

Q1

BOU BANCORP, INC. QUARTERLY REPORT 2022



Douglas L. DeFries
President & CEO

PRESIDENT'S MESSAGE



EQUIPPED . EMPOWERED . NIMBLE .

To say we are in a season of change is an understatement; we are in a season of rapid change. To combat soaring inflation, the Federal Reserve raised the interest rate a quarter percentage point in March after holding it at or near zero since the beginning of the COVID-19 pandemic. The Fed has always used the interest rate as a weapon to battle inflation, and has indicated that six more increases could occur throughout 2022. The rising rate will set off a domino effect, where borrowing costs for consumers will go up as well. That could impact the Bank, and has the potential to slow growth in mortgage and commercial lending.

Bank of Utah anticipated this, however. While it will be a challenging year, we have four strengths on our side: size, capital, leaders who are good stewards of our resources, and dedicated, service-minded employees. These core strengths give us the ability to respond to our customers quickly and help them make the best decisions possible. That is why Bank of Utah will have a competitive advantage in 2022.

For the first quarter of the year, the Bank showed growth and stability despite the interest rate hike in March, with mortgage production experiencing a quarter-over-quarter increase and commercial lending being right in line with Q4 2021. Deposits grew from the previous quarter, as did fee income from Corporate Trust. As a result:

- **Consolidated net income** for the first quarter of 2022 was \$7.9 million, compared to \$7.7 million for the fourth quarter of 2021, an increase of 2.3 percent.
- **Noninterest income** increased by 3.7 percent from the previous quarter, to \$7.4 million.

Recently, as I was watching the markets and the rates in my office at the Bank, I thought, wouldn't it be nice to retire the phrase, 'In times of uncertainty,' especially for our customers. While we can't do that right now, we can offer them the assurance that we'll continue to make thoughtful, quick decisions, we'll continue to be committed to our community, and we'll continue to be strong even through the challenging times — just as we have for the last 70 years.

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SHAREHOLDER DIVIDEND

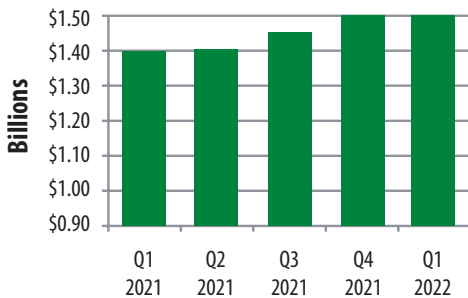
A dividend of \$0.10 per share was paid on March 28, 2022, for Q1 2022, compared to \$0.09 per share dividend paid in Q4 2021 and Q1 2021.

Q1 2022 FINANCIAL ANALYSIS

Lending

Loan growth was flat quarter over quarter, remaining at \$1.5 billion for Q1 2022. Year over year, loans grew by 8.9 percent to reach the \$1.5 billion mark. The forgiveness of Paycheck Protection Program (PPP) loans is near its conclusion, with only \$8 million outstanding at the end of Q1 2022 compared to \$107.7 million at the end of Q1 2021. Municipal loans are the fastest-growing component of the portfolio, with a year-over-year net growth of \$85 million. The remainder of the commercial portfolio grew \$39 million, including the pay down of PPP loans. Loan quality remains excellent, with nonperforming assets to capital plus reserves at 0.6 percent. Solid loan growth is expected in 2022.

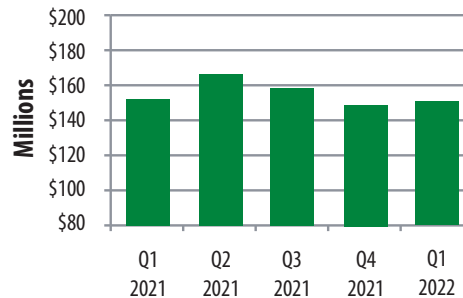
Period End Loans, Net of Unearned Income



Mortgage Production

Mortgage loan production was \$149.9 million, a 2.0 percent increase from the previous quarter and a 2.3 percent decrease from Q1 2021. The growth from Q4 2021 is good news as the first quarter of every year usually has the lowest production. Expectations for 2022 should be tempered in comparison to the 2021 results. The home resale and construction market remains tight, with only a limited number of homes available. Additionally, mortgage interest rates are rising, and home values are at an all-time high, making home ownership expensive for many. The demand is strong, but the supply of affordable homes is limited. Production is expected to remain steady, but at lower levels than the previous two years.

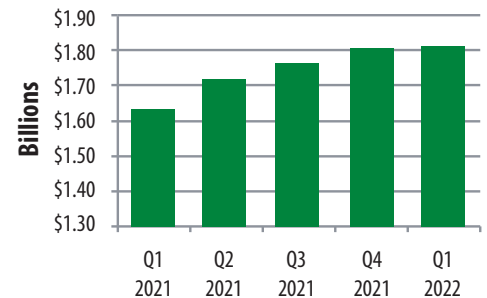
Mortgage Production



Deposits

Average deposits for Q1 2022 were \$1.85 billion, a 1.4 percent increase from the previous quarter and a 13.4 percent increase from the first quarter of 2021. The growth has been consistent in both personal and commercial accounts, with balance increases in all account types except certificates of deposit. This is due to the training and professionalism of our employees who give customers sound advice. Combining high-touch with high-tech, the Bank is continuing to expand its ability to give customers access to their accounts digitally. This includes opening featured accounts online and providing streamlined account applications for existing customers within online banking.

Average Deposits



Corporate Trust

New business for Q1 2022 was nearly identical to the first quarter of 2021, which was one of Corporate Trust's strongest first quarters to date. Even while the total number of new transactions remained fairly static, fee revenue for the first quarter increased 28 percent over 2021. This is a result of aircraft deliveries and repositions. Of the 2,838 accounts with Corporate Trust, 2,518 are aircraft, 119 are life settlement, and the remainder represent other asset types.

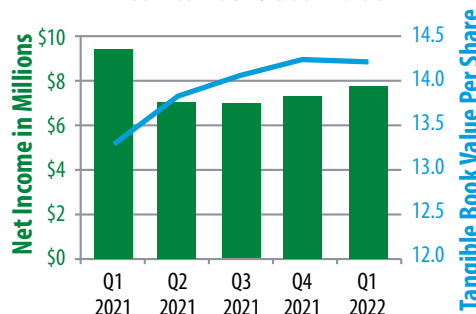
Personal Trust

Personal Trust had its highest start ever for revenue in the first quarter at \$1.1 million. This has been accomplished during a contracting stock market. New business continues to grow at a steady pace, with \$673.0 million in personal trust assets under management, a 7.9 percent decrease from the previous quarter and a 30.8 percent increase from the first quarter of 2021. Personal Trust continues to streamline its internal structure and internal processes to better serve customers. The improvements are reflected in the growth of the portfolio over the past year.

COMPANY NOTABLE POINTS

- The Bank's efficiency ratio rose slightly in Q1 due to expenses associated with growth and long-term investments in infrastructure
- The Tier 1 leverage ratio has kept up with the growth of the Bank, remaining at 11.09 percent, which is the same as it was in the first quarter of 2021.
- The Bank added \$100 thousand to the loan loss reserve for Q1 2022, mainly due to the change in mix of the loan portfolio bringing the allowance for loan loss reserve to 1.26 percent.

Net Income and Book Value



	Q1 2022	Q4 2021	Q1 2021
Return on Average Assets	1.47%	1.43%	1.99%
Return on Average Equity	12.76%	12.45%	16.60%
Net Income	\$7.9MM	\$7.7MM	\$9.5MM
Net Interest Margin (FTE)	3.33%	3.40%	3.62%
Net Interest Income (FTE)	\$17.1MM	\$17.6MM	\$16.6MM
Noninterest Income	\$7.4MM	\$7.1MM	\$8.2MM
Earnings Per Share	\$0.48	\$0.46	\$0.57
Dividend Per Share	\$0.10	\$0.09	\$0.09
Equity	\$248.2MM	\$249.4MM	\$231.5M
Total Assets	\$2.25B	\$2.16B	\$2.05B