

# Q4

# BOU BANCORP, INC. QUARTERLY REPORT 2020



**Douglas L. DeFries**  
President & CEO

## PRESIDENT'S MESSAGE



If you had told me during the second quarter of 2020 that by the fourth quarter we would have broken our profitability record, I would not have believed it. I was bracing for the worst, facing health concerns, economic recession and surprises we couldn't have imagined, such as earthquakes, windstorms, social unrest and even our wire vendor's software crash. Yet, we have grown assets significantly, ending 2020 with a record-breaking \$31.6 million in Consolidated Net Income.

We have more than 350 employees to thank for our results, as they worked extraordinarily hard to turn a year that could have been dire for Bank of Utah into a year of prosperity.

“**WE HAVE GROWN ASSETS SIGNIFICANTLY, ENDING 2020 WITH A RECORD-BREAKING \$31.6 MILLION IN CONSOLIDATED NET INCOME.**”

- **Consolidated Net Income** for the fourth quarter of 2020 was \$10.1 million, compared to \$7.8 million for the third quarter and \$7.9 million for the fourth quarter of 2019. The Paycheck Protection Program (PPP) contributed to that growth and resulted in an increase to our client base as well. I am proud of the outreach we provided — updating community members through our website, for example — as it brought many new customers to the Bank.
- **Noninterest Income** for the fourth quarter of 2020 was \$9.7 million, compared to \$8.9 million for the third quarter and \$6.2 million for the fourth quarter of 2019. Mortgage production boosted these figures, with a 20.0 percent increase in the gain on the sale of mortgage loans over the third quarter and record-producing volume that resulted in a 53.4 percent year-over-year increase. Corporate trust also contributed to our Noninterest Income growth with a 12.9 percent increase in fee revenue over the previous year.
- **Total Assets** grew by 32 percent in 2020, to \$1.9 billion. This level of growth means we can invest in meaningful products, services and technology to remain relevant to a wide variety of customers. We can continue to make a difference in our communities and retain the ability to make thoughtful, but quick, decisions.

I was continually impressed throughout 2020 by the way our employees took care of our customers, our communities and each other. They worked to implement an online account opening process to help customers while quarantined. They worked into the night to ensure customers could keep their own businesses open. They helped provide equipment and food to first responders. They made investments in technology ahead of the pandemic to ensure our workflows were not disrupted.

Through dedication and teamwork, our employees have given us the capacity and the capability to grow and I have no doubt that our success will continue into 2021 — together, we are resilient and we are resourceful. Together, we are here for Utah, today and always.

### SHAREHOLDER DIVIDEND

A dividend of \$0.14 per share was paid on Dec. 28, 2020, for Q4 2020, compared to \$0.09 per share dividend paid in Q3 2020 and \$0.07 in Q4 2019.

# Q 4 2020 BANK FINANCIAL ANALYSIS

## Lending

Loan balances for Q4 2020 decreased by 6.4 percent over the previous quarter. This was due primarily from PPP loan payoffs as well as cyclical reductions in the municipal loan portfolio. Year-over-year growth remains strong with loans outstanding of \$1.28 billion in Q4 2020. This is an increase of 22.2 percent from Q4 2019. Excluding PPP loans, the portfolio grew by 11.7 percent. Loan quality remained solid, as there were no loans with payment delinquency greater than 30 days. However, in preparation for potential adverse effects of the pandemic, the allowance for loan losses to gross loans increased from 1.2 percent in 2019 to 1.39 percent at YE 2020.

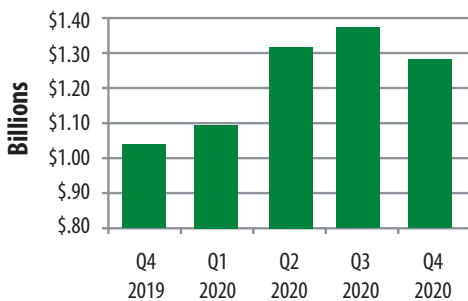
## Mortgage Production

Mortgage loan production was \$200 million for Q4 2020. This is a 17.2 percent increase from Q3 2020 and a 53.4 percent increase year over year. Loan production hit a Bank record of \$667.9 million in 2020. This strong production was a key contributor for the Bank's rise in Noninterest Income in 2020. Population growth along the Wasatch Front and the low interest rate environment has spurred the purchase and refinance markets. We expect mortgage production to continue at a strong pace through the first half of 2021.

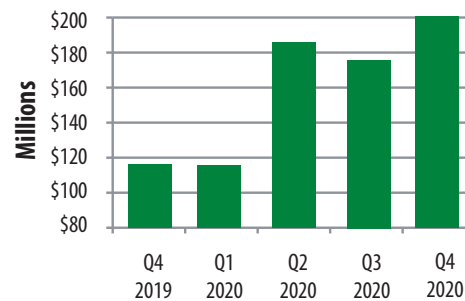
## Deposits

Average deposits for Q4 2020 were \$1.6 billion, a 10.8 percent increase compared to Q3 2020 and a considerable increase of 30.7 percent compared to Q4 2019. The Bank has grown in nearly every facet of the deposit base. This growth was spurred by companies taking advantage of PPP loans and then moving their accounts to Bank of Utah. In addition, the Bank's customer service and digital banking combination continues to draw new customers to the Bank.

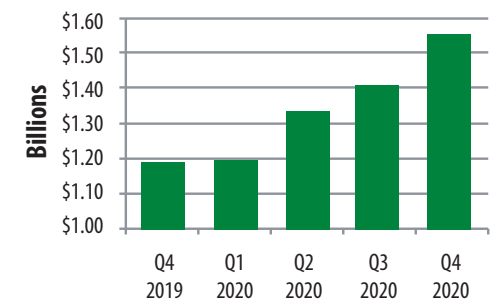
Period End Loans, Net of Unearned Income



Mortgage Production



Average Deposits



## Corporate Trust

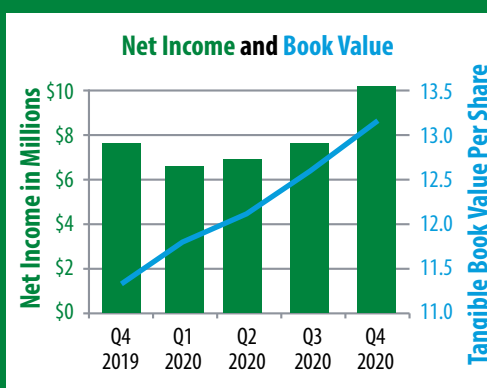
Corporate trust processed \$19.9 billion in payments in 2020. The total number of accounts increased by 11.7 percent from the end of 2019. The increase was due in large part to the pandemic forcing customers in the aviation industry to restructure, and by the corporate trust department providing services as part of the market needs. The corporate trust department topped 2,300 aircraft registered on the FAA at the end of Q4 2020.

## Personal Trust

Personal trust assets under management were \$504.8 million in Q4 2020, compared to \$525.9 million in Q4 2019, a 4.0 percent decrease. The decline was primarily due to restructuring life-settlement IRAs and secondarily due to the distribution of a substantial client relationship to multiple beneficiaries from an estate closing. Randy R. Hahn has been appointed to supervise operations and manage trust department functions. He replaces veteran estate planning advisor and administrator, Lisa K. Mariano, who retired at year end.

## COMPANY NOTABLE POINTS

- At the Bank level, Tier 1 leverage ratio was 11.07 percent, compared to 12.66 percent in Q4 2019.
- The Bank's efficiency ratio is 50.36 percent, still one of the nation's best.
- The Bank added \$0.3 million in Q4 2020 (\$5.4 million year to date) in loan loss provision for potential losses due to economic uncertainty.



	YE 2020	YE 2019
Return on Average Assets	1.82%	2.23%
Return on Average Equity	14.60%	16.44%
Net Income	\$31.6MM	\$31.2MM
Net Interest Margin (FTE)	3.90%	4.70%
Net Interest Income (FTE)	\$62.4MM	\$61.9MM
Noninterest Income	\$33.1MM	\$25.1MM
Earnings Per Share	\$1.88	\$1.84
Dividend Per Share	\$.35	\$.35
Equity	\$227.9MM	\$201.6MM
Total Assets	\$1.88B	\$1.43B