

Q4

BOU BANCORP, INC. QUARTERLY REPORT 2022



PRESIDENT'S MESSAGE



IMPECCABLE CUSTOMER SERVICE + DIVERSE BUSINESS LINES = MOMENTUM

Volatile is how many financial institutions across the U.S. are describing 2022. I don't disagree, as decades-high inflation, rapidly changing interest rates and slowing home sales presented unique and unexpected challenges within the industry. A multitude of national banks even saw large outflows of deposits, with customers seeking investment alternatives. This left some financial institutions with less liquidity to finance loans.

At Bank of Utah, our commitment has always been to be strong for our customers and communities, even more so during times of economic uncertainty. We've worked diligently over the years to create a formula that helps the Bank to perform well in most circumstances, stable or volatile.

That formula consists of impeccable service that helps maintain and grow our customer base, and diverse business lines that allow us to balance downturns in certain areas with upticks in others. That formula is the reason why Bank of Utah just had its most profitable year in history, during one of the most economically challenging years in recent history.

It is why we move into 2023 with tremendous momentum:

- **Average deposits** increased year over year, ending 2022 at \$2.0 billion, a 9.4 percent increase over 2021.
- **Period end loans** increased by 13.7 percent in 2022, growing to \$1.7 billion.
- **Consolidated net income** for the fourth quarter of 2022 was \$9.7 million, compared to \$8.6 million for the third quarter, an increase of 13.0 percent. Year over year, consolidated net income grew from \$31.7 million to \$33.6 million.

As I enter into my first year as president of Bank of Utah — and 27th year as an employee of the Bank — I am keeping the following quote in mind: "To keep momentum going, you must constantly have greater goals." 2023 is poised to be another difficult year based on economic outlooks. I am confident, however, that we will continue to make progress because our team is wholeheartedly dedicated to doing what is right for our customers and communities. Thank you all for helping us achieve such an outstanding year.

Branden P Hansen
President

“**TO KEEP MOMENTUM GOING, YOU MUST CONSTANTLY HAVE GREATER GOALS.**”

SHAREHOLDER DIVIDEND

A dividend of \$0.10 per share was paid on Nov. 16, 2022, for Q4 2022, compared to \$0.10 per share dividend paid in Q3 2022 and \$0.09 in Q4 2021. A special dividend of \$2.00 per share was paid on Dec. 13, 2022.

Q 4 2022 FINANCIAL ANALYSIS

Lending

Loans grew at a solid rate of 4.2 percent quarter over quarter and 13.7 percent year over year, increasing to \$1.72 billion. In addition, net interest margin rose to 4.38 percent from 3.99 percent quarter over quarter and 3.82 percent from 3.43 percent year over year. As a result, interest and fees on loans totaled \$22.1 million for Q4 2022 and \$74.5 million for the year. Loan quality remains excellent with nonperforming and delinquent loans to capital plus reserves at 0.39 percent. With the Federal Reserve expected to raise rates through the first part of 2023 to combat inflation, the net interest margin may continue to increase.

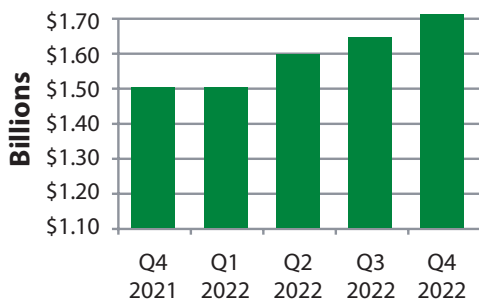
Mortgage Production

Mortgage loan production was \$85.1 million, a 32.4 percent quarter-over-quarter decrease and a 19.7 percent year-over-year decrease. Total production was \$502.2 million for 2022. Gain on sale of loans dropped 38.8 percent from Q3 2022 and 58.1 percent from 2021. Mortgage rates are expected to remain at similar levels for most of 2023. This will keep housing sales and refinances at lower levels than the past 10 years.

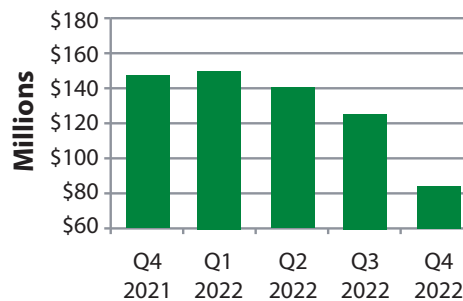
Deposits

Average deposits for the fourth quarter were \$2.0 billion, up from \$1.9 billion in Q3 2022, and a 9.4 percent increase from 2021. The growth in deposits for Bank of Utah runs counter to banks nationally, where deposits appear to be shrinking. Once again, because of exceptional customer service provided to our personal and business customers, enhanced technology and targeted marketing efforts, Bank of Utah continues to grow at a strong pace.

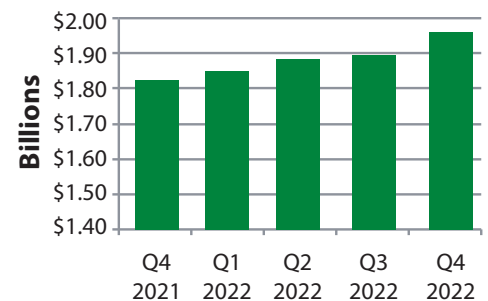
Period End Loans, Net of Unearned Income



Mortgage Production



Average Deposits



Corporate Trust

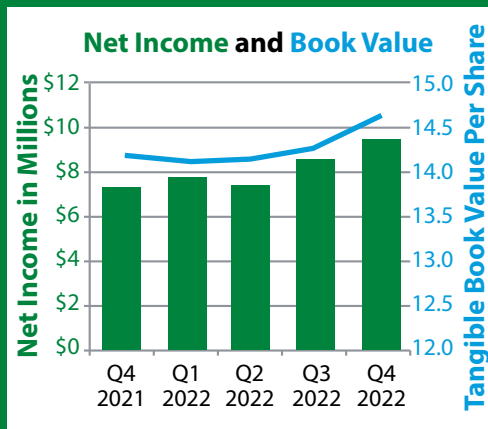
Consistent with prior quarters, Q4 2022 saw continued growth of key relationships across all areas of the department. At year-end, core accounts had increased by 5 percent, while deposits had grown by 18 percent. In addition, fee revenue grew by 9.4 percent in 2022. Both aircraft and life settlement lines of business were the primary driver behind this growth. Bank of Utah continues to be a world leader in the aircraft trust business.

Personal Trust

Personal Trust assets for Q4 2022 were \$693.7 million, a 10 percent quarter-over-quarter increase and a 5 percent year-over-year decrease. The portfolio balance is tied closely to the stock market; therefore, fluctuations in balances will be normal. However, as the Bank continues to increase the number of quality accounts and clients, balances will increase over time.

COMPANY NOTABLE POINTS

- The Bank's Tier 1 leverage ratio for 2022 increased to 15.06 percent, up significantly from 2021's ratio of 10.95 percent. This is due to a large new investor.
- The Bank's loan loss reserve remained at an acceptable level of 1.16 percent for 2022, down from 1.26 percent in 2021.
- The Bank's efficiency ratio decreased to 58.2 percent in Q4 2022 from 56.8 percent in Q3. This is well within expectations.
- Salaries and employee benefits increased by \$3.3 million year over year. This is due to a competitive environment to keep quality employees, as well as inflationary pressures.



	2022	2021
Return on Average Assets	1.49%	1.55%
Return on Average Equity	13.03%	13.22%
Net Income	\$33.6MM	\$31.7MM
Net Interest Margin (FTE)	3.82%	3.43%
Net Interest Income (FTE)	\$81.4MM	\$67.1MM
Noninterest Income	\$23.1MM	\$29.7MM
Earnings Per Share	\$1.96	\$1.90
Dividend Per Share (Paid Quarterly)	\$0.40	\$0.36
Special Dividend Per Share	\$2.00	\$0.00
Equity	\$348.0MM	\$249.4MM
Total Assets	\$2.41B	\$2.16B