

Q3

BOU BANCORP, INC. QUARTERLY REPORT 2021



Douglas L. DeFries
President & CEO

“ **IN TERMS OF RETURN ON ASSETS, BANK OF UTAH RANKS IN THE TOP 5 PERCENT OF U.S. BANKS FOR HOW EFFICIENTLY WE MANAGE OUR ASSETS TO PRODUCE PROFITS.** ”

SHAREHOLDER DIVIDEND

A dividend of \$0.09 per share was paid on October 4, 2021, for Q3 2021, compared to \$0.09 per share dividend paid in Q2 2021 and \$0.09 in Q3 2020.

PRESIDENT'S MESSAGE



STAYING STRONG, COMPETITIVE AND CARING

The number of banks in the U.S. has declined considerably in the past 25 years, from over 14,000 in 1996 to only 4,960 in 2021. Banks — especially community banks — are under pressure to grow, stay relevant and attract new customers, all while remaining profitable and strong. I am proud to say that, through strategic thinking and our incredible customer service values, Bank of Utah continues to be one of the nation's top-performing banks.

In terms of Return on Assets, we rank in the top 5 percent of U.S. banks for how efficiently we manage our assets to produce profits. This means Bank of Utah can continue the independent, steady, community-based banking that has made us a pillar in Utah's financial industry. It also means we can continue providing deposit services, lending, mortgage products and business solutions to our customers in new and meaningful ways. In a state that's thriving economically, we believe providing these solutions is the key to staying competitive.

- **Consolidated Net Income** was \$7.2 million for Q3 2021 and \$24.0 million year to date.
- **Net Interest Margin** increased to 3.44 percent in Q3 2021, up from 3.25 percent in Q2 2021. This is the first increase in Net Interest Margin in six quarters. The downward trend was the result of a historically low rate environment compressing the margin. To offset the compression, the Bank grew the loan portfolio by \$82.7 million from Q3 2020. This increase is truly a feather in the cap of our hardworking lenders.
- **Capital** accounts remain strong. The Bank's Retained Earnings increased year over year, from \$196.7 million in Q3 2020 to \$223.9 million in Q3 2021. In the same time frame, the Bank's Tangible Book Value increased 11.7 percent. This means we're safely saving money, sharing healthy dividends, and ensuring we can take advantage of future opportunities.

In other Q3 highlights, Bank of Utah expanded in St. George with the opening of a new full-service branch. It joins our award-winning home loan office there, and allows us to connect with more business and personal customers. We can also make an even bigger difference in that market. During the grand opening, we made a donation to Root For Kids, a nonprofit supporting families in need.

Also in Q3, our Personal Trust department acquired three new prominent clients, resulting in a 33.4 percent year-over-year increase in assets under management. As one of the few Utah-based banks that offers local trust services, our dedicated professionals have the financial and community expertise clients need and want in a trustee.

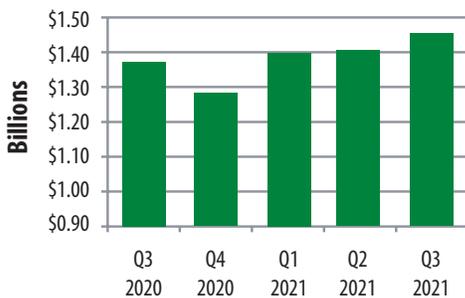
As we look ahead, we will continue to work to ensure customers, employees and communities have the strength and support they've come to expect from Bank of Utah.

Q3 2021 FINANCIAL ANALYSIS

Lending

Loan balances increased 3.9 percent from the previous quarter. Core production remained strong with loans outstanding increasing by \$54.5 million in Q3 2021. Year-over-year growth exceeded expectations with loans outstanding remaining at \$1.45 billion in Q3 2021—an increase of 6.0 percent in gross loans and 18.2 percent in core loans (excluding PPP loans). PPP loans outstanding are \$37 million and will continue to decline as these loans pay off and the program ends. Loan quality remains exceptional with nonperforming and delinquent loans to capital plus reserves at 0.00 percent.

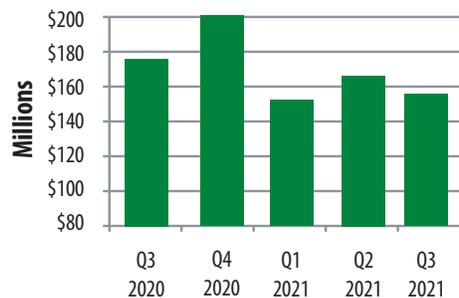
Period End Loans, Net of Unearned Income



Mortgage Production

Mortgage loan production was \$159.9 million, a 3.4 percent decrease from the previous quarter and a 6.3 percent decrease from Q3 2020. Loan production has declined year over year due to increased market competition and continued lack of inventory in the Utah market. Sales volume traditionally begins to decline in the third quarter due to market seasonality. In addition, gain on sale of mortgages has declined year over year by \$2.0 million as the secondary market is paying less for mortgage loans.

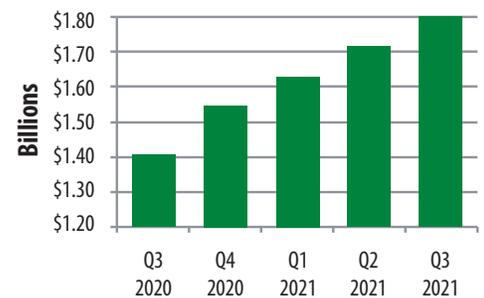
Mortgage Production



Deposits

Average deposits for Q3 2021 were \$1.8 billion, a 2.3 percent increase over Q2 2021 and 25.0 percent increase over Q3 2020. This can be attributed to the Bank's exceptional customer service approach and the high-quality products and services offered to all customers. During times of stock market volatility, customers keep money safe in banks. Bank of Utah's dedicated team members help customers feel confident opening new accounts, adding to existing accounts, and enhancing their personal and business accounts with innovative products.

Average Deposits



Corporate Trust

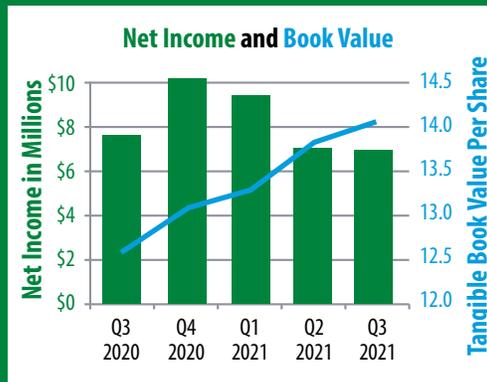
Corporate Trust had stronger than average production in Q3 2021 with a 71 percent increase in new deals compared to Q3 2020. This is primarily due to a rebound in aircraft deliveries. The corporate aviation market slowed in 2020 due to COVID-19, but now sales are accelerating with double-digit growth, resulting in strong demand for corporate trust services. The department is fully staffed for the growth with high-producing professionals who embody the culture of Bank of Utah.

Personal Trust

Personal trust assets under management were \$653.2 million in Q3 2021, reflecting an 18.5 percent quarter-over-quarter increase and a 33.4 percent year-over-year increase. This was accentuated by the Bank obtaining the deposits of three large charitable foundations in the local market. The Bank has developed a consistent marketing program and internal structure to continue to bring in new large and individual trust accounts and retain them until the funds are needed to meet the purposes designed in the trust.

COMPANY NOTABLE POINTS

- The Bank's efficiency ratio is 58.98 percent, a decrease from the previous quarter as noninterest costs have remained stable.
- The Bank contributed \$0.6 million to the loan loss provision this quarter due to strong loan growth and other economic factors.
- Total interest income increased by \$15 million from the previous quarter due to loan growth and increase in net interest margin.



	Q3 2021	Q2 2021	Q3 2020
Return on Average Assets	1.37%	1.44%	1.82%
Return on Average Equity	11.69%	12.33%	14.31%
Net Income	\$7.2MM	\$7.3MM	\$7.8MM
Net Interest Margin (FTE)	3.44%	3.25%	3.78%
Net Interest Income (FTE)	\$17.2MM	\$15.7MM	\$15.6MM
Noninterest Income	\$6.9MM	\$7.5MM	\$8.9MM
Earnings Per Share	\$0.43	\$0.44	\$0.47
Dividend Per Share	\$0.09	\$0.09	\$0.09
Equity	\$243.3MM	\$238.9MM	\$220.6MM
Total Assets	\$2.17B	\$2.00B	\$1.79B