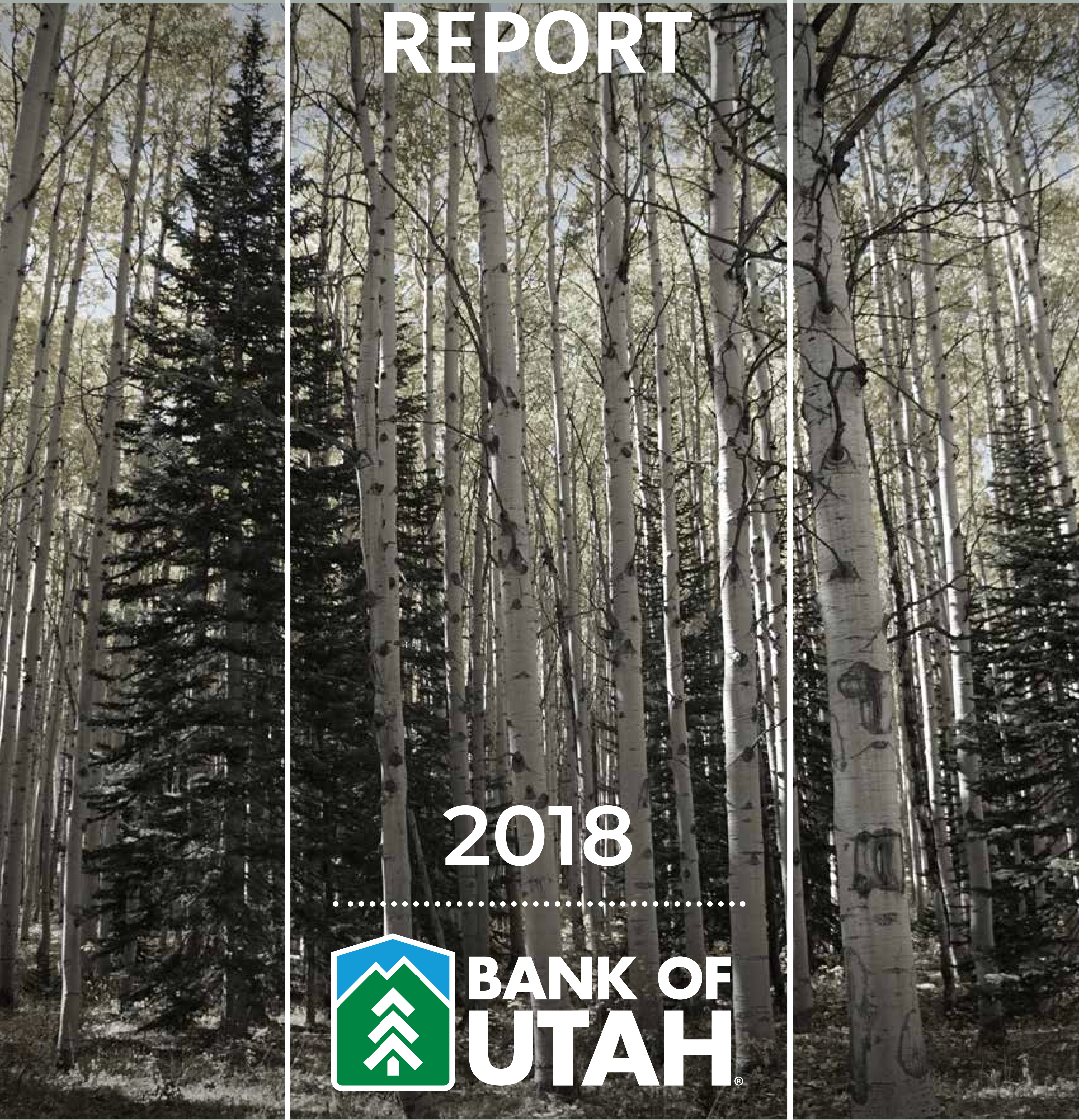
ANNUAL REPORT



2018

BANK OF UTAH®

BOU BANCORP, INC.

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MISSION STATEMENT

We are a community bank, dedicated to providing quality financial services through friendly, professional employees. We will be responsive to our present and prospective customers and become a major banking force in the Utah markets we serve. Our products and services will meet the needs of our customers in a rapidly changing environment. Key elements and controlling factors in our planning, service and product design will be safety, efficiency and profitability. The honor, respect and integrity of our employees, customers and stockholders are of the highest priority to the Bank. We will be the best community bank in Utah!

ABOUT US

Bank of Utah has 17 full-service branches in Logan, Providence, Tremonton, Brigham City, Ogden, South Ogden, Roy, Layton, Bountiful, Salt Lake City, Sandy, Heber, Lindon, Orem and Provo; mortgage offices in Logan, Price and St. George, and trust offices in Ogden and Salt Lake City. Bank of Utah offers personal and business banking, mortgage and commercial lending and trust and investment services.

Letter to Shareholders

Frank Browning, Chairman of the Board
Doug DeFries, President & CEO

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 the Company achieved record net income for the year. Additionally, the Company continues to perform at a superior level in comparison to our peers and the industry. Net income was $23.4 million in 2018 as compared to $15.3 million in 2017. This represents a 53 percent increase and growth of $8.1 million year over year.

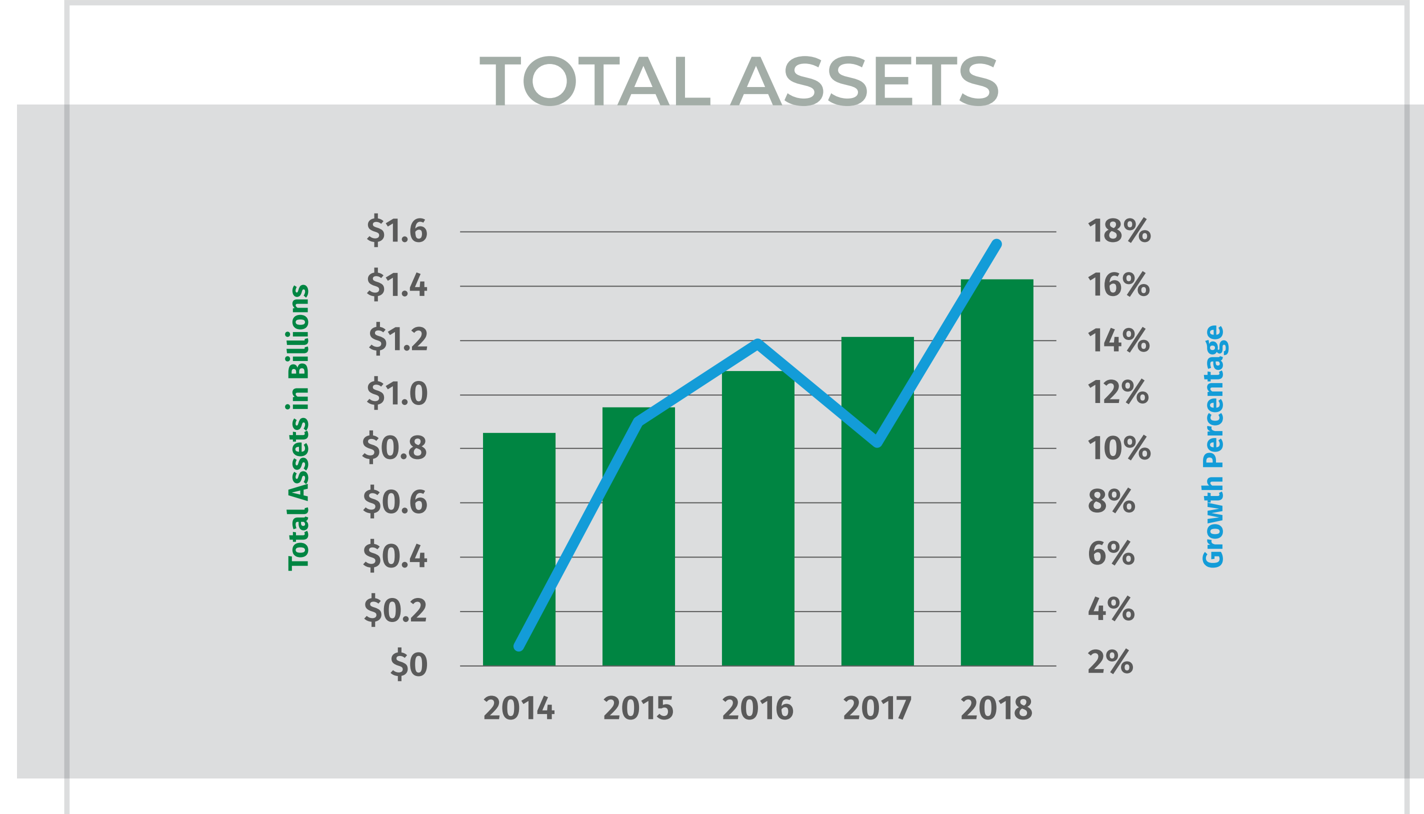
One highlight of the year was the Company’s purchase of AmBancorp, Inc., the holding company of American Bank of Commerce (AmBank) in the fourth quarter of 2018. This acquisition added two additional branches in Utah County (Lindon and Provo) and a branch in Wasatch County (Heber). Utah County is one of the fastest growing areas in the country for business and population. These added facilities and employees will enable us to increase business in this area of the state.

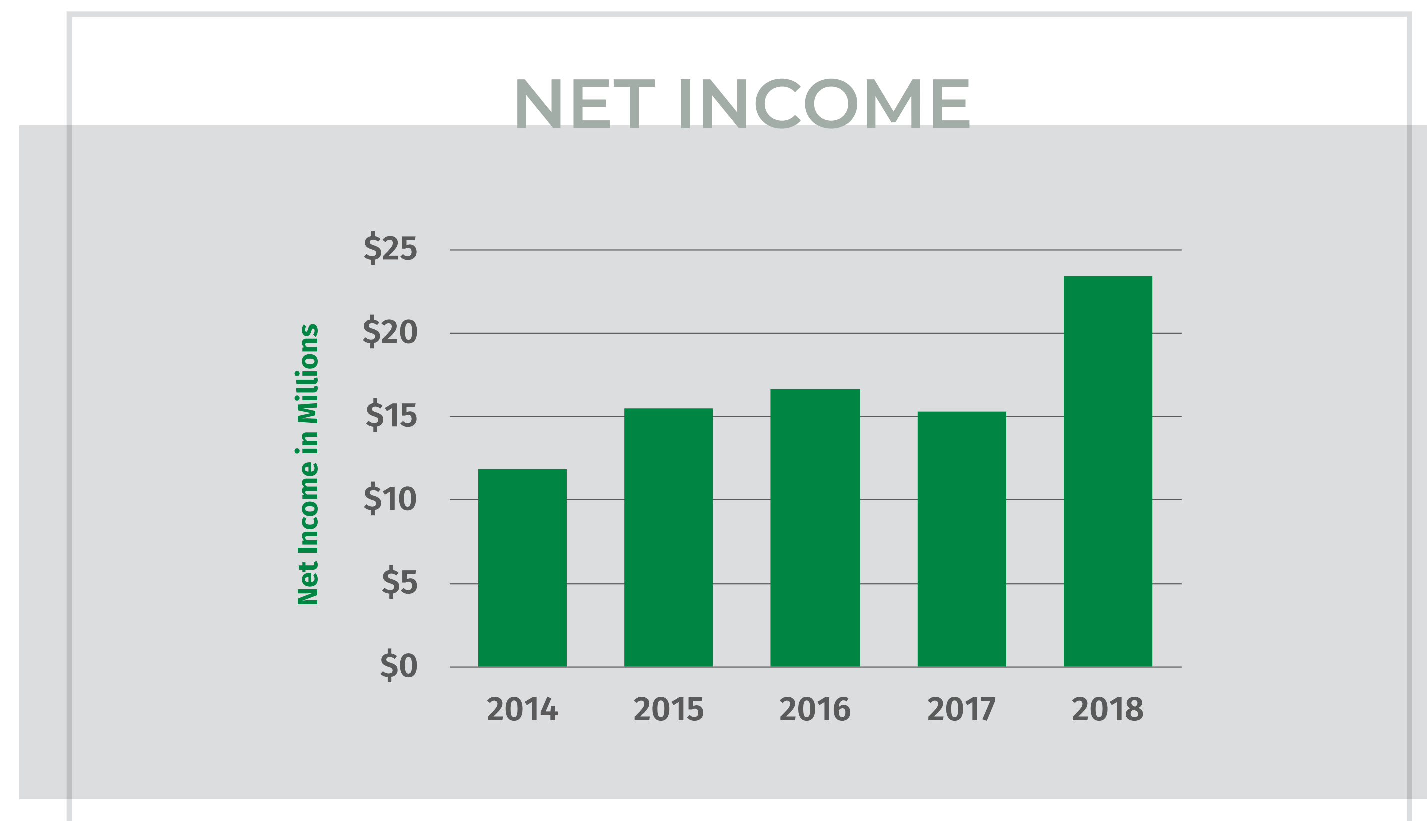
In addition to our excellent earnings and expansion activities, assets increased over 17 percent, from $1.2 billion in 2017 to $1.4 billion in 2018. Assets have grown by more than 70 percent over the past five years. Along with growth in assets, the Company grew total stockholder equity by $18.9 million, while maintaining the liquidity to take advantage of other opportunities that may be presented in the future. Cash dividends rose 3.5 percent from $0.29 per share in 2017 to $0.30 in 2018. In addition, on May 1, 2018 the Company issued a 9 for 1 stock dividend.

Key Accomplishments in 2018:

- Record earnings of $23.4 million in 2018.
- Adding branches in high-growth counties through the acquisition of AmBank.
- Loan growth of 21 percent.
- Average deposit growth of 12.5 percent.
- Global expansion in corporate trusts.
- Nine for one stock dividend.

Record earnings enhanced shareholder value by increasing dividends and investing in the Company’s infrastructure including new products, services, technology, security systems and competitive wages.

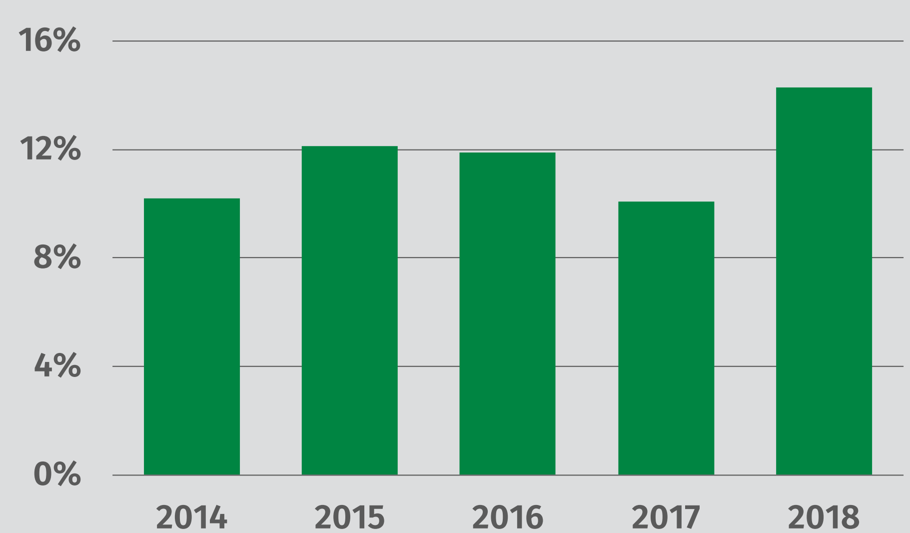




The Company does business in one of the best economies in the United States. The state of Utah was one of only five states in the nation to experience job growth of over 3.1 percent. Every major industry in the state had positive growth with trade/transportation/utilities, manufacturing and financial services leading the way.

High job growth has led to continued in-migration and population growth. For the past decade, Utah ranks first in population growth. This represents nearly 400,000 people. In the past year alone, Utah added almost 58,000 people, of which, 43 percent migrated to the state.

RETURN ON AVERAGE EQUITY



Bank of Utah works to provide the right banking products and services to meet the needs of any business.

It's a good time to do business in Utah—whether you have come from out of state to start a business or you represent a Utah-based company. Utah's young and educated workforce, stability, business-friendly governments and the lower cost of doing business, creates a positive climate for success.

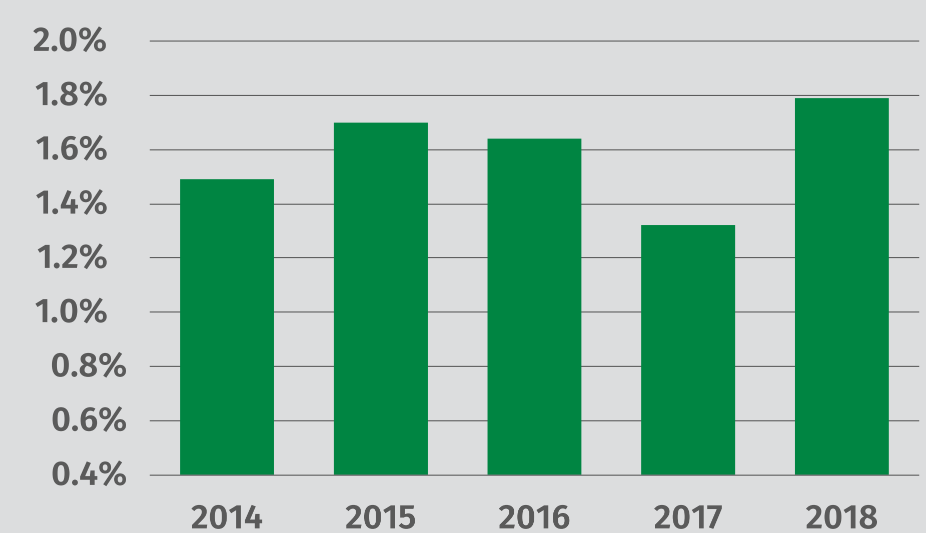
We take pride in giving back to the communities we serve through monetary and volunteer efforts and donating to causes that improve the quality of life of those that live here.

The Bank is managed with a view and concern for the long run. We will continue to make sound business decisions for our customers, shareholders and employees that will keep Bank of Utah a leader in our community and industry for years to come.

Frank W. Browning
Chairman of the Board

Douglas L. DeFries
President & CEO

RETURN ON AVERAGE ASSETS



The Bank's warm clothing drive collected more than 230 bags and barrels full of clothing for 10 charities in Utah.

As a community bank, we have a wonderful opportunity to give back to our communities with efforts like Warm Bodies, Warm Souls and Kick Childhood Hunger. We appreciate our customers and friends who have generously joined us in collecting these basic necessities for people and families in need.

Company Key Results

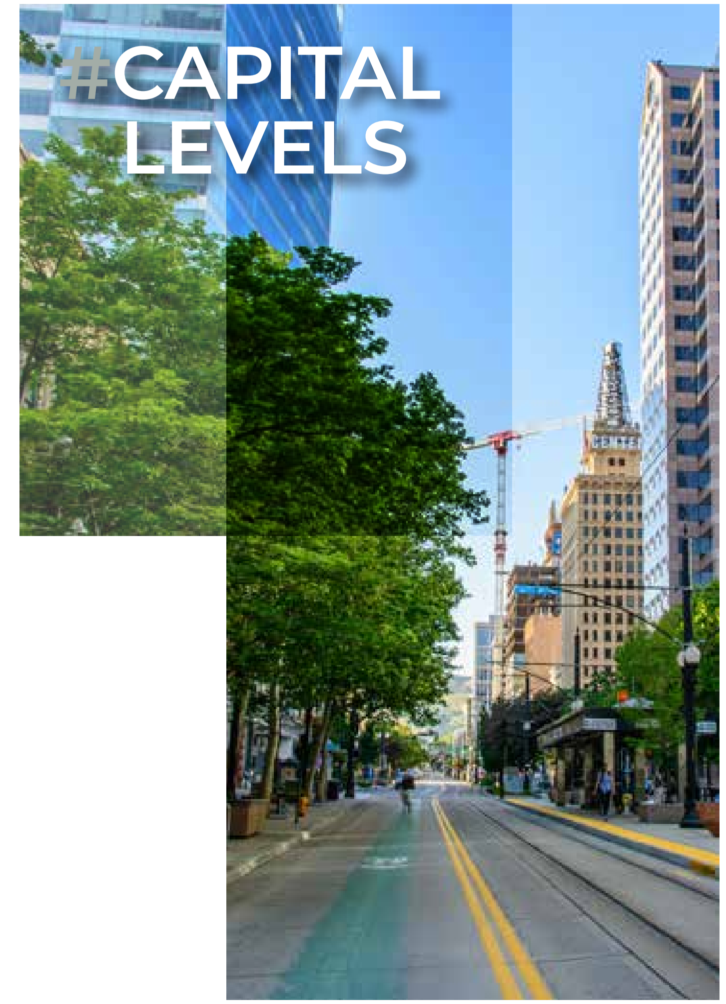
The Company continued its pattern of strong asset growth. Since 2013, the Company has grown assets by over 70 percent. Once again, the loan portfolio led the way with 21 percent growth for 2018. This came in the midst of rising interest rates. Net interest income increased from the previous year by $9.9 million and the net interest margin, on a taxable equivalent basis, increased from 4.12 percent in 2017 to 4.37 percent in 2018. Additionally, all lines of business added profitability to earnings. This growth is due to competitive product and service offerings and well-trained employees who put the needs of their clients first.

PROFITABILITY

Net income for year-end 2018 totalled $23.4 million. This was an $8.1 million increase year over year and is the largest yearly increase in the Company's history. This was partially attributed to the Tax Cuts and Jobs Act of 2017, which reduced the corporate tax rate. However, the core of the increase was generated from the Company's deposit and loan business—paying attention to detail, keeping costs in check, growing assets that earn income, reinvesting into the Company and serving the customer.

PRIMARY CHANGES TO INCOME

- Net interest income and fees on loans increased to $52.7 million in 2018 from $42.8 million in 2017. This is primarily a result of significant loan growth, the acquisition of AmBank in December 2018 and the ability to maintain a low-cost deposit base in comparison to the earnings on loans.
- Gain on sale of mortgage loans declined by $1.4 million in 2018 to $7.2 million due to lower production and increased competition.
- Salaries and employee benefits expense grew by $2.8 million, an increase of 11.3 percent. The number of employees grew by 4.7 percent.
- Professional fees increased by $1.1 million, which is partially due to the AmBank purchase.
- Trust fee income grew to $10.1 million in 2018.



CAPITAL LEVELS

Tier 1 capital to average assets was 11.87 percent for year-end 2018. The prior year ended at 12.47 percent. Total consolidated Tier 1 capital grew from $150.3 million in 2017 to $165.7 million in 2018. Because of strong capital levels and attention to quality loan underwriting, the Company took advantage of new loan opportunities, enabling strong growth and earnings.

In 2018, the Company paid $5.1 million in dividends, which represented $0.30 per share (stock dividend adjusted). In comparison, a total of $4.9 million in dividends was paid in 2017, which represented $0.29 per share.

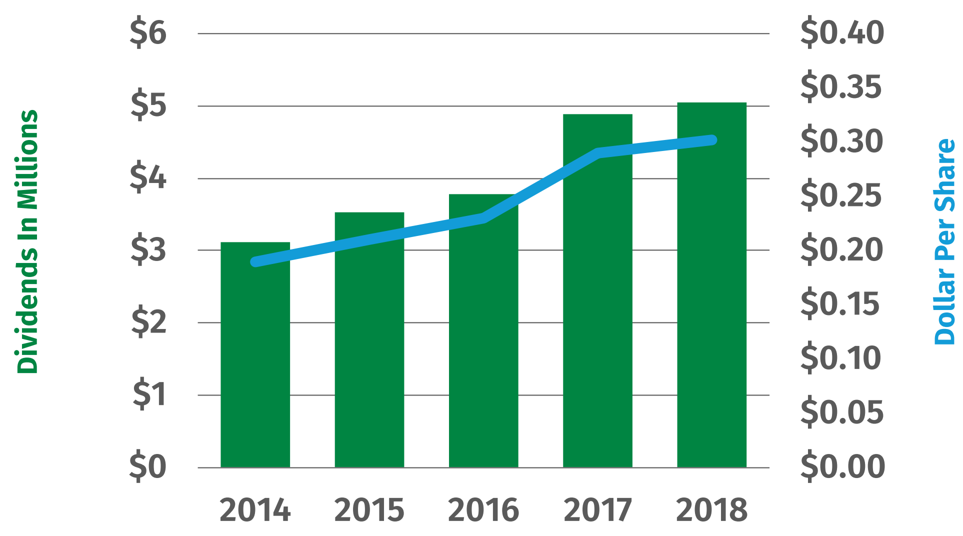
FUTURE INITIATIVES

Stable growth and expanding product offerings will be the focus for 2019. In addition, the Company will continue to refine each business line to enhance customer service and improve efficiencies.

Current Initiatives Include:

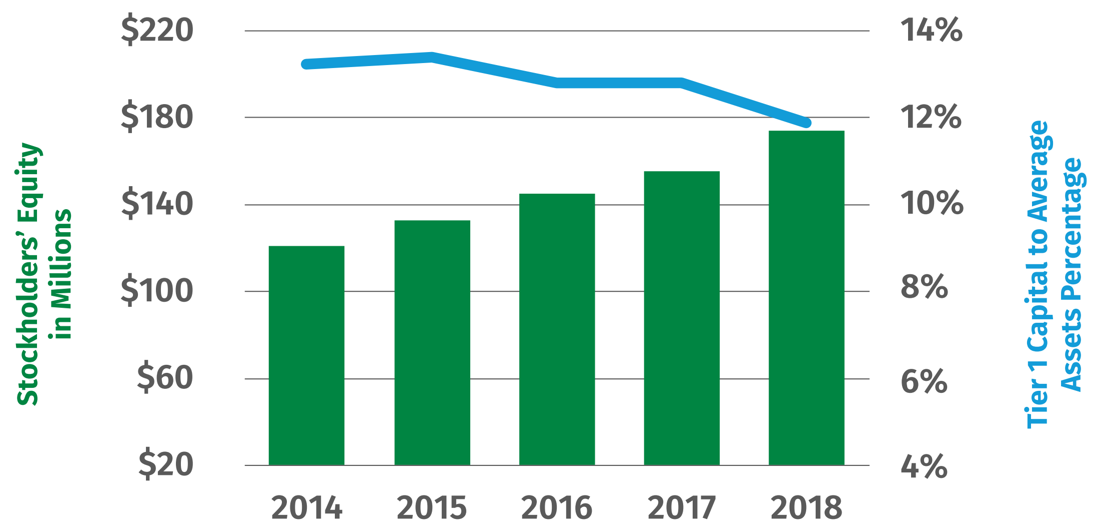
- Continued investment in technology.
- Implement new products and services.
- Acquire, retain and train valuable employees.
- Establish City Creek Banking Center in downtown Salt Lake City.

CASH DIVIDENDS PAID



All values adjusted for 9 for 1 stock dividend effective May 1, 2018

TOTAL STOCKHOLDERS' EQUITY



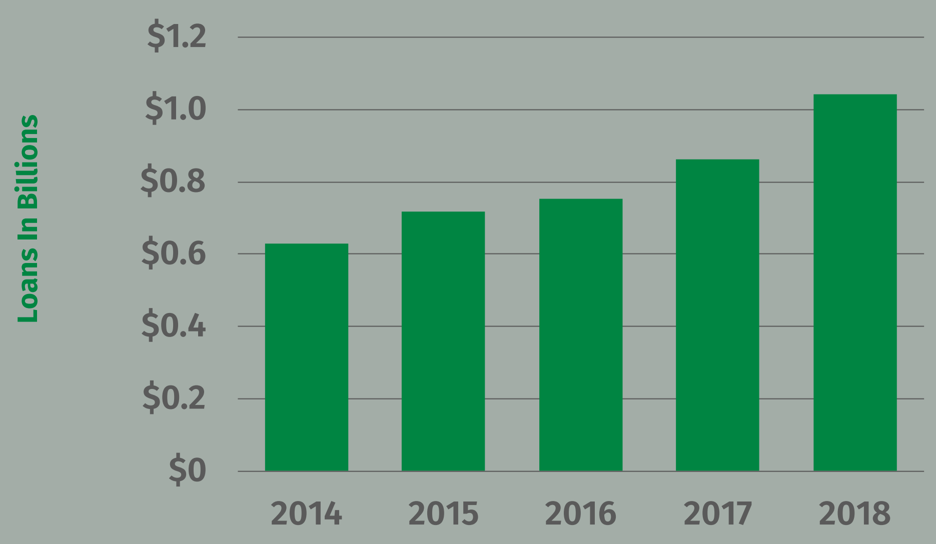
COMMERCIAL LENDING

This past year, Utah ranked #1 in job growth in the nation at 3.7 percent, according to the Kem C. Gardner Policy Institute. This prosperous business environment is a result of strong technology sector growth, an educated workforce, excess land for building and a relatively lower cost of living for families and employees. The Bank offers a mix of loan products to support business growth such as equipment, commercial real estate, income property, revolving lines of credit, leasing and municipal financing. The majority of loans are real estate related. Loan growth was 21 percent with a net loan balance of $1.04 billion at year-end 2018—of which, the majority was generated internally by the Bank's loan officers. This represents a $180 million increase in loans outstanding over 2017. The Bank acquired loans from the purchase of AmBank with fair value of $68.2 million. This acquisition should give more access to acquire loans in the Utah County market.

0%

The Banks non-performing loans plus other real estate owned (OREO) was 0.00 percent of tangible capital plus allowance (Texas Ratio). This is a result of a strong economy, sound underwriting and systems that track trends.

LOANS OUTSTANDING



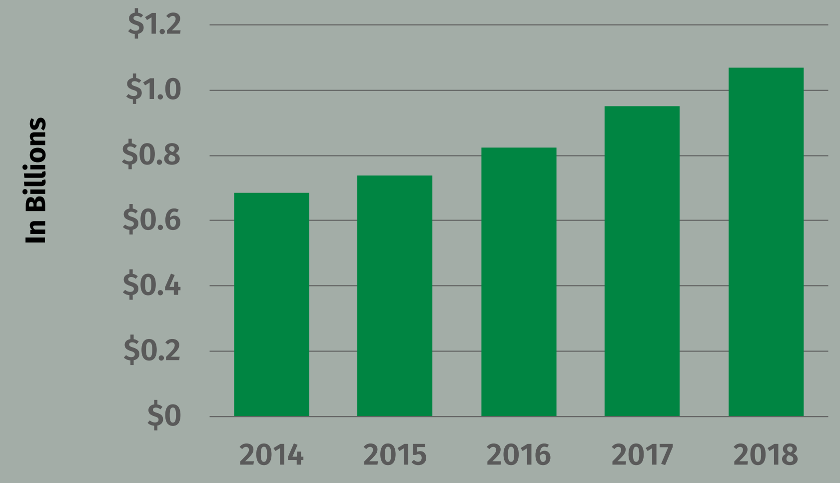
DEPOSITS AND TREASURY MANAGEMENT

In 2018, average deposits grew by 12.5 percent, an increase of $118.6 million. Operating efficiencies and the acquisition of large business accounts have enabled the Bank to maintain a low cost of funds at 0.34 percent. The Bank acquired deposits of $79.6 million from the purchase of AmBank. The focus in 2018 was to provide additional support to deposit gathering personnel though training and education, enabling staff to have meaningful conversations with clients to help them meet financial goals. The Bank has expertise with business clients both large and small. In the past few years, many businesses moved from the “big banks” to take advantage of the Bank’s high touch, high technology capabilities in treasury management.

12.5%

Deposit growth is attributed to a qualified sales force that understands the Bank’s products and services and tailors them to meet customer needs.

AVERAGE DEPOSITS



WEALTH MANAGEMENT

Personal trust assets under management grew to $464.7 million in 2018 from $418.1 million in 2017, an 11.2 percent increase. Fee income grew from $2.3 million in 2017 to $2.7 million in 2018. Bank of Utah is the only community bank headquartered in Utah with a personal trust division. This allows clients to interact with experts specializing in living trusts, self-directed IRAs, and other bank products and services to protect and manage their assets. The Bank offers investment and retirement planning through a partnership with Cetera Financial Services. It offers a full array of investments such as 401(k) plans, annuities, mutual funds and securities. Large deposit customers also use Private Banking services offered by Bank of Utah. Customers enrolled in these services receive added personal attention and special offers to help them with cash management needs.

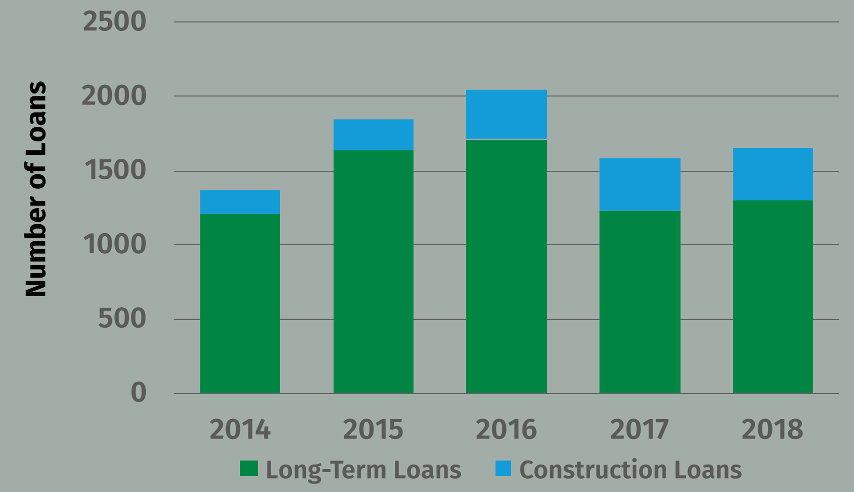
RESIDENTIAL LENDING

Residential lending remained strong as the Bank met all budgeted revenue and production goals, due in large part to efficient operations and a sound strategic plan. Closed construction loans essentially held steady at 351 in 2018, after closing 355 loans in 2017. The number of long-term home loans increased 5.4 percent from 1,234 in 2017 to 1,300 in 2018. Overall, Bank of Utah funded nearly $410 million in new loans. In terms of production, the Bank has positioned itself as one of the top 25 mortgage lenders (out of 425) in the state of Utah, with an overall market share of 1.10 percent. In addition, when considering only banks in Utah, the Bank of Utah finished 2018 in the top five.

Top 25

Bank of Utah ranks in the top twenty five mortgage lenders in the state in terms of mortgage production.

RESIDENTIAL LOANS



CONSUMER LENDING

The Bank's consumer loan portfolio for year-end 2018 was $46.5 million. This represents a slight decrease of 5.2 percent from 2017. The majority of the portfolio is in home equity loans. Growth of the portfolio is a goal in the coming year with emphasis on fast turn-around times and competitive rates.

Local

Customers can count on a high standard of excellence from a premier banking product suite and prompt, hands-on customer service that comes from a community bank.

CORPORATE TRUST

Corporate trust ended 2018 with a 12.9 percent increase in total accounts. The primary make up of the portfolio remains aircraft related, with strong contributions from both commercial and corporate aircraft. The portfolio is diversified to include vessels, real estate, rail cars, equipment, as well as life settlements. Fee revenue also grew again in 2018 with growth coming from a strong and loyal client base, customer referrals and contacts in the industry. The Bank developed new relationships in growth areas and built momentum for additional business from those relationships. The Bank continues to review standards surrounding the products offered and works with regulatory officials to ensure that the Bank is meeting and exceeding best practices within the industry.

1,700+

Bank of Utah has become a world leader in aircraft owner trust services. This department processes hundreds of trustee transactions each year for US and non-US citizens and corporations with over 1,700 aircraft on the FAA registry.

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018, 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 18, 2019, 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 18, 2019

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Report of Independent Auditors

The Board of Directors and Stockholder of
Bank of Utah

Report on Internal Control Over Financial Reporting

We have audited Bank of Utah's (Bank) internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council (FFIEC) Instructions for Consolidated Reports of Condition and Income (call report instructions), as of December 31, 2018, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting and compliance with designated laws and regulations, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control Over Financial Reporting (Management Report).

Auditor's Responsibility

Our responsibility is to express an opinion on the entity's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Bank's internal control over financial reporting included controls over the preparation of financial information for purposes of Bank of Utah's financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, Bank of Utah maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, 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 FDICIA.

Restriction on Use

This report is intended solely for the information and use of management, the Board of Directors, and others within the organization, and the Federal Deposit Insurance Corporation and Federal Reserve Bank and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Spokane, Washington
March 18, 2019

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
Years ended December 31, 2018 and 2017

(in thousands, except share data)

ASSETS		2018	2017
Cash and due from banks (note 2)	$	23,678	20,214
Interest-bearing deposits in banks		160,474	125,973
Federal funds sold		1,676	3,611
Investment securities (notes 3 and 11):			
Equity securities not held for trading, at fair value		6,802	6,795
Debt securities available for sale, at fair value		112,052	121,201
Debt securities held to maturity, at cost (fair value of $8,011 and $11,147 respectively)		8,038	11,139
Total investment securities		126,892	139,135
Loans held for sale		11,797	13,787
Loans (note 4)		1,041,794	861,762
Less allowance for loan losses (note 5)		11,600	10,914
Net loans		1,030,194	850,848
Accrued interest receivable		4,744	3,988
Goodwill (note 6)		8,903	5,894
Bank owned life insurance		29,358	25,952
Premises and equipment (note 7)		17,924	14,800
Deferred tax asset (note 10)		3,048	2,965
Other assets		6,335	4,542
Total assets	$	1,425,023	1,211,709

LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$	470,975	375,747
Interest-bearing (note 8)		697,212	605,682
Total deposits		1,168,187	981,429
Securities sold under agreements to repurchase (note 9)		69,813	65,658
Other liabilities		12,723	9,216
Total liabilities		1,250,723	1,056,303
Commitments and contingent liabilities (note 12)			
Common stock, $1 par value, 50,000,000 shares authorized, 16,899,750 and 16,833,750 shares issued and outstanding at December 31, 2018 and 2017, respectively		16,900	16,834
Paid-in capital		5,271	4,334
Accumulated other comprehensive loss, net of tax		(1,290)	(1,080)
Retained earnings		153,419	135,318
Total stockholders' equity		174,300	155,406
Total liabilities and stockholders' equity	$	1,425,023	1,211,709

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2018 and 2017

(in thousands, except per share data)

INTEREST INCOME:		2018	2017
Interest and fees on loans	$	50,701	40,999
Interest on investment securities:			
Taxable		2,339	2,180
Tax-exempt		187	262
Interest on loans held for sale		453	536
Interest on cash and cash equivalents		2,809	1,204
Total interest income		56,486	45,181
INTEREST EXPENSE:			
Interest on deposits		3,601	2,262
Interest on securities sold under agreements to repurchase and other borrowings		204	152
Total interest expense		3,805	2,414
Net interest income		52,681	42,767
Provision for loan losses (note 5)		700	1,200
Net interest income after provision for loan losses		51,981	41,567
NONINTEREST INCOME:			
Service charges on deposits		1,174	1,315
Gain on sale of loans		7,200	8,557
Trust fees		10,089	9,181
Increase in cash surrender value of bank owned life insurance		751	758
Other		1,568	1,535
		20,782	21,346
NONINTEREST EXPENSES:			
Salaries and employee benefits		27,278	24,517
Net occupancy expense		2,432	2,424
Equipment expense		4,946	4,063
Professional fees and services		3,369	2,246
Advertising expense		1,262	1,258
Office expense		1,108	1,070
Other		3,049	2,690
		43,444	38,268
Income before provision for income taxes		29,319	24,645
Provision for income taxes (note 10)		5,896	9,338
Net income	$	23,423	15,307
Basic and diluted earnings per common share	$	1.39	0.91

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2018 and 2017

(in thousands)

	2018	2017
Net income	$ 23,423	15,307
Other comprehensive loss:		
Net change in unrealized holding loss on securities available for sale, net of tax benefit of $160 and $249 as of December 31, 2018 and 2017, respectively	(482)	(212)
Comprehensive income	$ 22,941	15,095

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2018 and 2017

(dollars in thousands)

	Common Stock	Amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
Balances, December 31, 2016	16,833,750	$ 16,834	4,334	(677)	124,702	145,193
Net income	-	-	-	-	15,307	15,307
Other comprehensive loss, net of tax	-	-	-	(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	16,833,750	16,834	4,334	(1,080)	135,318	155,406
Cumulative effect of reclassification due to adoption of ASU 2016-01	-	-	-	272	(272)	-
Adjusted balances, January 1, 2018	16,833,750	16,834	4,334	(808)	135,046	155,406
Net income	-	-	-	-	23,423	23,423
Other comprehensive loss, net of tax	-	-	-	(482)	-	(482)
Dividends paid	-	-	-	-	(5,050)	(5,050)
Issuance of common shares	66,000	66	937	-	-	1,003
Balances, December 31, 2018	16,899,750	$ 16,900	5,271	(1,290)	153,419	174,300

BOU BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017

(in thousands)

		2018	2017
OPERATING ACTIVITIES:			
Net income	$	23,423	15,307
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense		1,747	1,821
Provision for loan losses		700	1,200
Provision for commitments to fund loans		500	100
Deferred income tax expense/(benefit)		(488)	1,245
Change in unrealized loss on equity investments		148	-
Increase in cash surrender value of bank owned life insurance		(751)	(758)
Net amortization of investment premiums and discounts		416	516
Gain on sale of loans		(7,200)	(8,557)
Proceeds from sales of loans held for sale		275,600	301,331
Origination of loans held for sale		(266,411)	(293,520)
(Gain)/loss on sale or disposal of premises and equipment		(4)	5
Change in accrued interest receivable and other assets		(59)	(1,272)
Change in other liabilities		2,181	232
Net cash provided by operating activities		29,802	17,650
INVESTING ACTIVITIES:			
Net cash used for acquisition		1,417	-
Proceeds from maturities of held to maturity securities		2,990	2,590
Proceeds from maturities of available for sale securities		28,076	20,565
Purchase of available for sale securities		(19,782)	(19,934)
Purchase of equity securities, not held for trading		(155)	(1,630)
Net change in loans from loan originations and principal repayments		(111,831)	(109,286)
Proceeds from sale of premises and equipment		5	-
Purchase of premises and equipment		(1,741)	(3,294)
Net cash used in investing activities		(101,021)	(110,989)
FINANCING ACTIVITIES:			
Net change in deposits		107,141	99,052
Net change in securities sold under agreement to repurchase		4,155	14,675
Issuance of common stock		1,003	-
Dividends paid to stockholders		(5,050)	(4,882)
Net cash provided by financing activities		107,249	108,845
Net change in cash and cash equivalents		36,031	15,506
Cash and cash equivalents, beginning of period		149,798	134,292
Cash and cash equivalents, end of period	$	185,829	149,798
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$	3,738	2,400
Cash paid for income taxes		5,896	8,294
Supplemental Disclosure of Non-Cash Transactions			
Acquisition:			
Assets acquired, at fair value		96,182	-
Liabilities assumed, at fair value		80,917	-
Impact of change in accounting principle		272	

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(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. On May 1, 2018, the Company completed a 9-for-1 stock dividend. All share and per-share amounts have been restated to reflect this change.

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. Management believes the allowance for loan losses, deferred income taxes, and the fair value of financial assets are properly stated. 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.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting which requires that assets acquired and liabilities assumed are recorded at estimated fair value at the date of the acquisition. Any difference in purchase consideration over the fair value of assets acquired and liabilities assumed results in recognition of goodwill if purchase consideration exceed net estimated fair values, or a bargain purchase gain if estimated fair values exceed purchase consideration. Expenses incurred in connection with a business combination are expensed and incurred. Changes in deferred tax asset valuation allowances and acquired tax uncertainties after the measurement period are recognized in net income.

On November 30, 2018, the Company completed the acquisition of all of the outstanding shares of AmBancorp, Inc. (AmBancorp), the holding company for American Bank of Commerce (AmBank) for $18.3 million cash consideration. AmBancorp and AmBank have been merged into BOU Bancorp, Inc. and Bank of Utah respectively. The acquisition adds three additional full-service branches which increases the Company's reach for providing community banking services along the Wasatch Front.

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. Subsequent events have been evaluated through March 18, 2019, the date these financial statements were available to be issued.

Cash and Cash Equivalents

Cash and cash equivalents include cash, due from banks, interest bearing deposits in banks, and fed funds sold 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 in debt securities in two categories: held to maturity or available for sale. The Company had no trading securities during 2018 or 2017. Premiums and discounts are amortized or accreted over the expected life of the related security and recognized in interest income using the effective-interest method. Dividend and interest income are recognized when earned. 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 noninterest income.

Equity securities are recorded at fair value with unrealized holding gains and losses reported in net income as a component of other noninterest income. Gains and losses on sales are recorded on the trade date and determined using the specific identification method. Realized gains and losses on equity securities are reported in the consolidated statements of income as other noninterest income.

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, 2018 and 2017 was $1.6 million and $1.3 million, respectively, and is reported on the consolidated statements of financial condition as a component of 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, 2018 and 2017 was $366,000 at cost, and is reported on the consolidated statements of financial condition as a component of 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 net income. The amount of the Company's commitments to sell loans approximated the balance of loans held for sale on December 31, 2018 and 2017. 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.

Mortgage Servicing Rights

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 and tested for impairment annually. This asset is subsequently amortized as a reduction in noninterest income over the estimated life of the servicing income. The servicing asset was $98,000 and $178,000 as of December 31, 2018 and 2017 and is included in the accompanying consolidated statements of financial condition as a component of other assets.

Loans

Loans are generally recorded at cost, net of discounts on acquired loans, 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) and reported as impaired. 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 or losses from the sale of such loans in 2018 or 2017.

The Company continues to service approximately $318.4 million and $228.3 million in participating interests at December 31, 2018 and 2017, 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 $209.7 million and $151.9 million, respectively, at December 31, 2018 and 2017. The Company recorded approximately $598,000 and $461,000 in servicing fee income during 2018 and 2017, respectively.

The Company holds purchased participating interest in loans of $38.7 million and $20.7 million at December 31, 2018 and 2017, 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, 2018. 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 statements of income.

In determining the reserve for unfunded lending commitments, a process similar to the one used for the allowance for loan losses is employed. Based on historical experience, loss factors, adjusted for expected 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. The Company did not hold any ORE as of December 31, 2018 or 2017.

Goodwill and Other Intangible Assets

Goodwill has an indefinite useful life and is not amortized, but tested for impairment annually. The Company's goodwill totaled $8.9 million and $5.9 million at December 31, 2018 and 2017, respectively. The increase in goodwill in 2018 is a result of the Company's acquisition of AmBancorp on November 30, 2018 (note 6 & 15). As of December 31, 2018, 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, 2018 and 2017, and determined that no impairment existed. As part of the AmBancorp acquisition, the Company also recorded a core deposit intangible of $1.3 million. The core deposit intangible is amortized over the estimated life of the acquired deposits using an accelerated amortization method.

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

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transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and commitments under credit card arrangements. Such financial instruments are recorded in the financial statements when they are funded or when related fees are incurred or received.

Fair values of financial instruments are estimated using relevant market information and other assumptions (note 11). Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Advertising Costs

Advertising costs 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, 2018, 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, 2018 and 2017, 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:

(dollars in thousands, except share and per share data)

	2018	2017
Numerator		
Net income	$ 23,423	15,307
Denominator		
Weighted average number of common shares outstanding	16,834,654	16,833,750
Basic and diluted earnings per common share	$ 1.39	0.91

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

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on the Company's management accounting process, for which there is no comprehensive or 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 consolidated statements of financial condition. Trust fees and expenses are reported in the consolidated 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, 2018 and 2017, respectively, the Company had fulfilled all repurchase requests as required under the terms of the KSOP. Company contributions were approximately $1.0 million and $921,000 for the years ended December 31, 2018 and 2017, respectively, and were used, in addition to other cash held in the KSOP, to purchase Company stock from former employees as they requested or were required to take distributions and to purchase 66,000 additional shares of Company stock for $1.0 million. An independent valuation of the BOU Bancorp, Inc.'s stock held by the KSOP is obtained annually. The KSOP owns 1,196,440 shares (7.08%) of BOU Bancorp, Inc. stock, all of which are allocated at December 31, 2018. Additionally, at December 31, 2018, the KSOP held $1.4 million in cash and equivalents.

Recent Accounting Pronouncements

On January 1, 2018, the Company early adopted Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* which requires changes in fair value of equity investments previously classified as available for sale to be recognized in net income. Additionally, the ASU requires the use of an exit price notion when measuring the fair value of financial instruments for disclosure purposes. The Company elected the retrospective transition approach with a cumulative effect adjustment which resulted in a $272,000 decrease to beginning retained earnings and offsetting increase to beginning accumulated other comprehensive income.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes a new control-based revenue recognition model for revenue from contracts with customers. The guidance in the ASU is effective for reporting periods beginning after December 15, 2019. The majority of the Company's revenues come from interest income and other sources, including loans and securities, which are outside the scope of topic 606. The Company's services that fall within the scope of Topic 606 include trust fees, service charges on deposits, and interchange income. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

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. This ASU is not expected to have a material impact on the Company's financial condition, results of operations, or capital position, but will impact the presentation on the consolidated statements of financial 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

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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, 2020 with prospective application. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. This ASU shortens the amortization period for certain callable debt securities held at a premium by requiring that the premium to be amortized to the earliest call date. This ASU more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. The guidance in the ASU is effective for reporting periods beginning after December 15, 2019. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU modify the disclosure requirements on fair value measurements. The guidance in the ASU is effective for reporting periods beginning after December 15, 2019. This ASU is not expected to have a material impact on the Company's financial condition or results of operation.

(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 $51.7 million and $45.3 million at December 31, 2018 and 2017, respectively.

(3) INVESTMENT SECURITIES

Effective January 1, 2018, upon adoption of ASU 2016-01, equity securities included in the Company's available for sale portfolio of $6.8 million were reclassified to equity securities. The reclassification of equity securities resulted in recording a cumulative effect adjustment of $272,000 from accumulated other comprehensive loss to retained earnings.

At December 31, 2018, the fair value of equity securities was $6.8 million. During the year ended December 31, 2018, the Company recognized gross unrealized holding losses of $148,000 in earnings.

Debt securities as of December 31, 2018 are summarized as follows:

(in thousands)

	Held to Maturity			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
States and political subdivisions	$ 8,038	3	30	8,011

	Available for Sale			
	Amortized cost	Unrealized gain	Unrealized loss	Fair value
U.S. government agency	$ 88,925	84	1,228	87,781
U.S. government agency mortgage backed securities	24,845	18	592	24,271
	$ 113,770	102	1,820	112,052

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Debt 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
	$ 122,368	58	1,225	121,201

There were no securities sold during the year ended December 31, 2018 or 2017.

A summary of investment securities with unrealized losses as of December 31, 2018, 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	$ 8	3,176	22	3,952	30	7,128

	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	$ 20	9,868	1,208	67,908	1,228	77,776
U.S. government agency mortgage backed securities	6	1,550	586	22,039	592	23,589
	$ 26	11,418	1,794	89,947	1,820	101,365

A summary of investment securities with unrealized losses as of December 31, 2017, 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	$ 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
	$ 443	64,104	782	53,896	1,225	118,000

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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, 2018 or 2017, 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, 2018 and 2017 was 22 and 21, respectively. The number of investment securities in an unrealized loss position for securities available for sale at December 31, 2018, and 2017 was 28 and 28, respectively.

A summary of the amortized cost and fair value of investment securities as of December 31, 2018, by contractual maturity, follows:

(in thousands)

	Held to Maturity	
	Amortized cost	Fair value
Due in one year or less	$ 2,184	2,178
Due after one year through five years	5,854	5,833
	$ 8,038	8,011

	Available for Sale	
	Amortized cost	Fair value
Due in one year or less	$ 23,090	22,862
Due after one year through five years	65,835	64,919
U.S. government agency mortgage backed securities	24,845	24,271
	$ 113,770	112,052

U.S. government agency securities with a book value of $78.9 million and $73.2 million at December 31, 2018 and 2017, respectively, were pledged to collateralize securities sold under agreements to repurchase and other borrowings. The fair value of such securities was $77.9 million and $72.3 million at December 31, 2018 and 2017, respectively. (See note 9.)

(4) LOANS

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

(in thousands)

	2018	2017
Construction & development	$ 235,315	171,932
1-4 family real estate	70,193	67,052
Commercial real estate	501,480	404,476
Commercial & industrial	70,946	67,278
States & political subdivisions	133,108	121,489
Other	32,440	31,338
	1,043,482	863,565
Less unearned fees, net	1,688	1,803
	$ 1,041,794	861,762

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.
Commercial 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.

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The Company acquired certain non-impaired loans as part of the AmBancorp acquisition. The unpaid principal balance and book value of these loans at December 31, 2018 are summarized as follows:

(in thousands)

	2018	
	Unpaid Principal Balance	Book Value
Construction & development	$ 16,634	16,500
1-4 family real estate	4,969	5,032
Commercial real estate	44,450	44,223
Commercial & industrial	1,912	1,861
Other	1,174	1,173
	69,139	68,789

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)

	2018	2017
Balance, beginning of year	$ 616	319
New loans and advances	299	689
Payments	(691)	(392)
Balance, end of year	$ 224	616

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(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, 2018:	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	$ 3,584	568	-	-	4,152
1-4 family real estate	639	(71)	-	13	581
Commercial real estate	5,085	234	-	-	5,319
Commercial & industrial	418	(4)	(17)	22	419
States & political subdivisions	615	8	-	-	623
Other	573	(35)	(42)	10	506
	$ 10,914	700	(59)	45	11,600

As of December 31, 2017:	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	$ 2,880	704	-	-	3,584
1-4 family real estate	614	24	-	1	639
Commercial 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

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, 2018:

(in thousands)

	Individually evaluated for impairment	Collectively evaluated for impairment	Total
Allowance for loan losses:			
Construction & development	$ -	4,152	4,152
1-4 family real estate	-	581	581
Commercial real estate	16	5,303	5,319
Commercial & industrial	-	419	419
States & political subdivisions	-	623	623
Other	-	506	506
	16	11,584	11,600
Outstanding loan balances:			
Construction & development	-	235,315	235,315
1-4 family real estate	-	70,193	70,193
Commercial real estate	6,964	494,516	501,480
Commercial & industrial	-	70,946	70,946
States & political subdivisions	-	133,108	133,108
Other	-	32,440	32,440
	$ 6,964	1,036,518	1,043,482

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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
Commercial 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
Commercial 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

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, 2018:

(in thousands)

	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Total recorded investment	Total Allowance
Commercial real estate	$ 6,964	-	6,964	6,964	16

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
1-4 family real estate	$ 2,915	-	2,915	2,915	33
Commercial real estate	359	-	359	359	31
	$ 3,274	-	3,274	3,274	64

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)

	2018		2017	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
1-4 family real estate	$ -	-	643	47
Commercial real estate	3,232	191	3,431	210
Commercial & industrial	103	13	164	28
	$ 3,335	204	4,238	285

As of December 31, 2018 and 2017 there were no loans modified in TDRs on nonaccrual. As of December 31, 2018 and 2017 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, 2018 and 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 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, 2018 and 2017.

As of December 31, 2018 there were no nonaccrual loans. As of December 31, 2017 nonaccrual loans totaled 424,000, all of which were commercial & industrial loans.

The following tables present an aging analysis of loans as of December 31, 2018 and 2017, respectively. There are no loans past due more than 90 days still accruing interest as of December 31, 2018 or 2017. 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.

(in thousands)

As of December 31, 2018:	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	$ -	-	-	-	235,315	235,315
1-4 family real estate	-	-	-	-	70,193	70,193
Commercial real estate	-	-	-	-	501,480	501,480
Commercial & industrial	299	-	-	299	70,647	70,946
States & political subdivisions	-	-	-	-	133,108	133,108
Other	7	-	-	7	32,433	32,440
	$ 306	-	-	306	1,043,176	1,043,482

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
Commercial 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

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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, 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, 2018 are summarized as follows:

(in thousands)

	Pass	Special mention	Substandard accruing	Substandard non-accruing	Total
Construction & development	$ 235,315	-	-	-	235,315
1-4 family real estate	70,193	-	-	-	70,193
Commercial real estate	484,241	369	16,870	-	501,480
Commercial & industrial	69,392	-	1,554	-	70,946
State & political subdivisions	133,108	-	-	-	133,108
Other	32,434	-	6	-	32,440
	$ 1,024,683	369	18,430	-	1,043,482

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
Commercial 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

(6) GOODWILL AND INTANGIBLES

The following table summarizes the changes in the Company's goodwill and intangible assets as of December 31:

(in thousands)

	2018		2017	
	Goodwill	Core Deposit Intangible	Goodwill	Core Deposit Intangible
Balance, beginning of year	$ 5,894	-	5,894	-
Acquired	3,009	1,292	-	-
Amortization	-	35	-	-
Balance, end of year	8,903	1,257	5,894	-

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As of December 31, 2018, the forecasted amortization expense on intangible assets are as follows:

(in thousands)

Year ended December 31:		
2019	$	386
2020		306
2021		240
2022		171
2023		108
Thereafter		46
	$	1,257

(7) PREMISES AND EQUIPMENT

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

(in thousands)

		2018	2017
Land	$	4,980	3,626
Buildings and leasehold improvements		20,745	18,765
Furniture and equipment		14,522	13,135
		40,247	35,526
Accumulated depreciation and amortization		(22,323)	(20,726)
	$	17,924	14,800

(8) INTEREST-BEARING DEPOSITS

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

(in thousands)

		2018	2017
Interest-bearing checking	$	197,622	172,895
Insured money market		276,441	257,777
Savings accounts		132,936	113,689
Certificates of deposit		90,213	61,321
	$	697,212	605,682

The aggregate amount of time deposits with balances of $250,000 or more was $54.1 million and $25.9 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, respectively, overdraft deposits totaling $35,000 and $28,000 were reclassified as loans.

A summary of the maturity of certificates of deposit as of December 31, 2018 follows:

(in thousands)

Year ended December 31:		
2019	$	69,119
2020		11,974
2021		3,642
2022		2,762
2023 and thereafter		2,716
Total	$	90,213

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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 $16.2 million and $12.1 million at December 31, 2018 and 2017, respectively.

(9) 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 0.33 percent and 0.34 percent at December 31, 2018 and 2017, respectively. The daily average borrowings and maximum borrowings outstanding at any month-end during 2018 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 $69.8 million and $65.7 million at December 31, 2018 and 2017, respectively. The fair value of the underlying pledged securities was $77.9 million and $72.3 million at December 31, 2018 and 2017, respectively.

(10) INCOME TAXES

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

(in thousands)

		2018	2017
Current:			
Federal	$	4,887	6,886
State		1,497	1,207
Deferred:			
Federal		(345)	1,298
State		(143)	(53)
Provision for income taxes	$	5,896	9,338

The following table presents a reconciliation of expected tax expense to actual income tax expense, based on the federal rate of 21 percent and 35 percent for the years ended December 31, 2018 and 2017, respectively:

(in thousands)

		2018	2017
Expected federal tax expense	$	6,157	8,625
Increases (decreases) in taxes resulting from:			
Federal rate change – Tax Reform		-	1,581
Tax-exempt interest income		(860)	(1,169)
State taxes, net of federal benefit		1,084	760
Captive insurance		(212)	(408)
Bank owned life insurance		(156)	(265)
Other		(117)	214
Provision for income taxes	$	5,896	9,338

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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)

		2018	2017
Deferred tax liabilities			
Premises and equipment	$	575	352
Deferred loan costs		904	793
Deferred income on FHLB stock		139	139
Intangible assets		226	-
Other		393	331
		2,237	1,615
Deferred tax assets			
Net unrealized loss on investment securities available for sale		428	359
Allowance for loan losses		3,213	2,923
Deferred compensation		1,457	1,108
Other		187	190
		5,285	4,580
Net deferred tax asset	$	3,048	2,965

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.

(11) FAIR VALUE

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.

Equity securities, not held for trading – The Company evaluates the fair value of equity securities, not held for trading on a monthly basis. Where quoted prices are available in an active market, equity securities are classified within level 1 of the hierarchy. Level 1 includes equity 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,

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quoted prices of securities with similar characteristics or discounted cash flows. The Company has categorized its equity securities, not held for trading 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 fair value of impaired loans that are not collateral dependent and for which there is no observable market price and is not evaluated. The Company has categorized its impaired loans as Level 3.

There were no transfers between Level 1 and Level 2 during 2018 or 2017.

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31:

(in thousands)

Description of Financial Instrument		Fair Value	2018 Level 1	2018 Level 2	2018 Level 3
Recurring:					
Investment securities, available for sale					
U.S. government agency	$	87,781	-	87,781	-
U.S. government agency mortgage backed securities		24,270	-	24,270	-
Equity securities, not held for trading		6,802	-	6,802	-

Description of Financial Instrument		Fair Value	2017 Level 1	2017 Level 2	2017 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	-
Equity securities, not held for trading		6,795	-	6,795	-

At December 31, 2018 there were no assets measured at fair value on a nonrecurring basis. At December 31, 2017, impaired commercial & industrial loans with a fair value of $328,000 were measured at fair value on a nonrecurring basis. The loan was collateral dependent and a collateral method, adjusted for estimated selling costs was used to determine fair value.

(12) COMMITMENTS AND CONTINGENT LIABILITIES

The Company is obligated under certain operating lease agreements for the rental of buildings that vary in terms from one to ten years. As of December 31, 2018, the minimum annual lease commitments under noncancellable operating leases (net of sublease income) are as follows:

(in thousands)

Year ended December 31:		
2019	$	557
2020		518
2021		390
2022		317
2023		197
Thereafter		1,335
	$	3,314

The Company recorded lease expense (net of sublease income of approximately $14,000 and $12,000 for the years ending December 31, 2018 and 2017, respectively) under these agreements of approximately $732,000 and $681,000 in

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2018 and 2017, respectively. Of these amounts, $23,000 and $14,000 was paid in 2018 and 2017, respectively, to related parties.

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

(in thousands)

	2018	2017
Allowance for loan losses	$ 11,600	10,914
Reserve for unfunded lending commitments	1,300	800
	$ 12,900	11,714

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.

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 $373.7 million and $378.0 million as of December 31, 2018 and 2017, respectively. Commitments on letters of credit totaled $8.3 million and $4.9 million as of December 31, 2018 and 2017, respectively, and $369.7 million and $373.1 million respectively, on all other loan commitments.

The Company has lines of credit established with the FHLB of Des Moines for $585.7 million (45 percent of total bank assets), Zions First National Bank for $15.0 million, JP Morgan Chase for $10.0 million, and Pacific Coast Bankers' Bank for $10.0 million. The FHLB credit line is limited to the amount of pledged collateral, which was $191.3 million as of December 31, 2018. 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, JP Morgan Chase or Pacific Coast Bankers' Bank at December 31, 2018 or 2017.

In the normal course of its business, the Company becomes involved in litigation. In the opinion of management, based upon discussion with legal counsel, liabilities, if any, arising from these proceedings would not have a material adverse effect on the Company's financial position or results of operations.

(13) 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 personal trust 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.

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Segment results as are summarized as follows:

(in thousands)

Year ended December 31, 2018:	Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$ 50,562	1,702	(325)	42	51,981
Noninterest income	6,192	7,200	7,503	(113)	20,782
Noninterest expense	27,117	6,181	3,402	6,744	43,444
Segment income before provision for income taxes	$ 29,637	2,721	3,776	(6,815)	29,319
Average gross loans	$ 936,228	12	-	-	936,240
Average deposits	848,096	83	221,549	-	1,069,728

Year ended December 31, 2017:	Community Banking	Mortgage Banking	Corporate Trust	Other	Total Segments
Net interest income after provision for loan losses	$ 40,132	1,550	(142)	27	41,567
Noninterest income	6,019	8,541	6,928	(142)	21,346
Noninterest expense	24,244	6,053	3,340	4,631	38,268
Segment income before provision for income taxes	$ 21,907	4,038	3,446	(4,746)	24,645
Average gross loans	$ 822,576	15	-	-	822,591
Average deposits	779,727	98	171,274	-	951,099

(14) 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 1.875% and 1.25% of risk-weighted assets in 2018 and 2017, 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, 2018 and 2017 are calculated using the Basel III rules. Management believes, as of December 31, 2018, that the Company meets all minimum capital adequacy requirements to which it is subject.

As of December 31, 2018, 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

BOU BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, 2018, the Company had approximately $46.7 million available for payment of dividends under the aforementioned restrictions.

Capital amounts and ratios as of December 31, 2018 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	$ 178,647	15.61%	112,984	9.875%	N/A	N/A
Bank of Utah	172,670	15.07%	113,144	9.875%	114,576	10.00%
Tier 1 Capital						
(to risk weighted assets)						
Consolidated	165,747	14.49%	90,101	7.875%	N/A	N/A
Bank of Utah	159,770	13.49%	90,229	7.875%	91,661	8.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Consolidated	165,747	14.49%	72,939	6.375%	N/A	N/A
Bank of Utah	159,770	13.49%	73,042	6.375%	74,475	6.50%
Tier 1 Capital						
(to quarterly average assets)						
Consolidated	165,747	11.87%	55,857	4.00%	N/A	N/A
Bank of Utah	159,770	11.46%	55,759	4.00%	69,699	5.00%

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%

BOU BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

(15) ACQUISITION

The Company completed the acquisition of AmBancorp, the holding company of AmBank, on November 30, 2018 and successfully completed the conversion of the AmBank branches onto its core banking platform. The acquired assets and assumed liabilities were recorded at fair value at the date of the acquisition, including $3.0 million of goodwill and $1.3 million of core deposit intangible. AmBank's previously established allowance for loan losses was not carried over and the fair value mark on loans was a discount of $346,000. The acquisition was a tax-free exchange, therefore the purchase accounting adjustments, including goodwill are considered non-taxable and/or nondeductible.

The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed and recognized at the acquisition date:

(in thousands)

Purchase Price		
Cash		$ 18,275
Recorded amounts of assets acquired and liabilities assumed		
Assets		
Cash and investments	$ 19,792	
Loans, net of discounts	68,216	
Premises and equipment	3,131	
Core deposit intangible	1,292	
Bank owned life insurance	2,655	
Other assets	1,097	
Total assets	96,183	
Liabilities		
Deposits	79,617	
Other liabilities	1,300	
Total liabilities	80,917	
Net assets from acquisition		15,266
Goodwill		3,009

Schedule 1

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL CONDITION
December 31, 2018

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
ASSETS					
Cash and due from banks	$ -	23,678	-	-	23,678
Interest-bearing deposits in banks	4,506	157,660	2,814	(4,506)	160,474
Federal funds sold	-	1,676	-	-	1,676
Investment securities:					
Equity securities	-	6,802	-	-	6,802
Available for sale, at fair value	-	112,052	-	-	112,052
Held to maturity, at cost	-	8,038	-	-	8,038
Total investment securities	-	126,892	-	-	126,892
Loans held for sale	-	11,797	-	-	11,797
Loans	-	1,041,794	-	-	1,041,794
Less allowance for loan losses	-	11,600	-	-	11,600
Net loans	-	1,030,194	-	-	1,030,194
Investment in Bank of Utah	168,418	-	-	(168,418)	-
Investment in Utah Risk Management, Inc.	1,819	-	-	(1,819)	-
Accrued interest receivable	-	4,731	13	-	4,744
Goodwill	-	8,903	-	-	8,903
Bank owned life insurance	-	29,358	-	-	29,358
Premises and equipment, net	-	17,924	-	-	17,924
Deferred tax asset	-	3,048	-	-	3,048
Other assets	19	6,785	590	(1,059)	6,335
Total assets	$ 174,762	1,422,646	3,417	(175,802)	1,425,023
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Noninterest-bearing	$ -	470,975	-	-	470,975
Interest-bearing	-	701,718	-	(4,506)	697,212
Total deposits	-	1,172,693	-	(4,506)	1,168,187
Securities sold under agreements to repurchase	-	69,813	-	-	69,813
Other liabilities	462	11,818	1,598	(1,155)	12,723
Total liabilities	462	1,254,324	1,598	(5,661)	1,250,723
Common stock	16,900	3,656	2	(3,658)	16,900
Paid-in capital	5,271	26,809	248	(27,057)	5,271
Accumulated other comprehensive loss	(1,290)	(1,290)	-	1,290	(1,290)
Retained earnings	153,419	139,147	1,569	(140,716)	153,419
Total stockholders' equity	174,300	168,322	1,819	(170,141)	174,300
	$ 174,762	1,422,646	3,417	(175,802)	1,425,023

See accompanying report of independent auditors.

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:					
Equity securities	-	6,795	-	-	6,795
Available for sale, at fair value	-	121,201	-	-	121,201
Held to maturity, at cost	-	11,139	-	-	11,139
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:					
Noninterest-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	16,833	3,656	2	(3,658)	16,833
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	135,319	140,553	1,134	(141,687)	135,319
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 2

BOU BANCORP, INC.
CONSOLIDATING SCHEDULE – STATEMENT OF INCOME
Year ended December 31, 2018

(in thousands)

	BOU Bancorp, Inc.	Bank of Utah	Utah Risk Management, Inc.	Eliminations	Consolidated
INTEREST INCOME:					
Interest and fees on loans	$ -	50,701	-	-	50,701
Interest on investment securities:					
Taxable	-	2,339	-	-	2,339
Tax-exempt	-	187	-	-	187
Interest on loans held for sale	-	453	-	-	453
Interest on cash and cash equivalents	6	2,769	37	(6)	2,806
Total interest income	6	56,449	37	(6)	56,486
INTEREST EXPENSE:					
Interest on deposits	-	3,607	-	(6)	3,601
Interest on securities sold under agreement to repurchase and other borrowings	-	204	-	-	204
Total interest expense	-	3,811	-	(6)	3,805
Net interest income	6	52,638	37	-	52,681
Provision for loan losses	-	700	-	-	700
Net interest income after provision for loan losses	6	51,938	37	-	51,981
NONINTEREST INCOME:					
Dividend from Bank of Utah	24,946	-	-	(24,946)	-
Equity in undistributed income of Bank of Utah	(1,134)	-	-	1,134	-
Dividend from Utah Risk Management, Inc.	600	-	-	(600)	-
Equity in undistributed income of Utah Risk Management, Inc.	435	-	-	(435)	-
Service charges on deposits	-	1,174	-	-	1,174
Gain on sale of loans	-	7,200	-	-	7,200
Trust fees	-	10,089	-	-	10,089
Cash surrender value increase of bank owned life insurance	-	751	-	-	751
Other	-	1,568	1,202	(1,202)	1,568
	24,847	20,782	1,202	(26,049)	20,782
NONINTEREST EXPENSES:					
Salaries and employee benefits	677	26,601	-	-	27,278
Net occupancy expense	-	2,432	-	-	2,432
Equipment expense	-	4,946	-	-	4,946
Professional fees and services	960	2,322	87	-	3,369
Advertising expense	-	1,262	-	-	1,262
Office expense	-	1,108	-	-	1,108
Other	266	3,874	111	(1,202)	3,049
	1,902	42,545	198	(1,202)	43,444
Income before provision for income taxes	22,951	30,174	1,041	(24,847)	29,319
Provision for income taxes	(472)	6,361	7	-	5,896
Net income	$ 23,423	23,814	1,034	(24,847)	23,423

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 cash and cash equivalents	4	1,181	23	(4)	1,204
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 and other borrowings	-	152	-	-	152
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)	24,644
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.

Bank of Utah &
BOU Bancorp, Inc.

BOARD OF DIRECTORS

H. DEE HUTZLEY
Grocer, Retired

DR. GARY R. GIBBONS
Physician, Retired

JONATHAN W. BROWNING
Secretary to the Board

GEORGE E. HALL
Entrepreneur

DOUGLAS L. DEFRIES
CEO & President

FRANK W. BROWNING
Chairman of the Board

MARLIN K. JENSEN
Attorney, Retired

BENJAMIN F. BROWNING
Banker

STEVEN M. PETERSEN
Manufacturer

SCOTT D. NELSON
Developer, Retired

EUGENE B. JONES
CPA, Retired

BOU Bancorp, Inc.

OFFICERS

- **FRANK W. BROWNING** Chairman of the Board
- **JONATHAN W. BROWNING** Secretary to the Board
- **DOUGLAS L. DEFRIES** Chief Executive Officer & President
- **BRANDEN P. HANSEN** Chief Financial Officer
- **NATHAN L. DEFRIES** Treasurer

Bank of Utah

EXECUTIVE OFFICERS

DOUGLAS L. DEFRIES
President & Chief Executive Officer

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

COLBY J. DUSTIN
Senior Vice President Enterprise Risk

CARI FULLERTON
Senior Vice President Senior Credit Administrator

K. DARREL MAY
Senior Vice President Human Resources

T. CRAIG ROPER
Senior Vice President Chief Deposit Officer

BRIAN S. STEVENS
Senior Vice President Information Technology

MENAH C. STRONG
Senior Vice President Chief Administrative Officer

BRET J. WALL
Senior Vice President Residential Lending

OFFICERS

CORPORATE ADMINISTRATION:

Colleen Schulthies	Senior Vice President, General Counsel
Benjamin F. Browning	Vice President, Business Optimization Officer
Nathan L. DeFries	Vice President, Finance
Susana K. Feightner	Vice President, Central Operations Manager
Christopher J. Powell	Vice President, Internal Audit Manager
Douglas J. Reichman	Vice President, Foreign Exchange Manager
Elizabeth N. Warner	Vice President, Lending Compliance Officer
Jay D. Weaver	Vice President, Technology Officer
Chelsi L. Banks	Assistant Vice President, Deposit Compliance Administrator
Robert W. Beckstead	Assistant Vice President, Information Security Officer
Laura Castro	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 ADMINISTRATION:

Daniel S. Boren	Senior Vice President, Collections/Special Assets
Rachel L. Phillips	Vice President, Loan Operations Manager
Christina L. Thurnwald	Vice President, Loan Documentation 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
M. Brady Fosmark	Senior Vice President, Team Leader, 7th South
Norman G. Fukui	Senior Vice President, Team Leader, Box Elder, Small Business
Kelly D. Crane-Hale	Senior Vice President, Team Leader, Orem
Larry R. Hintze	Senior Vice President, Team Leader, Redwood
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, Relationship Manager
Eric S. Blanchard	Vice President, Relationship Manager
Kevin A. Call	Vice President, Relationship Manager
Mark J. Carpenter	Vice President, Relationship Manager
Eric D. DeFries	Vice President, Team Leader
Randy J. Hoyt	Vice President, Relationship Manager
Jeffery L. Norton	Vice President, Relationship Manager
Roger F. Preston	Vice President, Senior Credit Administrator
Beckie L. Reynosa	Vice President, Relationship Manager
Spencer R. Richins	Vice President, Team Leader, Bountiful
Michael J. Wells	Vice President, Relationship Manager
Katherine L. Davis	Assistant Vice President, Relationship Manager, Consumer
Jeremy Hubbard	Assistant Vice President, Relationship Manager
Cheryl G. Monk	Assistant Vice President, Lending Administrator
Matthew F. Nelson	Assistant Vice President, Relationship Manager
Blake W. Ostler	Assistant Vice President, Portfolio Manager
Sally K. Perry	Assistant Vice President, Relationship Manager
Jared S. Taylor	Assistant Vice President, Portfolio Manager
Brian G. Wahlen	Assistant Vice President, Portfolio Manager

MORTGAGE & RESIDENTIAL CONSTRUCTION:

Wesley T. Barlow	Vice President, Mortgage Area Manager
Jennifer H. Dee	Vice President, Mortgage Production Support
W. Dan Farnsworth	Vice President, Mortgage Loan Office Manager, Logan
Cindee L. Himelright	Vice President, Consumer Servicing Manager
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
Brian J. Young	Vice President, Mortgage Area Manager
Shawn A. Hanlin	Assistant Vice President, Secondary Market Manager
Cynthia Lee	Assistant Vice President, Senior Mortgage Underwriter
John P. Neil	Assistant Vice President, Mortgage Loan Officer
Timothy D. Roberts	Assistant Vice President, Mortgage Loan Officer
Angela L. Vause	Assistant Vice President, Mortgage Processing Manager

WEALTH MANAGEMENT:

John W. Walton	Senior Vice President, Private Banking
Paul R. Buchanan	Vice President, Personal Trust Assistant Manager
Kimberly K. Ford	Vice President, Senior Trust Officer
Brenda L. Lambert	Vice President, Senior Trust Officer
Jodie K. Nutt	Vice President, Senior Trust Officer
Lisa K. Mariano	Vice President, Personal Trust Manager
Dirk M. Samson	Vice President, Senior Trust Officer
Craig A. Standing	Vice President, Senior Trust Officer

BRANCH MANAGEMENT:

Patty K. Frehner	Vice President, Banking Operations
Stacey K. Mackay	Vice President, Branch Manager
J. Ryan Nielsen	Vice President, Card Product Manager
Charly Owens	Vice President, Treasury Management Relationship Manager
David B. Rusch	Vice President, Retail Banking Manager
David P. Kuhni	Assistant Vice President, Branch Manager
Jodi L. Miller	Assistant Vice President, Branch Manager, Logan
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

CORPORATE TRUST:

Jon W. Croasmun	Senior 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
F. Alberto (Alvin) Gomez	Assistant Vice President, Trust Operations and Services Manager
Margaret P. (Peggy) 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
Jamille R. Poole	Assistant Vice President, Corporate Trust Administrative Officer

UTAH RISK MANAGEMENT, INC. BOARD OF DIRECTORS:

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

UTAH RISK MANAGEMENT, INC. OFFICERS:

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

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

HEBER
620 West 100 South
Heber, UT 84032
435-654-1300

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

LINDON
144 South State Street
Lindon, UT 84042
801-922-9888

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

PROVO
3670 North University
Provo, UT 84604
801-377-4222

PROVIDENCE
121 North Gateway Dr.
Providence, UT 84332
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