	$ 319	290
New loans and advances	689	775
Payments	(392)	(746)
Balance, end of year	$ 616	319

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

Allowance for loan losses activity is summarized as follows:

(in thousands)

As of December 31, 2017:	Balance, beginning of year	Provision for (reversal of) loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Allowance for loan losses:					
Construction & development	$ 2,880	704	-	-	3,584
1-4 family real estate	614	24	-	1	639
Nonfarm nonresidential real estate	4,415	670	-	-	5,085
Commercial & industrial	463	(132)	-	87	418
States & political subdivisions	651	(36)	-	-	615
Other	630	(30)	(37)	10	573
	$ 9,653	1,200	(37)	98	10,914

As of December 31, 2016:	Balance, beginning of year	Provision for loan losses	Loans charged off	Recoveries on loans previously charged off	Balance, end of year
Allowance for loan losses:					
Construction & development	$ 2,842	38	-	-	2,880
1-4 family real estate	422	191	-	1	614
Nonfarm nonresidential real estate	4,143	272	-	-	4,415
Commercial & industrial	389	1	-	73	463
States & political subdivisions	579	72	-	-	651
Other	308	326	(14)	10	630
	$ 8,683	900	(14)	84	9,653

The following table summarizes the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment as of December 31, 2017:

(in thousands)

	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Allowance for loan losses:			
Construction & development	$ -	3,584	3,584
1-4 family real estate	-	639	639
Nonfarm nonresidential real estate	33	5,052	5,085
Commercial & industrial	31	387	418
States & political subdivisions	-	615	615
Other	-	573	573
	64	10,850	10,914
Outstanding loan balances:			
Construction & development	-	171,932	171,932
1-4 family real estate	-	67,052	67,052
Nonfarm nonresidential real estate	2,915	401,561	404,476
Commercial & industrial	359	66,919	67,278
States & political subdivisions	-	121,489	121,489
Other	-	31,338	31,338
	$ 3,274	860,291	863,565

The following table summarizes the allowance for loan losses and outstanding loan balances, which were evaluated individually and collectively for impairment as of December 31, 2016:

(in thousands)

	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Allowance for loan losses:			
Construction & development	$ -	2,880	2,880
1-4 family real estate	-	614	614
Nonfarm nonresidential real estate	30	4,385	4,415
Commercial & industrial	-	463	463
States & political subdivisions	-	651	651
Other	-	630	630
	30	9,623	9,653
Outstanding loan balances:			
Construction & development	-	140,458	140,458
1-4 family real estate	560	61,732	62,292
Nonfarm nonresidential real estate	4,191	329,442	333,633
Commercial & industrial	-	65,823	65,823
States & political subdivisions	-	108,391	108,391
Other	-	42,655	42,655
	$ 4,751	748,501	753,252

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 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, 2017:

(in thousands)

	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total Allowance
Nonfarm nonresidential real estate	$ 2,915	-	2,915	2,915	33
Commercial & industrial	359	-	359	359	31
	$ 3,274	-	3,274	3,274	64

The following presents a summary of impaired loans as of December 31, 2016:

(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	$ 560	560	-	560	-
Nonfarm nonresidential real estate	4,191	1,220	2,971	4,191	30
	$ 4,751	1,780	2,971	4,751	30

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

(in thousands)

	2017		2016	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
1-4 family real estate	$ 643	47	616	33
Nonfarm nonresidential real estate	3,431	210	4,242	271
Commercial & industrial	164	28	153	14
	$ 4,238	285	5,011	318

As of December 31, 2017 and 2016 there were no loans modified in TDRs on nonaccrual. As of December 31, 2017 and 2016 there were no additional funds committed to lend to borrowers whose loans have been modified in a TDR. There was one new loan identified as a TDR during the year ended December 31, 2017, which subsequently paid off prior to the end of 2017. There were no new loans identified as TDRs for the year ended December 31, 2016. There were no 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 years ended December 31, 2017 and 2016.

The following table summarizes nonaccrual loans as of December 31:

(in thousands)

	2017	2016
Construction & development	$ -	29
Commercial & industrial	424	124
	$ 424	153

The following tables present an aging analysis of loans as of December 31, 2017 and 2016, respectively. Nonaccrual loans that are current represent 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, 2017 there were $65,000 in nonaccrual loans considered current, no nonaccrual loans 30-89 days past due and $359,000 in 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, 2017 or 2016. As of December 31, 2016 there were $124,000 in nonaccrual loans considered current, no nonaccrual loans 30-89 days past due and $29,000 in nonaccrual loans 90 days or more past due.

(in thousands)

As of December 31, 2017:	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	$ -	-	-	-	171,932	171,932
1-4 family real estate	-	-	-	-	67,052	67,052
Nonfarm nonresidential real estate	-	-	-	-	404,476	404,476
Commercial & industrial	-	-	424	424	66,854	67,278
States & political subdivisions	-	-	-	-	121,489	121,489
Other	-	-	-	-	31,338	31,338
	$ -	-	424	424	863,141	863,565

As of December 31, 2016:	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	$ 321	-	29	350	140,108	140,458
1-4 family real estate	-	-	-	-	62,292	62,292
Nonfarm nonresidential real estate	91	-	-	91	333,542	333,633
Commercial & industrial	-	172	124	296	65,527	65,823
States & political subdivisions	-	-	-	-	108,391	108,391
Other	2	-	-	2	42,653	42,655
	$ 414	172	153	739	752,513	753,252

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

Pass: Loans that do not fit any of the other 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.

Loss: Loans that are considered uncollectible and of such little value that their continuance as an active bank-owned asset in not warranted. These loans are immediately charged off.

Outstanding loan balances categorized by internal risk grades as of December 31, 2017 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 171,686	246	-	-	171,932
1-4 family real estate	66,914	-	138	-	67,052
Nonfarm nonresidential real estate	380,807	-	23,669	-	404,476
Commercial & industrial	66,791	-	63	424	67,278
State & political subdivisions	121,489	-	-	-	121,489
Other	25,164	-	6,174	-	31,338
	$ 832,851	246	30,044	424	863,565

Outstanding loan balances categorized by internal risk grades as of December 31, 2016 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 136,376	-	4,053	29	140,458
1-4 family real estate	62,169	-	123	-	62,292
Nonfarm nonresidential real estate	324,811	-	8,822	-	333,633
Commercial & industrial	64,976	-	723	124	65,823
State & political subdivisions	108,391	-	-	-	108,391
Other	42,627	-	28	-	42,655
	$ 739,350	-	13,749	153	753,252

(6) PREMISES AND EQUIPMENT

The following table summarizes premises and equipment as of December 31:

(in thousands)

	2017	2016
Land	$ 3,626	3,597
Buildings and leasehold improvements	18,765	17,267
Furniture and equipment	13,135	11,903
	35,526	32,767
Accumulated depreciation and amortization	(20,726)	(19,435)
	$ 14,800	13,332

(7) INTEREST-BEARING DEPOSITS

The following table summarizes interest-bearing deposits as of December 31:

(in thousands)

	2017	2016
Interest-bearing checking	$ 172,895	161,013
Insured money market	257,777	246,187
Savings accounts	113,689	100,574
Certificates of deposit greater than $100,000	40,680	42,544
Other certificates of deposit	20,641	22,051
	$ 605,682	572,369

The aggregate amount of time deposits with balances of $250,000 or more was $25.9 million and $25.7 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, respectively, overdraft deposits totaling $28,000 and $55,000 were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2017 follows:

(in thousands)

Year ended December 31:		
2018	$	37,888
2019		13,341
2020		7,546
2021		954
2022 and thereafter		1,592
Total	$	61,321

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 $12.1 million and $4.7 million at December 31, 2017 and 2016, 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 0.34 percent and 0.33 percent at December 31, 2017 and 2016, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2017 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 carrying value of securities that have been sold under agreements to repurchase were $65.7 million and $51.0 million at December 31, 2017 and 2016, respectively. The fair value of the underlying pledged securities was $72.3 million and $57.9 million at December 31, 2017 and 2016, respectively.

(9) INCOME TAXES

The Tax Cut and Jobs Act of 2017 (Tax Reform) was enacted December 22, 2017. The law includes significant changes to the U.S. corporate system, including a Federal corporate rate reduction from 35% to 21%. As a result, the Company's deferred tax assets and liabilities were remeasured using the enacted tax rate of 21% as of December 31, 2017. This resulted in a one-time unfavorable charge to tax expense of $1.6 million in 2017. This impact is a preliminary estimate based on information available to management at this time.

The following table summarizes the provision for income tax expense/(benefit) for the year ended December 31:

(in thousands)

		2017	2016
Current:			
Federal	$	6,886	6,971
State		1,207	1,183
Deferred:			
Federal		1,298	(508)
State		(53)	(76)
Income tax expense	$	9,338	7,570

The following table presents a reconciliation of expected tax expense to actual income tax expense, based on the federal rate of 35 percent for the years ended December 31:

(in thousands)

	2017	2016
Expected federal tax expense	$ 8,625	8,485
Increases (decreases) in taxes resulting from:		
Federal rate change – Tax Reform	1,581	-
Tax-exempt interest income	(1,169)	(1,008)
State taxes, net of federal benefit	760	739
Captive insurance	(408)	(398)
Bank owned life insurance	(265)	(246)
Other	214	(2)
Income tax expense	$ 9,338	7,570

Temporary differences between the amounts reported in the financial statements and the tax bases of liabilities and assets result in deferred taxes. The following table summarizes deferred tax assets and deferred tax liabilities at December 31:

(in thousands)

	2017	2016
Deferred tax liabilities		
Premises and equipment	$ 352	411
Deferred loan costs	793	1,092
Deferred income on FHLB stock	139	213
Other	331	425
	1,615	2,141
Deferred tax assets		
Net unrealized loss on investment securities available for sale	359	419
Allowance for loan losses	2,923	3,960
Deferred compensation	1,108	1,586
Other	190	255
	4,580	6,220
Net deferred tax asset	$ 2,965	4,079

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

(10) 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, loans held for sale, and mortgage servicing rights. 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 following table summarizes the carrying amounts and estimated fair values of the Company's financial instruments as of December 31:

(in thousands)

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Investment securities, held to maturity	$ 11,139	11,147	13,878	13,901
Loans, net	850,848	841,366	742,762	735,333
Financial liabilities:				
Interest-bearing deposits	605,682	605,220	572,369	572,260

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 the 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 2017 or 2016.

The following table summarizes financial assets measured at fair value as of December 31:

(in thousands)

		2017		
Description of Financial Instrument	Fair Value	Level 1	Level 2	Level 3
Recurring:				
Investment securities, available for sale				
U.S. government agency	$ 91,358	-	91,358	-
U.S. government agency mortgage backed securities	29,843	-	29,843	-
Mutual fund	6,795	-	6,795	-
Nonrecurring:				
Impaired loans with a specific valuation allowance	3,210	-	-	3,210

		2016		
Description of Financial Instrument	Fair Value	Level 1	Level 2	Level 3
Recurring:				
Investment securities, available for sale				
U.S. government agency	$ 96,959	-	96,959	-
U.S. government agency mortgage backed securities	25,577	-	25,577	.
Mutual fund	5,170	-	5,170	-
Nonrecurring:				
Impaired loans with a specific valuation allowance	2,941	-	-	2,941

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, 2017:	Fair value	Valuation technique	Unobservable inputs	Range of inputs	Weighted average
Impaired loans with a specific valuation allowance:					
Nonfarm nonresidential real estate	$ 2,882	Discounted cash flow	Discount rate	7.09% to 7.50%	7.43%
Commercial & industrial	328	Collateral method	Estimated selling costs	15%	15%

As of December 31, 2016:	Fair value	Valuation technique	Unobservable inputs	Range of inputs	Weighted average
Impaired loans with a specific valuation allowance:					
Nonfarm nonresidential real estate	$ 2,941	Discounted cash flow	Discount rate	7.09% to 7.50%	7.43%

(11) 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 ten years. As of December 31, 2017, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

(in thousands)

Year ended December 31:		
2018	$	560
2019		448
2020		401
2021		395
2022		343
Thereafter		1,572
	$	3,719

The Company recorded lease expense (net of sublease income of approximately $12,000 for the years ending December 31, 2017 and 2016 under these agreements of approximately $681,000 and $541,000 in 2017 and 2016, respectively. Of these amounts, $14,000 was paid in both 2017 and 2016, to related parties.

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

(in thousands)

		2017	2016
Allowance for loan losses	$	10,914	9,653
Reserve for unfunded lending commitments		800	700
	$	11,714	10,353

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 is calculated, was $378.0 million and $279.0 million as of December 31, 2017 and 2016, respectively. Commitments on letters of credit totaled $4.9 million and $3.1 million as of December 31, 2017 and 2016, respectively, and $373.1 million and $275.9 million respectively, on all other loan commitments.

The Company has lines of credit established with the FHLB of Des Moines for $435.1 million (35 percent of total bank 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 $181.4 million as of December 31, 2017. 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, 2017 or 2016.

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.

(12) SEGMENT INFORMATION

The Company has identified three reportable segments, Community Banking, Mortgage Banking and Corporate Trust. These segments are determined by the products and services offered and are distinguished in the information provided to the chief operating decision maker who uses such information to review segment performance. Loans, investments, deposits, and wealth management products provide the revenues in the Community Banking segment, Loan sales and origination fees drive income in the Mortgage Banking segment, and Corporate Trust revenues are earned from fees collected by providing various corporate trust services, such as aircraft owner trusts. Certain unallocated income and expense items are excluded from the review of reportable segments and included in the 'Other' category.

Segment results as are summarized as follows:

(in thousands)

As of December 31, 2017:		Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$	38,172	3,510	(142)	27	41,567
Noninterest income		5,868	8,557	6,928	(7)	21,346
Noninterest expense		24,448	5,714	3,340	4,766	38,268
Segment income before provision for income taxes	$	19,592	6,353	3,446	(4,746)	24,645
Average gross loans	$	771,278	51,313	-	-	822,591
Average deposits		779,727	98	171,274	-	951,099

As of December 31, 2016:		Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$	33,775	2,552	(67)	15	36,275
Noninterest income		5,673	9,833	6,812	24	22,342
Noninterest expense		22,121	5,501	3,279	3,474	34,375
Segment income before provision for income taxes	$	17,327	6,884	3,466	(3,435)	24,242
Average gross loans	$	694,735	37,869	-	-	732,603
Average deposits		765,662	122	58,693	-	824,477

(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 provide for capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Total, Tier 1, and Common Equity Tier 1 (CET1) capital (as defined in the regulations) to risk-weighted assets (as defined in the regulations), and of Tier 1 capital (as defined in the regulations) to average quarterly assets (as defined in the regulations). 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. One of the phased requirements is for the Bank to establish a "conservation buffer" consisting of CET1 capital equal to 1.25% and 0.625% of risk-weighted assets in 2017 and 2016, respectively, which will increase annually to 2.5% by January 1, 2019. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including the payment of dividends, stock repurchases, and discretionary bonuses to executive officers. 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, 2017 and 2016 are calculated using the Basel III rules. Management believes, as of December 31, 2017, that the Company meets all minimum capital adequacy requirements to which it is subject.

As of December 31, 2017, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain certain Total, Tier 1, and CET1 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 Company 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, 2017, the Company had approximately $40.2 million available for payment of dividends under the aforementioned restrictions.

Capital amounts and ratios as of December 31, 2017 are summarized as follows:

(in thousands)

	Actual		Minimum capital requirement including CET1 capital conservation buffer		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital						
(to risk weighted assets)						
Consolidated	$ 162,034	16.32%	91,855	9.25%	N/A	N/A
Bank of Utah	158,291	15.93%	91,893	9.25%	99,344	10.00%
Tier 1 Capital						
(to risk weighted assets)						
Consolidated	150,320	15.14%	71,995	7.25%	N/A	N/A
Bank of Utah	146,577	14.75%	72,024	7.25%	79,475	8.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Consolidated	150,320	15.14%	57,099	5.75%	N/A	N/A
Bank of Utah	146,577	14.75%	57,123	5.75%	64,574	6.50%
Tier 1 Capital						
(to quarterly average assets)						
Consolidated	150,320	12.47%	48,235	4.00%	N/A	N/A
Bank of Utah	146,577	12.18%	48,155	4.00%	60,194	5.00%

Capital amounts and ratios as of December 31, 2016 are summarized as follows:

(in thousands)

	Actual		Minimum capital requirement including CET1 capital conservation buffer		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital						
(to risk weighted assets)						
Consolidated	$ 150,062	17.81%	67,402	8.63%	N/A	N/A
Bank of Utah	146,491	17.38%	67,438	8.63%	84,298	10.00%
Tier 1 Capital						
(to risk weighted assets)						
Consolidated	139,709	16.58%	55,817	6.63%	N/A	N/A
Bank of Utah	136,138	16.15%	55,847	6.63%	67,438	8.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Consolidated	139,709	16,58%	37,913	5.13%	N/A	N/A
Bank of Utah	136,138	16.15%	37,934	5.13%	54,794	6.50%
Tier 1 Capital						
(to quarterly average assets)						
Consolidated	139,709	12.74%	43,877	4.00%	N/A	N/A
Bank of Utah	136,138	12.50%	43,576	4.00%	54,471	5.00%

(14) PARENT-ONLY FINANCIAL STATEMENTS

Condensed financial information for BOU Bancorp, Inc., on a parent-only basis, is as follows as of and for the years ended December 31:

(in thousands)

	2017	2016
Balance sheets:		
Assets		
Cash and due from banks	$ 2,593	2,237
Investment in subsidiaries	153,047	143,187
Other assets	66	57
Total assets	$ 155,706	145,481
Liabilities and stockholders' equity		
Other liabilities	$ 300	288
Stockholders' equity	155,406	145,193
Total liabilities and stockholders' equity	$ 155,706	145,481
Statements of income:		
Dividends and other income from subsidiaries	$ 5,789	4,755
Total income	5,789	4,755
Salaries and employee benefits	658	634
Other expenses	235	248
Total expenses	893	882
Income before income taxes	4,896	3,873
Income tax benefit	340	336
Income before undistributed income of subsidiaries	5,236	4,209
Equity in undistributed income of subsidiaries	10,071	12,463
Net income	$ 15,307	16,672
Statements of cash flows:		
Cash flows from operating activities		
Net income	$ 15,307	16,672
Adjustments to reconcile net income to cash provided by operating activities		
Equity in undistributed earnings of subsidiaries	(10,071)	(12,463)
Net change in other assets and liabilities	2	71
Net cash provided by operating activities	5,238	4,280
Cash flows from financing activities		
Dividends paid	(4,882)	(3,787)
Net cash used by financing activities	(4,882)	(3,787)
Net change in cash and cash equivalents	356	493
Cash and cash equivalents, beginning of year	2,237	1,744
Cash and cash equivalents, end of year	$ 2,593	2,237

(15) UNAUDITED QUARTERLY FINANCIAL DATA

Summarized unaudited quarterly financial data is as follows:

(in thousands, except per share data)

		Quarters ended 2017			
		March 31	June 30	September 30	December 31
Net interest income	$	9,579	10,435	11,198	11,555
Provision for loan losses		300	300	300	300
Noninterest income		5,019	5,310	5,581	5,436
Noninterest expense		8,938	9,191	9,631	10,508
Income before provision for income taxes		5,360	6,254	6,848	6,183
Provision for income taxes		1,655	2,014	2,207	3,462
Net income	$	3,705	4,240	4,641	2,721
Earnings per common share	$	2.20	2.52	2.76	1.62

(in thousands, except per share data)

		Quarters ended 2016			
		March 31	June 30	September 30	December 31
Net interest income	$	8,972	9,122	9,403	9,678
Provision for loan losses		-	-	-	900
Noninterest income		4,738	5,787	5,898	5,919
Noninterest expense		8,360	8,366	8,734	8,915
Income before provision for income taxes		5,350	6,543	6,567	5,782
Provision for income taxes		1,644	2,009	2,129	1,788
Net income	$	3,706	4,534	4,438	3,994
Earnings per common share	$	2.20	2.69	2.64	2.37

Schedule 1

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL CONDITION
December 31, 2017

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	20,214	-	-	20,214
Interest-bearing deposits in banks	2,593	123,981	1,992	(2,593)	125,973
Federal funds sold	-	3,611	-	-	3,611
Investment securities:					
Held to maturity, at cost	-	11,139	-	-	11,139
Available for sale, at fair value	-	127,996	-	-	127,996
Total investment securities	-	139,135	-	-	139,135
Loans held for sale	-	13,787	-	-	13,787
Loans	-	861,762	-	-	861,762
Less allowance for loan losses	-	10,914	-	-	10,914
Net loans	-	850,848	-	-	850,848
Investment in Bank of Utah	151,663	-	-	(151,663)	-
Investment in Utah Risk Management, Inc.	1,384	-	-	(1,384)	-
Accrued interest receivable	-	3,983	5	-	3,988
Goodwill	-	5,894	-	-	5,894
Bank owned life insurance	-	25,952	-	-	25,952
Premises and equipment, net	-	14,800	-	-	14,800
Deferred tax asset	-	2,965	-	-	2,965
Other assets	66	5,051	308	(883)	4,542
Total assets	$ 155,706	1,210,221	2,305	(156,523)	1,211,709
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Non interest-bearing	$ -	375,747	-	-	375,747
Interest-bearing	-	608,275	-	(2,593)	605,682
Total deposits	-	984,022	-	(2,593)	981,429
Securities sold under agreements to repurchase	-	65,658	-	-	65,658
Other liabilities	300	8,878	921	(883)	9,216
Total liabilities	300	1,058,558	921	(3,476)	1,056,303
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	(1,080)	(1,080)	-	1,080	(1,080)
Retained earnings	150,469	140,553	1,134	(141,687)	150,469
Total stockholders' equity	155,406	151,663	1,384	(153,047)	155,406
	$ 155,706	1,210,221	2,305	(156,523)	1,211,709

See accompanying report of independent auditors.

Schedule 1

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL CONDITION
December 31, 2016

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	14,874	-	-	14,874
Interest-bearing deposits in banks	2,237	115,331	2,082	(2,237)	117,413
Federal funds sold	-	2,005	-	-	2,005
Investment securities:					
Held to maturity, at cost	-	13,878	-	-	13,878
Available for sale, at fair value	-	127,706	-	-	127,706
Total investment securities	-	141,584	-	-	141,584
Loans held for sale	-	13,041	-	-	13,041
Loans	-	752,415	-	-	752,415
Less allowance for loan losses	-	9,653	-	-	9,653
Net loans	-	742,762	-	-	742,762
Investment in Bank of Utah	141,622	-	-	(141,622)	-
Investment in Utah Risk Management, Inc.	1,565	-	-	(1,565)	-
Accrued interest receivable	-	3,036	5	-	3,041
Goodwill	-	5,894	-	-	5,894
Bank owned life insurance	-	25,194	-	-	25,194
Premises and equipment, net	-	13,332	-	-	13,332
Deferred tax asset	-	4,079	-	-	4,079
Other assets	57	4,683	280	(803)	4,217
Total assets	$ 145,481	1,085,815	2,367	(146,227)	1,087,436
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Non interest-bearing	$ -	310,009	-	-	310,009
Interest-bearing	-	574,606	-	(2,237)	572,369
Total deposits	-	884,615	-	(2,237)	882,378
Securities sold under agreements to repurchase	-	50,982	-	-	50,982
Other liabilities	288	8,596	802	(803)	8,883
Total liabilities	288	944,193	802	(3,040)	942,243
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	(677)	(677)	-	677	(677)
Retained earnings	139,853	130,109	1,315	(131,424)	139,853
Total stockholders' equity	145,193	141,622	1,565	(143,187)	145,193
	$ 145,481	1,085,815	2,367	(146,227)	1,087,436

See accompanying report of independent auditors.

Schedule 2

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF INCOME
Year ended December 31, 2017

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	40,999	-	-	40,999
Interest on investment securities:					
Taxable	-	2,180	-	-	2,180
Tax-exempt	-	262	-	-	262
Interest on loans held for sale	-	536	-	-	536
Interest on federal funds sold	-	3	-	-	3
Interest on interest-bearing deposits in banks	4	1,178	23	(4)	1,201
Total interest income	4	45,158	23	(4)	45,181
INTEREST EXPENSE:					
Interest on deposits	-	2,266	-	(4)	2,262
Interest on securities sold under agreement to repurchase	-	152	-	-	152
Interest on other borrowings	-	-	-	-	-
Total interest expense	-	2,418	-	(4)	2,414
Net interest income	4	42,740	23	-	42,767
Provision for loan losses	-	1,200	-	-	1,200
Net interest income after provision for loan losses	4	41,540	23	-	41,567
NONINTEREST INCOME:					
Dividend from Bank of Utah	4,935	-	-	(4,935)	-
Equity in undistributed income of Bank of Utah	10,252	-	-	(10,252)	-
Dividend from Utah Risk Management, Inc.	850	-	-	(850)	-
Equity in undistributed income of Utah Risk Management, Inc.	(181)	-	-	181	-
Service charges on deposits	-	1,315	-	-	1,315
Gain on sale of loans	-	8,557	-	-	8,557
Trust fees	-	9,181	-	-	9,181
Cash surrender value increase of bank owned life insurance	-	758	-	-	758
Other	-	1,535	1,032	(1,032)	1,535
	15,856	21,346	1,032	(16,888)	21,346
NONINTEREST EXPENSES:					
Salaries and employee benefits	658	23,859	-	-	24,517
Net occupancy expense	-	2,424	-	-	2,424
Equipment expense	-	4,063	-	-	4,063
Professional fees and services	55	2,092	99	-	2,246
Advertising expense	-	1,258	-	-	1,258
Office expense	-	1,070	-	-	1,070
Other	180	3,261	281	(1,032)	2,690
	893	38,027	380	(1,032)	38,268
Income before provision for income taxes	14,967	24,859	675	(15,856)	24,645
Provision for income taxes	(340)	9,672	6	-	9,338
Net income	$ 15,307	15,187	669	(15,856)	15,307

See accompanying report of independent auditors.

Schedule 2

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF INCOME
Year ended December 31, 2016

(in thousands)	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	36,299	-	-	36,299
Interest on investment securities:					
Taxable	-	1,642	-	-	1,642
Tax-exempt	-	355	-	-	355
Interest on loans held for sale	-	540	-	-	540
Interest on federal funds sold	-	2	-	-	2
Interest on interest-bearing deposits in banks	3	442	14	(3)	456
Total interest income	3	39,280	14	(3)	39,294
INTEREST EXPENSE:					
Interest on deposits	-	1,963	-	(3)	1,960
Interest on securities sold under agreement to repurchase	-	157	-	-	157
Interest on other borrowings	-	2	-	-	2
Total interest expense	-	2,122	-	(3)	2,119
Net interest income	3	37,158	14	-	37,175
Provision for loan losses	-	900	-	-	900
Net interest income after provision for loan losses	3	36,258	14	-	36,275
NONINTEREST INCOME:					
Dividend from Bank of Utah	4,752	-	-	(4,752)	-
Equity in undistributed income of Bank of Utah	11,507	-	-	(11,507)	-
Equity in undistributed income of Utah Risk Management, Inc.	956	-	-	(956)	-
Service charges on deposits	-	1,383	-	-	1,383
Gain on sale of loans	-	9,833	-	-	9,833
Trust fees	-	8,826	-	-	8,826
Cash surrender value increase of bank owned life insurance	-	703	-	-	703
Other	-	1,597	1,006	(1,006)	1,597
	17,215	22,342	1,006	(18,221)	22,342
NONINTEREST EXPENSES:					
Salaries and employee benefits	634	21,896	-	-	22,530
Net occupancy expense	-	2,209	-	-	2,209
Equipment expense	-	3,538	-	-	3,538
Professional fees and services	76	1,527	57	-	1,660
Advertising expense	-	1,235	-	-	1,235
Office expense	-	995	-	-	995
Other	172	3,038	4	(1,006)	2,208
	882	34,438	61	(1,006)	34,375
Income before provision for income taxes	16,336	24,162	959	(17,215)	24,242
Provision for income taxes	(336)	7,903	3	-	7,570
Net income	$ 16,672	16,259	956	(17,215)	16,672

See accompanying report of independent auditors.

BOU BANCORP, INC.
BOARD & OFFICERS

BOARD OF DIRECTORS

Frank W. Browning
Chairman of the Board

Douglas L. DeFries
Chief Executive Officer,
President

Jonathan W. Browning
Secretary to the Board

Benjamin F. Browning
Banker

Dr. Gary R. Gibbons
Physician*

George E. Hall
Entrepreneur

H. Dee Hutzley
Grocer*

Marlin K. Jensen
Attorney*

Eugene B. Jones
Certified Public Accountant*

Scott D. Nelson
Developer*

Steven M. Petersen
Manufacturer

OFFICERS

Frank W. Browning
Chairman of the Board

Douglas L. DeFries
Chief Executive Officer,
President

Jonathan W. Browning
Secretary to the Board,
Vice President

Branden P. Hansen
Chief Financial Officer

Nathan L. DeFries
Treasurer

BANK OF UTAH
BOARD

BOARD OF DIRECTORS

Frank W. Browning
Chairman of the Board

Douglas L. DeFries
Chief Executive Officer, President

Jonathan W. Browning
Secretary to the Board

Benjamin F. Browning
Banker

Dr. Gary R. Gibbons
Physician*

George E. Hall
Entrepreneur

H. Dee Hutzley
Grocer*

Marlin K. Jensen
Attorney*

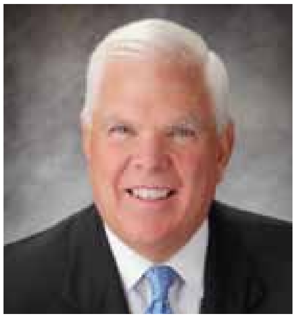
Eugene B. Jones
Certified Public Accountant*

Scott D. Nelson
Developer*

Steven M. Petersen
Manufacturer

**Retired*

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

David B. Guzy
Senior Vice President
Wealth Management

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

Colby J. Dustin
Vice President
Enterprise Risk

Brian S. Stevens
Vice President
Information Technology

BANK OF UTAH
OFFICERS

CORPORATE ADMINISTRATION:

Benjamin F. Browning	Vice President, Business Optimization Officer
Nathan L. DeFries	Vice President, Finance
Christopher J. Powell	Vice President, Internal Audit Manager
Colleen Schulthies	Vice President, General Counsel
Elizabeth N. Warner	Vice President, Lending Compliance Officer
Jay D. Weaver	Vice President, Technology Officer
Laura Castro	Assistant Vice President, Lending Compliance Officer
Susana K. Feightner	Assistant Vice President, Central Operations Manager
Heidi Foust	Assistant Vice President, Lending Compliance Officer
Kirk A. Jolly	Assistant Vice President, Assistant Controller
Jessica H. Orme	Assistant Vice President, Treasury Management Operations Manager
Christopher N. McIntyre	Assistant Vice President, IT Data Center Manager
Misty A. Riley	Assistant Vice President, BSA/Deposit Compliance Manager

LENDING:

Jared M. Anderson	Senior Vice President, Team Leader, Ogden Muni
Gregory J. Brown	Senior Vice President, Relationship Manager
Robert W. Bunce	Senior Vice President, Credit Administrator
Steven P. Diamond	Senior Vice President, Relationship Manager
Reed W. Dixon	Senior Vice President, Credit Administrator
Norman G. Fukui	Senior Vice President, Team Leader, Box Elder, Small Business
Cari G. Fullerton	Senior Vice President, Team Leader, Ogden CRE
Kelly D. Crane-Hale	Senior Vice President, Team Leader, Orem
Krista L. Lewis	Senior Vice President, Team Leader, Logan
Arthur E. Newell	Senior Vice President, Team Leader, Utah Valley
David K. Snow	Senior Vice President, Team Leader, Redwood
Eric S. Blanchard	Vice President, Relationship Manager
Mark J. Carpenter	Vice President, Relationship Manager
M. Brady Fosmark	Vice President, Team Leader, 7th South
Larry R. Hintze	Vice President, Relationship Manager
Brian K. Jeppesen	Vice President, Relationship Manager

David E. Mumm	Vice President, Relationship Manager
Jeffery L. Norton	Vice President, Relationship Manager
Spencer R. Richins	Vice President, Team Leader, Bountiful
Michael J. Wells	Vice President, Relationship Manager
Blake W. Ostler	Assistant Vice President, Portfolio Manager
Beckie K. Reynosa	Assistant Vice President, Portfolio Manager
Brian G. Wahlen	Assistant Vice President, Portfolio 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

MORTGAGE & RESIDENTIAL CONSTRUCTION:

Wesley T. Barlow	Vice President, Mortgage 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
Phillip C. Wright	Vice President, Mortgage Area Manager
Katherine L. Davis	Assistant Vice President, Relationship Manager, Consumer
Shawn A. Hanlin	Assistant Vice President, Secondary Market Manager
Cindee L. Himelright	Assistant Vice President, Consumer Servicing Manager
John P. Neil	Assistant Vice President, Mortgage Loan Officer

BRANCH MANAGEMENT:

Patty K. Frehner	Vice President, Banking Operations
Charly Owens	Vice President, Treasury Management Relationship Manager
David B. Rusch	Vice President, Retail Banking Manager
Jodi L. Miller	Assistant Vice President, Branch Manager, Logan
Mary M. Ryan	Assistant Vice President, Branch Manager, 7th South
Linda Schiffman	Assistant Vice President, Branch Manager, Roy
Teresa R. Thompson	Assistant Vice President, Branch Manager, Sandy
Sherri A. Webb	Assistant Vice President, Branch Manager, South Ogden
Helen C. White	Assistant Vice President, Branch Manager, Tremonton

WEALTH MANAGEMENT:

John W. Walton	Senior Vice President, Private Banking
Paul R. Buchanan	Vice President, Trust Assistant Manager
Kimberly K. Ford	Vice President, Trust Officer
Brenda L. Lambert	Vice President, Trust Officer
Jodie K. Nutt	Vice President, Trust Officer
Lisa K. Mariano	Vice President, Senior Trust Officer
Brock J. Riley	Vice President, Assistant Secretary, Trust Business Services Manager
Craig A. Standing	Vice President, Trust Officer
Tyler M. Bell	Assistant Vice President, Insurance Group Team Leader
F. Alberto Gomez	Assistant Vice President, Trust Operations Manager

CORPORATE TRUST:

Jon W. Croasmun	Vice President, Corporate Trust Manager
Michael R. Arsenault	Vice President, Corporate Trust Counsel
Jodie B. Curtis	Vice President, Assistant Secretary, Senior Corporate Trust Administrator
John H. Thomas	Vice President, Corporate Trust Counsel
Rebecca K. Archibald	Assistant Vice President, Life Settlement Account Administrator
Margaret P. Hawkins	Assistant Vice President, Life Settlement Account Administrator
Sharlee M. Kuch	Assistant Vice President, Corporate Trust Administrator
Jennifer Miller	Assistant Vice President, Corporate Trust Administrative Officer
Kirk G. Peterson	Assistant Vice President, Corporate Trust Administrative Manager

UTAH RISK MANAGEMENT, INC.

BOARD OF DIRECTORS

Larry M. Wood	Chairman of the Board, President
Benjamin F. Browning	Vice President
Nathan L. DeFries	Treasurer

OFFICERS

Larry M. Wood	President
Joshua C. Miller	Secretary
Branden P. Hansen	Vice President
Benjamin F. Browning	Vice President
Colby J. Dustin	Vice President
Nathan L. DeFries	Treasurer

BANK OF UTAH
LOCATIONS

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

BEN LOMOND
115 Washington Blvd.
Ogden, UT 84404
801-399-4425

BOUNTIFUL
100 South 500 West
Bountiful, UT 84010
801-689-0900

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
5729 South 1900 West
Roy, UT 84067
801-825-1647

SALT LAKE CITY
200 East South Temple
Ste. 210
Salt Lake City, 84111
801-924-3636

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

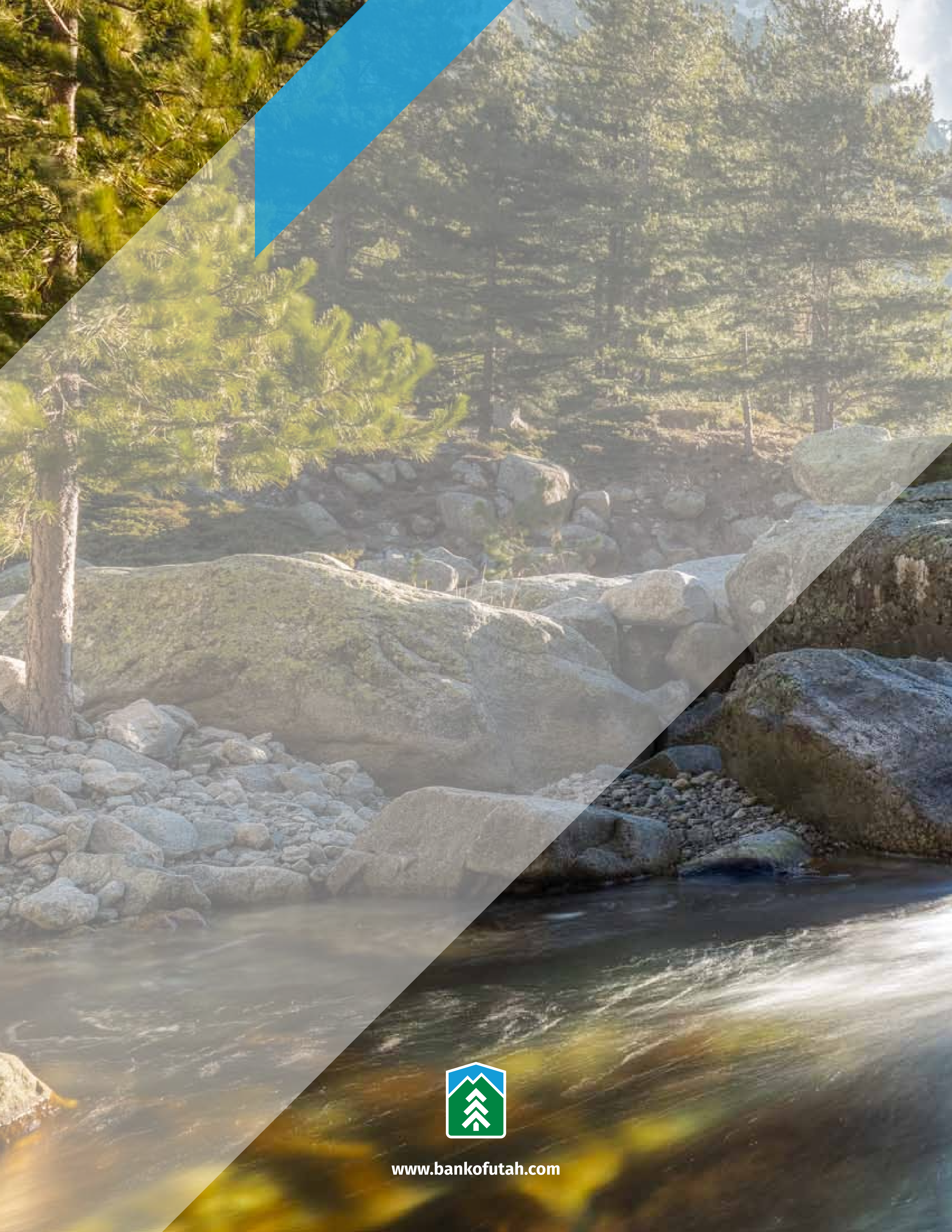
SEVENTH SOUTH
711 South State
Salt Lake City, UT 84111
801-532-7111

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

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



www.bankofutah.com